

ETIC Policy Points for Discussion

To prepare for the March ETIC meeting, members may wish to review the information below to guide the committee in moving Senate Joint Resolution No. 12 forward. In January, the ETIC indicated that it would focus specifically on net-metering policy at the March meeting.

Summary:

- **Should changes be made to the net metering definition?**

- **Should the policy define utility, customer, and/or Public Service Commission responsibilities differently?**

- **Should the policy be modified to direct the PSC to take specific steps to determine whether a “utility will incur direct costs associated with interconnecting or administering net metering systems that exceed any offsetting benefits associated with these net metering systems” or to review cost allocation?**

- **Should the policy provide more direction or establish a cost allocation methodology?**

- **Should there be changes in how net-metered customers are billed and/or credited?**

- **Should interconnection and safety requirements in policy be changed?**

- **Should Montana’s net metering policy apply to rural electric cooperatives or to utilities other than NorthWestern Energy?**

- **Should changes be made to grant, loan, tax credit, or Universal System Benefits policies that are used for net-metering?**

◇ **69-8-103, MCA. Definitions.** "Net metering system" means a facility for the production of electrical energy that: (a) uses as its fuel solar, wind, or hydropower; (b) has a generating capacity of not more than 50 kilowatts; (c) is located on the customer-generator's premises; (d) operates in parallel with the utility's distribution facilities; and (e) is intended primarily to offset part or all of the customer-generator's requirements for electricity.

➤ **Should changes be made to the net metering definition?**

The following information concerning the net-metering cap was requested by Senator Driscoll at the January meeting:

- The Montana Renewable Energy Association finds, "The 50 kW cap has not proven large enough for commercial applications, a municipal parking garage and mixed-use development, military facilities or a low income housing development. In each of these cases, developers have either down-sized projects or split larger arrays, at additional cost, into multiple separately metered systems. MREA has supported raising the net metering cap to 1 megawatt (20 times the current 50 kW cap) in order to accommodate large commercial developments, schools and government facilities within the net metering law. Thirty-seven states allow systems larger than 50 kW and 18 states allow customer generators 1 MW or larger. Several states, including Arizona and Colorado, define the capacity cap for individual projects based on the system size required to meet the owner's average annual energy usage, instead of setting a fixed cap for all systems." To attract and meet the demands of businesses that are interested in net metering, MREA recommends updating the net metering cap to, at a minimum, the median of other state caps or 400 kW.
- NorthWestern opposes increasing the cap on net metering unless a different rate design is used, specifically for commercial net metered-customers. For residential customers, the company states "increasing the current kilowatt net metering cap to any greater size will have a minute effect on the number of residential customers already capable of net metering." The utility's concern is that increasing the cap will lead to aggregation, in which a household leases a share of the system from a developer. NorthWestern finds that if the cap was raised to 1 MW, then 7,832 commercial customers could meter their full load, as could 15 industrial customers and 322 irrigation customers. "Increasing the net metering cap without reforming the cost shifting mechanisms inherent under Montana's current net metering statute would be fraught with peril for Montana residential and small commercial electric customers, who would end up subsidizing the electric bill of some of the largest and most successful corporate enterprises in this country."

◇ **69-8-602, MCA. Utility net metering requirements.** A utility shall: (1) allow net metering systems to be interconnected using a standard kilowatt-hour meter capable of registering the flow of electricity in two directions, unless the commission determines, after appropriate notice and opportunity for comment: (a) that the use of additional metering equipment to monitor the flow of electricity in each direction is necessary and appropriate for the interconnection of net metering systems, after taking into account the benefits and costs of purchasing and installing additional metering equipment; and (b) how the costs of net metering are to be allocated between the customer-generator and the utility; (2) charge the customer-generator a minimum monthly fee that is the same as other customers of the electric utility in the same rate class. The commission shall determine, after appropriate notice and opportunity for comment if: (a) the utility will incur direct costs associated with interconnecting or administering net metering systems that exceed any offsetting benefits associated with these net metering systems; and (b) public policy is best served by imposing these costs on the customer-generator, rather than allocating these costs among the utility's entire customer base.

- **Should the policy define utility, customer, and/or Public Service Commission responsibilities differently?**

- **Should the policy be modified to direct the PSC to take specific steps to determine whether a “utility will incur direct costs associated with interconnecting or administering net metering systems that exceed any offsetting benefits associated with these net metering systems” or to review cost allocation?**

- **Should the policy provide more direction or establish a cost allocation methodology?**

◇ **69-8-603, MCA. Net energy measurement calculation.** Consistent with the other provisions of this part, the net energy measurement must be calculated in the following manner: (1) The utility shall measure the net electricity produced or consumed during the billing period, in accordance with normal metering practices. (2) If the electricity supplied by the electricity supplier exceeds the electricity generated by the customer-generator and fed back to the electricity supplier during the billing period, the customer-generator must be billed for the net electricity supplied by the electricity supplier, in accordance with normal metering practices. (3) If electricity generated by the customer-generator exceeds the electricity supplied by the electricity supplier, the customer-generator must be: (a) billed for the appropriate customer charges for that billing period, in accordance with 69-8-602; and (b) credited for the excess kilowatt hours generated during the billing period, with this kilowatt-hour credit appearing on the bill for the following billing period. (4) On January 1, April 1, July 1, or October 1 of each year, as designated by the customer-generator as the beginning date of a 12-month billing period, any remaining unused kilowatt-hour credit accumulated during the previous 12 months must be granted to the electricity supplier, without any compensation to the customer-generator.

➤ **Should there be changes in how net-metered customers are billed and/or credited?**

- In 2015, the Legislature reviewed proposals that would have allowed a customer-generator participating in net metering to carry forward remaining unused kilowatt-hour credits and to apply excess credits to separately metered accounts. Other proposals would have allowed a customer-generator participating in net metering to carry forward remaining unused kilowatt-hour credits over various timeframes as opposed to granting the credits to the electricity supplier.

◇ **69-8-604, MCA. Net metering system -- reliability and safety.** (1) A net metering system used by a customer-generator must include, at the customer-generator's own expense, all equipment necessary to meet applicable safety, power quality, and interconnection requirements established by the national electrical code, national electrical safety code, institute of electrical and electronic engineers, and underwriters laboratories. (2) The commission, after appropriate notice and opportunity for comment, may adopt by rule additional safety, power quality, and interconnection requirements for customer-generators that the commission or the local governing body determines are necessary to protect public safety and net metering system reliability.

➤ **Should interconnection and safety requirements be changed?**

- In September the ETIC received information about interconnection and safety requirements in Montana and other states. Some state interconnection policies address a pre-application process, requirements for liability insurance, indemnification requirements, technical requirements for disconnect switches and synchronizing devices, appropriate use of smart inverters, and interconnection fees.

◇ **69-8-605, MCA. Applicability.** This part does not apply to corporations organized under Title 35, chapter 18.

- **Should Montana’s net metering policy apply to rural electric cooperatives or to utilities other than NorthWestern Energy?**

◇ **15-6-224, MCA, 15-6-225, MCA, 15-32-201, MCA, 15-32-401, MCA, 69-8-103, MCA, 75-25-101, MCA. Tax, loan, and other incentives.** (See additional handout on incentives for overview of each program in statute.)

- **Should changes be made to grant, loan, tax credit, or Universal System Benefits policies that are used for net-metering?**

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