



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"

London Hydro is an OEB licenced local distribution company (LDC) with the franchise to distribute electricity to the City of London. London Hydro operates under the various provincial and federal government imposed acts, regulations and directives. As a regulated utility we also operate under the various rules codes and guidelines imposed by the Ontario Energy Board.

London Hydro is a member of the Electricity Distributors Association (EDA) and as such we contributed to the submission presented by them. As the EDA submission is the collective voice of our industry we may not necessarily concur with all points submitted. This submission is intended to be an addendum to that submission allowing London Hydro to expand on various issues raised in that submission and this proposal.

LDC Settlement of demonstration CNM projects

As a regulated utility London Hydro sees our role in the sense that under current restrictions imposed by the various rules and regulations we are limited to involvement in CNM activity beyond the bulk meter. We see ourselves as the electrical gatekeeper to the community and nothing more. We are only allowed by current law to connect the customer to our electrical grid and meter usage, all the while exercising due care for technical safety. By virtue of O. Reg 541/05 Net Metering we can allow a customer to export excess generation to our grid for the purposes of the customer using that excess electricity in the future. O Reg

541/05 defines how that excess generation is to be valued and applied against future consumption. In simple terms London Hydro becomes a virtual battery to the net metered customer.

London Hydro as a regulated entity operating under O Reg 541/05 is required to install bi-directional meters for measurement and control of energy and to ensure that the customer does not export any excess generation beyond its own consumption. In simple terms London Hydro must ensure that the customer cannot monetize generation for profit. To do this efficiently London Hydro sees its billing or settlement role ending at the singular totalized net metering many to one invoice to be presented to a singular settlement agent. All activity beyond the bulk net meters is not in London Hydro's purview.

Settlement Agent Settlement of demonstration CNM projects

London Hydro recognizes that the following is beyond the scope of the role of the LDC but offers this for consideration.

London Hydro would like to propose a settlement model for community net metering with attention to generators that support community net metering (CNM). To set the stage London Hydro has extracted the following from the OEB response letter to London Hydro on August 20, 2020;

As per Part VII.1 of the OEB Act, the OEB may take compliance action in regards to any enforceable provision as defined in section 3 of the Act. O. Reg. 161/99 is an enforceable provision under the OEB Act. Accordingly, the OEB's authority in relation to compliance extends to exempt distributors and retailers under O. Reg. 161/99. This includes, but is not restricted to

- the requirement under ss. 4.0.1(1) of that regulation that a distributor "distributes electricity for a price no greater than that required to recover all reasonable costs"; and

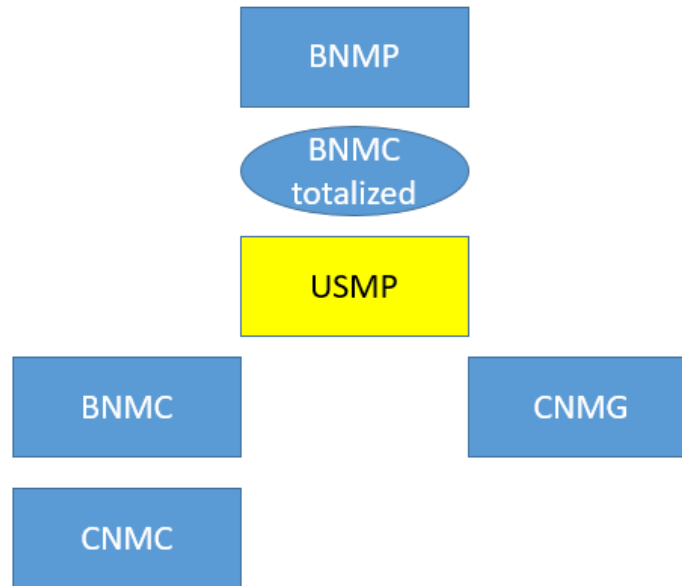
- the requirement of a retailer under ss. 4.1(1) that "the only electricity retailed by the retailer was purchased by the retailer from another person that holds a licence authorizing the other person to own or operate a distribution system or to retail electricity, the retailer that purchased the electricity retails it at a price that is no greater than the price the retailer purchased it for".

