



The PUCO adopts net metering rules

November 20, 2017

On November 8, 2017, the Public Utilities Commission of Ohio (PUCO) unanimously adopted changes to Ohio's administrative rules governing net metering for behind the meter distributed generation.¹ Ohio's net metering regulations (Ohio Adm. Code 4901:1-10-28) permit consumers receiving their electric utility's standard service offer to be credited for excess energy generated by their distributed generation system.

History of Ohio's net metering regulations

The PUCO's net metering case began in 2012 when the commission undertook a review of Ohio's net metering regulations. In 2014, the PUCO issued a Finding and Order that adopted amended and no-change rules in Ohio Adm. Code Chapter 4901:1-10, which included the net metering rules. Utility companies disagreed with the amended net metering rules and appealed the order to the Ohio Supreme Court.²

However, subsequent to the PUCO's order, the net metering rules were withdrawn from the Joint Committee on Agency Rule Review and did not go into effect. Since then, the PUCO has held workshops and accepted comments to receive additional stakeholder input on net metering.

Now, five years after the net metering case began, the PUCO has adopted amended net metering regulations. As the PUCO notes in its new order, these amended regulations are important because "it is the policy of the state of Ohio to 'encourage implementation of distributed generation across customer classes through regular review and updating of administrative rules governing critical issues such as, but not limited to, interconnection standards, standby charges, and net metering.'" (quoting R.C. 4928.02(K)).

The November 8, 2017, entry

The PUCO's new order revises and clarifies several important definitions and requirements for both utility companies and customers. The following regulations are likely to have the most impact.

- Modification of the excess generation credit rate: The PUCO determined that credits for excess generation will be calculated based on only the energy-only component of the utility's Standard Service Offer (SSO). This is a departure from the original rule, which used the full SSO rate for compensation. (OAC 4901:1-10-28(B)(9))
- Definition of "customer-generator": The PUCO defines a customer-generator as "a user of the net metering system" but declined to elaborate further or narrow the definition. The PUCO also declined to make a finding on whether an electric utility can be considered a customer-generator. (OAC 4901:1-10-28(A))
- Customer-generators must size their facilities so as not to exceed 120 percent of their electric requirements: Net metering installations are now limited to 120 percent of a customer's average annual electric usage, which is to be determined at the time of interconnection. This limitation applies when the customer-generator receives service from either an electric utility or a CRES provider. Existing net metering facilities are grandfathered in; however, existing customer-generators who want to increase the size of their net metering facility must file an application with their electric utility to show that the expanded size will not exceed the 120 percent requirement. (OAC 4901:1-10-28(B)(7)(b))
- Properly sizing a net metering facility is the customer-generator's responsibility: Customer-generators bear the responsibility of properly sizing their own net metering systems. Electric utilities, however, "shall provide to customers upon request either a reasonable estimate of the annual electricity consumption for the customer's premises or the actual average annual electricity supplied to the premises." Customers may rely on this data for sizing their own facilities. (OAC 4901:1-10-28(B)(7)(a))
- Competitive Retail Electric Service Providers (CRES) are not required to participate in the net metering tariff: Under the new rules, "CRES providers may offer net metering contracts to customer-generators at any price, rate, credit, or refund for excess generation." CRES providers are given such flexibility because the PUCO is aiming to create a market-based approach to net metering wherein "customers can choose from multiple net metering offers between competitive providers." A CRES provider must, however, "notify the electric utility if it enters into a net metering contract with a customer-generator." (OAC 4901:1-10-28(B)(9)(c))
- Excess generation shall be applied as a monetary credit applied to the customer-generator's total electric bill: Customer-generators on an electric utility's standard net metering tariff shall be provided with "a monetary credit calculated at the energy-only component of the electric utility's [standard service offer] and applied to a customer-generator's total bill." The monetary credit then carries forward to be applied against the customer-generator's monthly electric bills with no refunds. (OAC 4901:1-10-28(B)(9))
- Customer-generators are permitted to include a contiguous lot: The PUCO confirmed that "a customer-generator's premises may include a contiguous lot, so long as it would not create an unsafe or hazardous condition, as determined by the electric utility through its interconnection review process." The contiguous lot may be owned or leased by the customer-generator. (OAC 4901:1-10-28(B)(6))
- Advanced metering for customer-generators: When a customer-generator's electric meter is incapable of measuring electric flow, "the customer-generator should have the option of having either a traditional meter or an advanced meter installed." Here, the PUCO's "intent is to provide customer-generators in areas where advanced meters are not being deployed the opportunity to have an advanced meter installed at their own expense, before they would otherwise receive an advanced meter through the electric utility's smart grid program." (OAC 4901:1-10-28(B)(8))
- Separate section for hospital customer-generators removed: The PUCO removed a dedicated section of the net metering rules for hospital customer-generators. Hospitals have special net metering provisions under Ohio Revised Code 4928.67.

