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To: "Direct to Mayor and Council - DL"

CC: "City Manager's Correspondence Group - DL"

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"Kelley, Gil" <Gil.Kelley@vancouver.ca>

Date: 10/31/2018 2:37:01 PM

Subject: Impacts of Changes in BC Hydro's Net Metering Program - RTS 12623

Attachments: Memo to Mayor and Council - RTS 12623 - Impacts of BC Hydro's changes to....pdf

Greetings Mayor and Council,

Please find attached a memo from Gil Kelley, General Manager of Planning, Urban Design and Sustainability in response to Council's inquiry; RTS 12623 - Impacts of Changes in BC Hydro's Net Metering Program .

In summary:

- Staff have investigated the implications of BC Hydro's changes to its net metering program, which is the program that allows BC Hydro customers to generate their own electricity and sell it back to BC Hydro.
- On June 1, 2018, the BC Utilities Commission approved a change to BC Hydro's net metering program that limits projects to those where the solar panels generate no more than what a building uses. The decision also directed BC Hydro to complete a more comprehensive review of their net metering program by December 15, 2018.
- The change in the net metering program will deter solar projects that would be generating more than a building needs. Given electricity demand is expected to increase significantly if the City and Province are successful in meeting their climate change objectives, any policy change that makes it more difficult to develop a low impact form of renewable energy is a concern.
- City staff will offer several recommendations to BC Hydro as part of their comprehensive net metering review, including restoring support for those oversized systems.

Any comments or questions can be directed to Doug Smith, Director of Sustainability at 604.829.4308 or doug.smith@vancouver.ca.

Best,
Sadhu

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MEMORANDUM

October 30, 2018

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Katrina Leckovic, City Clerk
Lynda Graves, Administration Services Manager, City Manager's Office
Rena Kendall-Craden, Communications Director
Kevin Quinlan, Chief of Staff, Mayor's Office
Naveen Girn, Community Relations Director, Mayor's Office

FROM: Gil Kelley
General Manager, Planning, Urban Design and Sustainability

SUBJECT: Impacts of BC Hydro's changes to its Net Metering Program (RTS12623)

This memo is in response to a motion from Council on May 15, 2018 inquiring about the impacts of BC Hydro's changes to its Net Metering Program.

Context

Since 2004, BC Hydro has offered a net metering program, where customers that generate electricity can sell that electricity back to BC Hydro at the same rates they would pay if it was supplied by BC Hydro. The program has been limited to generation systems up to 100 kilowatts.

Over 1,300 customers have been participating in the program, with the vast majority of those choosing to install a solar photovoltaic system. According to BC Hydro, a typical residential solar installation is 4 kilowatts in size (16 solar panels), which in B.C., would generate about one third of the home's annual energy use.

On April 20, 2018, BC Hydro asked the BC Utilities Commission (BCUC) for permission to change its net metering program to exclude customers expecting to generate more on-site energy than they use. The request was made on an interim basis because BC Hydro was concurrently conducting a broader review of the net metering program, which they were aiming to complete by the end of 2018.

BC Hydro's rationale for requesting the change was that they were receiving an increasing number of net metering applications where the applicant was generating significantly more electricity than they were using. BC Hydro was concerned that the program wasn't intended to support these types of applications and the resulting payments to surplus generators would begin to impact the rates for other customers.

In response to the application, 18 stakeholders sent letters to the BCUC. Most were participants in the net metering program, but they also included solar installers and NGOs. All were opposed to the change because they were concerned that it would undercut support for solar power generation, which they commonly saw as a cost-effective solution that supports the province's climate objectives.

BCUC Decision

On June 1, 2018, the BCUC accepted BC Hydro's request on an interim basis. They largely accepted the argument that the program was being used for installations that it wasn't initially intended for and that these oversized projects could have a negative impact on rates.

As a result, applications where the expected supply is less than or equal to the anticipated demand will continue to be processed by BC Hydro. Applications where the expected supply exceeds the customer's demand will be deferred until a long-term decision is in place. The BCUC directed BC Hydro to file an application for any further amendments to the net metering program by December 15, 2018, which would include a proposed path forward for those deferred applications.

City of Vancouver Staff Perspective

City of Vancouver staff support a shift in the net metering program objectives to include oversized systems in addition to those sized to meet a customer's current demand.

If the City and province are successful in achieving their climate change objectives, there will be a significant increase in the demand for renewable electricity, and solar is expected to be an increasingly cost-effective supply option. For example, an analysis that the City and BC Hydro commissioned to look at pathways to the Renewable City objectives, electricity demand in Vancouver is anticipated to grow by 83 to 116 per cent between 2015 and 2050. Similar results would be expected in other communities pursuing similar targets. Allowing oversized systems to be eligible under the net metering could be one of the ways through which that new demand is met.

The 100 kilowatt limit on system capacity ensures that net metering projects will continue to be relatively small even if they are oversized relative to customer demand. Larger solar projects should still be allowed and encouraged, but are likely better suited in programs such as the Standing Offer Contract or future calls for power.

If BC Hydro and the BCUC choose not to accept oversized systems through the net metering program, BC Hydro could still take steps to be more supportive of solar projects, including:

- Ensuring that the net metering program allows for projects to be sized to meet a customer's future demand. The potential for customers to switch to electric vehicles and heat pumps over time means that a solar system that meets their demands today may not be adequate in the future. This was a point consistently made by stakeholders in response to BC Hydro's request to change the net metering program.

- Ensuring that the application process for systems sized to meet customer demand is as simple and predictable as possible for customers. Simplicity was one of the initial objectives of the program and BC Hydro could end up deterring projects that technically match its criteria if it makes the process too complicated and/or uncertain for applicants. BC Hydro already has the architecture in place to support this with 'simple' and 'complex' application options, where the 'simple' applications include those up to 27 kilowatts. Ideally both options would be as simple as possible.

City staff will share these perspectives with BC Hydro as part of the stakeholder consultation it is doing in advance of its December 15, 2018 filing deadline. Staff will also consider engaging in the next BCUC process to review BC Hydro's net metering program subject any further revisions they end up recommending.

Any comments or questions can be directed to Doug Smith, Director of Sustainability at 604.829.4308 or doug.smith@vancouver.ca.

A handwritten signature in black ink, appearing to read 'Gil Kelley', with a long horizontal line extending to the right.

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