London Hydro would suggest that there are five distinct parties potentially involved in any CNM settlement

- London Hydro as Bulk Net Meter Provider (BNMP)
- Unit Sub Meter Provider (USMP)
- Bulk Net Meter Consumer (BNMC)
- Community Net Meter Consumer (CNMC)

- Community Net Meter Generator (CNMG)

Central to any CNM is the USMP who London Hydro suggests would by nature assume the role of the central settlement agent for quad-party settlement. The question at hand would be if the ECPA 2010 allows this?



The concept proposed the unit sub meter provider (USMP), acting as an agent for the natural exempt distributor being the BNMC, will be responsible for settling community net metering electricity costs with three players; CNM consumers (CNMC), CNM generator (CNMG), and the bulk net meter provider (BNMP).

CNMC would be all the captive unit sub meter consumers behind the bulk net meter.

CNMG would be the captive renewable generator behind the bulk net meter. The CNMG would be responsible for ensuring generation of electricity would not exceed the community total consumption at the risk of spillage of excess generation.

BNMP would be the licenced electricity distributor operating under the 541/05 net metering regulation. BNMP would deliver and bill electricity measured as consumed to the point of bulk meter demarcation. BNMP would receive and credit electricity measured as generation back into the distributor's grid beyond the bulk meter demarcation. This is in accordance with the 541/05 net metering regulation.

CNMC would have all electricity consumed by themselves billed at the community average cost. This would include the cost of electricity delivered by the BNMP or generated by the CNMG. USMP will determine electricity costs in compliance with ECPA 2010, O. Reg. 161/99 and USMP Code.

The issue at hand is how to value the generation provided by the CNMG that allows for determining a price no greater than that to recover all reasonable costs. There may be various options available but this document would only propose one remuneration model for purposes of discussion.

London Hydro would like to propose that the OEB cost of service model may be the best vehicle to construct an annual CNMG remuneration program. The basics would follow the typical revenue requirement construct;

- OEB rate of return on used and useful assets deployed (includes Working Capital allowance)
- Annual OM&A cost recovery
- Annual depreciation recovery
- Gross up Income tax

Once revenue requirement is determined recovery rates would be calculated using forecasted annual generation. The USMP would then apply the calculated rates against all generation output measured.

For the first year of application forecasts would be applied to determine initial rates. Subsequent years would use the actuals from the previous year against forecasted generation to determine rates.

There would be an annual true ups process to clear all over and under recovered costs so that both parties are treated fairly.

To ensure that the generator does not over generate beyond community consumption, the generator should bear the full cost of rolling twelve excess generation unrecovered to ensure that the community is maintained at or near net zero.

London Hydro might suggest that the CNMG be required to be licenced by the OEB to ensure compliance to generation only for the community and set standards for quality and reliability of generation..

London Hydro believes the OEB cost of service model is a safe model to consider as it is designed for creating near market remuneration for monopoly electricity distributors in Ontario. The CNMG would be comparable to a monopoly as it could serve as sole provider to a local market potentially as a licenced participant. The OEB cost of service model encourages long term investment and reinvestment into the generation system as well as

recovery of costs for ensuring continuing reliable service. Having the generator be responsible for unrecovered excess generation ensures that the generation system would be sized properly. London Hydro believes that by using this model the CNMG could be held to performance metrics to ensure reliability of service. As with Ontario electricity distributors this model discourages gaming or harvesting of assets. London Hydro views CNMG as a virtually risk free investment for investors as they have a captive market without needing to bid into the wholesale market. London Hydro believes that this model uniformly applied by CNMG should alleviate the OEB's concern with respect to ensuring delivering "*electricity for a price no greater than that required to recover all reasonable costs*".

Conclusion

While the above does not provide fulsome design or plan for implementation London Hydro would suggest it offers ENDM an opportunity to establish the making of a reliable CNMG remuneration model design to ensure that both CNMC and CNMG are treated fairly. In summary London Hydro recommends;

- that the OEB establish a CNMG licence be required for operating in a community
- that the OEB Cost of Service model be used as the proxy to ensure the CNMG is delivering "*electricity for a price no greater than that required to recover all reasonable costs*".

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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