

Regulatory Obstacles Impede Market Development Needed for Full Implementation of Alternative Energy Portfolio Standards Legislation

The Alternative Energy Portfolio Standards Legislation of 2004 (Act 213) has sought to establish and expand the generating capacity from Alternative Energy projects within the state of Pennsylvania over a specific period of time beginning in 2005 and concluding in 2021. To accomplish this outcome the legislation established a number of tools. One of the critical tools is known as Net Metering and is defined as:

Net metering—The means of measuring the difference between the electricity supplied by an electric utility or EGS and the electricity generated by a customer-generator when ~~the alternative energy generating system is intended primarily~~ ANY PORTION OF THE ELECTRICITY GENERATED BY THE ALTERNATIVE ENERGY GENERATING SYSTEM IS USED to offset part or all of the customer-generator’s requirements for electricity.¹

Guidance from the legislation establishes authority for oversight by the Public Utility Commission. The Commission has subsequently established a set of rules and processes by which the legislation has been implemented. Net Metering because of its importance to the success of the AEPS legislation has been discussed, reviewed and revised in an effort to maximize the impact and contribution to successful implementation.

As part of the modifications to the definition of Net metering the Commission established that generation that is produced by a qualified customer generator will be valued as equal in price to the kilowatt-hours (kWh) that would have otherwise been provided by the Local Distribution Company. The definition has been further expanded to recognize that in circumstances where the generation of a customer generator produces more kWh than were delivered, the excess generation will be carried forward from billing month to billing month to be netted out in future months where production is less than consumption. Concluding with the end of the Energy Year (May 31 of each year) at which point any remaining kWh credits will be settled by payment to the customer generator from the Electric Distribution Company for the remaining excess kilowatt-hours at the price to compare as indicated on the customer generators monthly billing statement.

The price to compare is the price per kWh a regulated Electric Distribution Company customer would forgo if they choose to shop for electricity supply from an approved Competitive Electric Supplier. The price to compare varies for customers based on a number of criteria and as such is calculated at the time of bill preparation and is printed on each invoice. In order to calculate a price to compare a bill calculation process must have the appropriate billing parameters needed to reach a bill total. If there are missing billing parameters the bill calculation process will trigger a “minimum bill” and fail to calculate and present a price to compare for that billing month.

¹ **Final Omitted Rulemaking Order (Net Metering)** - Docket No. L-00050174. These regulations were published in the Pennsylvania Bulletin on Nov. 29, 2008 and are legally effective as of that date, Annex A page 3

Customer generators who have a balance of kWh credits at the conclusion of the energy year are entitled to have their account balance settled by direction of the PUC. The customer generators price to compare will be zero if they are carrying a credit balance as of May 31 in any year.

Rate designs in use at this time are by in large the product of decades old rate structures that do not address the requirements of an evolving alternative energy marketplace and as such are obstacles to market implementation.

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