



Submitted electronically to:

Ministry of Energy, Northern Development and Mines  
Conservation and Renewable Energy Division  
77 Grenville St., 5th Floor  
Toronto, ON M7A 2C1  
Attn: Ms. C. Rosen

November 20, 2020

Dear Ms. Rosen

**Re: ERO number 019-2531**

**Consultation on Changes to Ontario's Net Metering Regulation to Support Community-Based Energy Systems**

London Hydro is pleased to make the following submission with respect to ERO number 019-2531; "Changes to Ontario's Net Metering Regulation to Support Community-Based Energy Systems"

This submission is intended to address concerns that London Hydro has with respect to net metering generation credit application rate "fairness for all customers", irrespective of the proposal of community net metering. London Hydro would identify what we perceive to be an unfair requirement in the application net metering credits directed within Section 8 Account Billing in O. Reg. 541/05: NET METERING. More specifically London Hydro has concerns with respect to subsection 8.2 definition of the settlement formula "D".

*"D is the total monetary value of the eligible electricity conveyed into the distributor's distribution system by the eligible generator during the billing period, calculated on the same basis as the eligible generator's consumption of electricity but not demand for electricity, including charges for the commodity of electricity, but without any adjustment for total losses as defined in the Retail Settlement Code,..."*

London Hydro would address the following extract from the ministries opening paragraph for this proposal.

*Net metering is a billing arrangement between an electricity utility and a customer, such as a homeowner or business. Under a net metering arrangement, the customer generates electricity from a renewable source for their own use while still drawing electricity from the grid when needed. Net-metered generators are eligible for credits on their electricity bills for renewable electricity generation they send to the grid. **Credits are valued at the same rate customers are charged for their electricity drawn from the grid.***

London Hydro has an issue with the last sentence in the paragraph. First we would challenge that “Credits are valued at the same rate customers are charged” is not an accurate statement in application of 541/05. Second we would challenge that “charged for their electricity drawn from the grid” the application of 541/05 includes values beyond electricity values. London Hydro below identifies reasons for our concerns and recommendations to help alleviate these concerns.

It is London Hydro interpretation that this formula “D” allows for the application of kWh rates only for net meter generation credit. Our first concern is that this requires London Hydro to credit kWh distribution charges back. In the world of London Hydro’s rate classifications net metering could be applied to our four distinct customer rate classes; Residential (RES), General Service less than 50 kW (GSLT50), General Service greater than 50 kW (GSGT50), and Large User (LU). RES customers are billed a singular fixed distribution rate without a distribution kWh charge (this was effectively eliminated in 2018 when the distribution kWh charge was eliminated by OEB order). GSLT50 are billed a fixed distribution charge and a volumetric distribution kWh charge. GSGT50 and LU are billed a fixed distribution charge and a volumetric distribution kW demand charge. London Hydro would argue that application of kWh generation credits against volumetric distribution charges creates an unintentional cross subsidization situation favouring GSLT50 net metering customers over all of our other customer rate classes exercising net metering and further all of London Hydro’s rate classes. London Hydro would urge the ministry to consider that the section 8.2 definition of “D” specifically excludes application of kWh generation credit against distribution volumetric charges to eliminate unintentional cross subsidization and therefore promote rate fairness for all customers.

In addition to the above but to a lesser degree is the unintentional application of cross subsidization on deferral and variance account application. These rates as approved by the OEB in rate applications can be applied on fixed and volumetric structures with volumetric being kWh and kW basis. London Hydro would urge that the section 8.2 definition of “D” specifically exclude application of kWh generation credit against deferral and variance charges to eliminate unintentional cross subsidization and therefore promote rate fairness for all customers. Further London Hydro would suggest that the OEB should be directed to consider net metering customers in deferral and variance charge applications. This would be akin to the consideration afforded to Wholesale Market Participants today in the OEB rate setting process.

In respect to commodity costs London Hydro would identify three general components; electricity, transmission, and wholesale market service. Electricity and wholesale market costs are typically based on kWh and are therefore in natural alignment with the net metering formula component “D” across all customer classes. However transmission costs are applied differently in accordance to the customer class. RES and GSLT50 both have transmission costs applied on a kWh basis where GSGT50 and LU have transmission costs applied on a kW demand basis. As with the discussion on distribution above a similar unfairness occurs as the larger customer classes incur the cost of transmission without the offsetting relief experienced by the smaller customer classes. London Hydro is concerned with the fairness aspect. London Hydro would suggest that by the ministry not addressing this discrepancy in calculation of net metering generation credits customers will attempt to downsize bulk net meter connections to fit the smaller customer class thereby avoiding the transmission cost. This action runs

counter to cost efficient utility connection practices and results in unintentional complexity in the application of rates.

London Hydro would further suggest that the argument for inclusion or exclusion of application of transmission or wholesale market costs to net metered customer's generation credits is beyond the scope of our concern as an LDC. However both costs are costs incurred in the delivery of electricity to London Hydro's franchise border. Such costs are then shared amongst all ratepayers by means of tariff directed charges and any resultant differences netted out using variance accounts. London Hydro views this as a two sided argument, both having merit. On one side it could be argued that all customers must share in the cost of all electricity delivered by the IESO. This argument would suggest that these costs should be excluded from the calculation of net metered generation credit. The other side may argue that because there is self-generation and currently not captured in current IESO reporting, in difference to other local embedded generation reported for inclusion in calculation of delivered costs that the external delivery costs should therefore not be incurred and should not apply. London Hydro would encourage the ministry to review this issue and make a determination on fairness.

### **Conclusion**

London Hydro strongly recommends that the ministry reconsider the formulaic definition of section 8.2 "D" by removing volumetric kWh distribution and deferral / variance from the calculation of net metering generation credit. Further the Ministry should consider encouraging the OEB to include consideration of net metering in the determination of application of deferral and variance application for net metered customers.

London Hydro strongly recommends that the ministry reconsider the formulaic definition of section 8.2 "D" to address the unfair application of transmission costs in the calculation of net metered generation credit.

London Hydro is ambivalent about the ministries application of transmission and wholesale service costs included in the calculation of net metered generation credit but would encourage the ministry to review this issue and make a determination on fairness.

Should you have any questions or concerns, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in black ink that reads "M Benum". The signature is fluid and cursive, with the first letter of "M" being particularly large and stylized.

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