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LETTER No. L-37-03

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July 22, 2003

Mr. Richard Stout
Chief Regulatory Officer
British Columbia Hydro and Power Authority
17th Floor, 333 Dunsmuir Street
Vancouver, B.C. V6B 5R3

Dear Mr. Stout:

Re: British Columbia Hydro and Power Authority
Net Metering Tariff

Policy Action #20 in the recently released Energy Policy states that BC Hydro, Aquila Networks, and other investor-owned utilities will develop policies such as net metering and interconnection standards to achieve a voluntary goal to acquire 50% of new supply from BC Clean Electricity over the next 10 years.

On December 10, 2002 Mr. Wheatley and others applied to the Commission for a change to BC Hydro's standard metering practices to include a "limited and simple form of net metering," citing Policy Action #20. Mr. Wheatley et al. proposed a similar change in October 2001, but the Commission, with input from BC Hydro, deferred consideration of net metering until after the release of the Energy Policy.

In response to Mr. Wheatley's renewed application, the Commission requested that BC Hydro prepare, in consultation with customer groups and other utilities such as Aquila Networks, a report to assess the merits of a net metering policy. The Commission's request was based in part on the new Energy Policy, which makes a clear directive for utilities to develop policies to support the voluntary goal of acquiring 50% of new supply from BC Clean Electricity over the next 10 years.

On June 27, 2003, as per the Commission's request, BC Hydro submitted its final report, *Net Metering in British Columbia*, a white paper prepared by Compass Resource Management Ltd. BC Hydro also submitted written comment on the report, and on net metering in general, from various interest groups and individuals.

On the basis of the report, BC Hydro concludes that although net metering of small generators is unlikely to produce significant quantities of clean energy in a cost-effective way, there are reasons to consider its implementation since it provides customers with the means to take responsibility for their own power production and to lower their environmental impact.

The Commission has considered the findings of the report, the submissions of the various interested groups, and BC Hydro's conclusions. The Commission supports the concept of net metering in general. The Commission agrees that net metering is not likely to be developed to a great extent in B.C. given our low electricity rates presently. In the current pricing environment the Commission expects that net metering in B.C. would not impose any material costs on non-participating ratepayers.

The Commission recommends the development and implementation of a net metering tariff. However, given that a small amount of energy will likely be involved, the Commission's support for a net metering tariff is conditional on development and implementation that does not incur any substantial cost on the utility, and that does not impose any inordinate barrier to ratepayers seeking to net meter. Therefore, the Commission directs BC Hydro to prepare an application for a simple net metering tariff, with at minimum the following parameters:

- It should be available to the residential and commercial customer classes.
- It should be applicable only to clean energy projects, as defined in the BC Government's Energy Policy.
- It should be applicable to generation of 50 kW or less.
- Interconnection must be safe, but the rules governing interconnection should not be extensive, nor burdensome in administrative process.
- BC Hydro should consult with other agencies and interest groups as appropriate.
- Customer generation should be limited to own use only at the registered location of the net metering installation. In determining consumption charges, net excess generation may be banked as a credit to the customer's account to be applied against future net consumption.

The Commission agrees with BC Hydro that at a pre-determined anniversary date net excess generation should be transferred to BC Hydro, but it is not convinced, even in light of the lower quality energy likely available from net metering in B.C., that this transfer of energy should come at zero cost to BC Hydro. The Commission recommends that BC Hydro propose a rate for purchase of net excess generation on a given anniversary date and consult further with interested groups as necessary to develop its proposal in this regard.

Upon implementation of the net metering tariff, the Commission will actively monitor the uptake of net metering installations and develop as necessary a process to review the success of the net metering tariff, including an assessment of the impacts of net metering in B.C. on non-participating customers.

BC Hydro should submit its application for a net metering tariff for Commission approval by November 3, 2003.

Yours truly,

Original signed by:

Robert J. Pellatt

RG/cms

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