

FACT SHEET ON NET ENERGY METERING LIMITS FOR CUSTOMER GENERATORS

Background

Net Energy Metering is when a homeowner, business, or municipality produces electricity (i.e., solar panel, small biomass boiler, small hydro-electric dam) and receives credit for the excess power they send into the grid. Group Net Metering allows a small renewable electricity producer to use its generation to supply electricity to a group of customers. Demand for net metering and group net metering is growing and is now facing a regulatory constraint. The restraint is a 1 megawatt (MW) capacity cap on the size of eligible renewable projects. HB 365 fixes this regulatory constraint by increasing the eligibility cap up to 5 MWs (this is consistent with other federal and regional size limits).

By increasing the cap on net metered projects, HB 365 will:

Spur millions in investment, support local jobs, and increase state and local tax revenues. Larger energy users such as municipalities, schools, and businesses will now have the same opportunity to net meter that homeowners have enjoyed for years.

- There are currently dozens of private and municipal renewable power projects on hold or being downsized because of the current 1 MW limit. These projects represent millions of dollars in investment, local employment, and state and local tax revenues.
- At least 36 municipalities are looking at net metering including Colebrook, Derry, Franklin, Goffstown, Laconia, Loudon, Manchester, Nashua, Pittsfield, Sanbornton, Tilton, and Whitefield. (See attached list.)

Expand customer choice and competitive options. The current 1 MW limit is a barrier to renewable power deals for private and governmental entities.

- Over 100 private and public entities are currently group net metering using hydro plants ≤ 1 MW.
- Another 22 schools, towns, and government agencies, as well as businesses, are on a waiting list for this hydro group net metering program and can't participate because the 1 MW cap is limiting the supply of power to the program. (See attached list).
- NH's electric restructuring law promised more retail competition and customer choice, including self-generation – 20 years later, it is time to deliver on that promise!

Save money for ratepayers. Net metering saves ratepayers money in several ways.

- Ratepayers save on commodity costs for electricity because net metering helps reduce demand.
 - Customers who generate their own power save money.
 - An increase in local supply means that less power is bought in the market from large generators. This increase in supply helps reduce market prices for all customers.
 - Electricity demand is forecast to be negative in every New England state except NH. Our economy is strong, but we are behind on efforts to reduce electric use - net metering will help.
- Ratepayers save on current transmission costs, as net metering helps reduce peak electric demand.
 - Regional transmission costs are allocated to each state based on its share of the region's peak demand.
 - The more power a state produces locally by net metering, the lower their portion of regional costs.
 - NH is losing ground to our neighboring states; our share of peak is growing from 7.9% in 1991, to 9.5% today, to an estimated 9.7% by 2027.
 - An increase from 9.5% to 9.7% will cost NH ratepayers a total of \$24.6 million more in transmission costs (\$12.3 million for every 0.1% increase based on \$12.3 billion in regional transmission investments).

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- Ratepayers save on future transmission costs because net metering mitigates the need for expensive new transmission projects that saddle ratepayers with an approximate 11.5% return earned by transmission companies.
 - Transmission is one of the fastest growing portions of electricity bills, increasing 555% since 2005. (See attached chart.)
- Ratepayers save on capacity costs because building more small-scale capacity locally can help reduce the amount of capacity required to meet demand and NH's allocation of those capacity costs.
 - Capacity costs have been on the rise. (See attached chart.)

Save money for taxpayers. Net metering also saves taxpayers money in several ways.

- Schools and municipalities that net meter will save taxpayers money due to electric savings.
- Net metered projects on municipal property (e.g., landfills) will enhance the property's value and generate new revenue streams.
- Private net metered projects will pay state and local taxes without burdening local resources.

Strengthen the power grid and improve reliability.

- ISO-NE warns of power shortages due to the retirement of power plants, the lack of new plants, and the region's over-reliance on natural gas for electric generation.
- No large power plants, no pipelines, and no merchant transmission lines are being built.
- Local renewables provide an easy-to-site hedge against potential power supply shortages.
- Local renewables provide much needed fuel diversity, reducing our overreliance on natural gas generation and associated electricity price spikes and volatility.
- Local renewables also hedge against the cost of transmission line losses (which are 6-7%).

Ensure ratepayer savings are maximized and costs are minimized.

- Utilities will be required to use excess net metered power to reduce their wholesale load obligation.
- Liberty Utilities currently follows this approach; Eversource and Unitil do not.
- When this "load reducer" approach is not used, the state's peak demand is inflated, the need for transmission investment is inflated, and line losses are inflated – which benefits transmission and large energy companies at the expense of ratepayers.
- Utilities will not be required to mediate disputes among group net metering participants, per the PUC's net metering rules. HB 365 does not change these rules.

Will NOT increase default service prices. The "load reducer" approach will not impact these prices.

- Default service prices already reflect a risk premium for potential changes in demand for default service, such as customers switching to competitive suppliers, weather, energy efficiency, and the economy.
- Many customers that would use 1-5 MW projects (e.g., municipalities, schools and businesses) are likely not even using default service because they have switched to a competitive supplier.
- The output from net metered facilities can easily be modeled. There is very good data on how hydro, solar, and other renewables operate under different weather conditions, and information about new projects will be available well before they start operating.
- Liberty Utilities uses the load reducer approach, and their default service prices have not been impacted. (See attached charts.)

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Will NOT result in cost-shifting or subsidies. Last year the NH Public Utilities Commission did an analysis of this for a similar net metering bill, SB 446, and found that, "*To the extent State, county or local governmental units are able to install their own renewable generation facilities, those governmental entities may benefit from lower electricity costs and may also receive revenues in the form of net metered payments for excess power generated.*" (emphasis added)

- Net metering consumers will use PUC-approved rules developed to prevent cost-shifting.
- Net metering consumers will continue to pay all charges related to demand, transmission, distribution, stranded costs, system benefits, and taxes.