However, the PUCO determined that these provisions could be incorporated into the primary net metering rules.

Effect of amended regulations on customers' excess generation credits

According to research by The Columbus Dispatch, the new regulations could shrink customers' credits by approximately 30 percent.³ However, actual customer credit impacts may vary based on the customer's rate class and implementing net metering tariffs.

Mixed reception

Ohio's updated net metering regulations have received mixed reviews. Trish Demeter, the vice president for policy at the Ohio Environmental Council, reports that the regulations represent "a step back" for how rooftop solar credits are valued.⁴ PUCO Chair, Asim Haque, however, notes that "[t]he rules adopted today enhance the state of Ohio's energy policy by establishing consistent, state-wide parameters for net metering, and foster a competitive marketplace for innovative products and services."⁵ Haque also noted that the PUCO will continue to review these policies "as more customers take advantage of net metering opportunities."⁶

Conclusion

The decision by the PUCO to limit the excess generation credit to the energy-only component of the SSO represents a big win for Ohio's utilities, which were in the process of contesting a credit based on the full SSO amount at the Ohio Supreme Court.

Although this particular proceeding has lasted over five years, the November 8 Order hardly represents a conclusion to the net metering debate in Ohio. Various components of the PUCO's order will likely be appealed. In addition, the next five-year review of net metering is already beginning now. On August 28, 2017, the PUCO initiated a new review of Ohio Adm. Code Chapter 4901:1-10, which includes the net metering rules.⁷ A stakeholder workshop was held on October 3, 2017.

Net metering will also reemerge as an issue in Phase 3 of the PUCO's PowerForward initiative, set to begin in the first quarter of 2018.⁸ In fact, in the November 8 Order, the PUCO expressly declined to hold a previously promised public forum regarding net metering and energy storage with stakeholders, stating that "the [net metering and energy storage] public forum . . . has been subsumed by the PowerForward initiative and need not be separately held. . . ."

¹ PUCO Case No. 12-2050-EL-ORD.

² AEP Ohio's appeal to the Ohio Supreme Court is Case No. 2014-1290. FirstEnergy's appeal to the Ohio Supreme Court is Case No. 2014-1633.

³ Dan Gearino, "PUCO Ruling Expected To Shrink Credits Paid for Sending Excess Electricity to Power Grid," The Columbus Dispatch (Nov. 8, 2017), <http://www.dispatch.com/business/20171108/puco-ruling-expected-to-shrink-credits-paid-for-sending-excess-electricity-to-power-grid>.

⁴ Id.

⁵ Robert Walton, "Ohio Regulators Trim Credits, Limit System Size in New Net Metering Update," UtilityDive (Nov. 9, 2017), <https://www.utilitydive.com/news/ohio-regulators-trim-credits-limit-system-size-in-new-net-metering-update/510476/>

⁶ Id.

⁷ Case No. 17-1842-EL-ORD.

⁸ See, PUCO announces "grid modernization" initiative, <http://www.bricker.com/insights-resources/publications/puco-announces-grid-modernization-initiative>.

Authors



Dylan F. Borchers

Partner

Columbus

614.227.4914

dborchers@bricker.com