STAFF REPORT
POLICY DIVISION
PUBLIC UTILITIES BUREAU

SUBJECT:

Compensation for certain net metering customers.

STAFF RECOMMENDATION:

Staff recommends that the Commission open an investigation into an annual process and formula for calculating the value of distributed generation rebates, pursuant to the requirements of Section 16-107.6 of the Public Utilities Act.

BACKGROUND:

In Section 16-107.5 of the Public Utilities Act ("PUA"), the Illinois General Assembly declared that a program to provide net electricity metering "can encourage private investment in renewable energy resources, stimulate economic growth, enhance the continued diversification of Illinois' energy resource mix, and protect the Illinois environment." 220 ILCS 5/16-107.5. Pursuant to Section 16-107.5, the net metering program is available to any retail customer that "owns or operates a solar, wind, or other eligible renewable electrical generating facility with a rated capacity of not more than 2,000 kilowatts that is located on the customer's premises and is intended primarily to offset the customer's own electrical requirements." Id. Most net metering customers currently receive a one-for-one kWh credit for the net electricity supplied to the utility or ARES. That is, they receive credits for the kWh-based delivery, transmission, and energy supply charges.

Public Act 99-0906, also referred to as the Future Energy Jobs Act, or FEJA, established a new distributed generation rebate option for non-residential customers as well as owners, developers, and subscribers to community renewable generation projects. Those net metering customers have the option to apply for a rebate equal to $250 per kilowatt of the nameplate capacity of the distributed generation facility. Customers receiving a distributed generation rebate are not eligible to receive credits for the delivery and transmission services portions of their electric bill.

FEJA further requires that the distributed generation rebate will be the only net metering compensation scheme for customers who elect net metering after a certain date, as explained below. That is, those new net metering customers will not be eligible for the full one-for-one kWh credit for the net electricity supplied to the utility or ARES that current residential net metering customers receive.

The rebate becomes the only option for new net metering customers upon the date that installed net metering capacity exceeds a certain threshold; namely, when "the load of an electricity provider's net metering customers equals 5% of the total peak demand supplied by that electricity provider during the previous year." 220 ILCS 5/16-107.5(j).

While the value of the rebates is currently fixed for at $250 per kilowatt for non-residential customers as well as owners, developers, and subscribers to community renewable generation projects, there is no explicit value prescribed in Section 16-107.6 of the PUA for other customers, such as residential customers that have distributed generation systems on their premises. Distributed generation rebate values for such customers must be set by the Commission in "an investigation into an annual process and formula for calculating the value of rebates." 220 ILCS 5/16-107.6(e). The Commission must also set the distributed generation rebate for non-residential customers as well as owners, developers, and subscribers to community renewable generation projects, which will replace the current $250 per kilowatt distributed generation rebate for such customers. Id. FEJA requires that the rebates established by the Commission "reflect the value of the distributed generation to the distribution system at the location at which it is interconnected, taking into account the geographic, time-based, and performance-based benefits, as well as technological capabilities and present and future grid needs." Id. Further, this investigation must be opened "when the total generating capacity of the electricity provider's net metering customers is equal to 3% of the total peak demand supplied by the electricity provider." Id.

AMEREN ILLINOIS 3% NET METERING NOTIFICATION

On April 2, 2020 Ameren Illinois submitted a letter to the Chief Clerk of the Commission, notifying the Commission that Ameren Illinois' total net metering capacity has reached 3% as of that date. Ameren Illinois further states that it anticipates the total net metering capacity to reach 5% by the end of the calendar year. That letter is attached to this Staff Report.

COMMISSION INVESTIGATION

By statute, the Commission's investigation must "include diverse sets of stakeholders, calculations for valuing distributed energy resource benefits to the grid based on best practices, and assessments of present and future technological capabilities of distributed energy resources." 220 ILCS 5/16-107.6(e).

In anticipation of the Commission investigation, the Commission hosted a series of workshops in 2018 to facilitate an initial discussion around determining the value of distributed generation to the distribution grid. This effort, supported through a grant by the U.S. Department of Energy, allowed the Commission to use the expertise and research capabilities of the Pacific Northwest National Laboratory ("PNNL") and culminated in a white paper that reviewed and considered similar efforts in other states. The white paper also took a preliminary look at potential distributed generation valuation methodologies and compensation options for Illinois by taking into consideration data needs and availability and stakeholder comments. In the course of two workshops and subsequent informal written comments, stakeholders identified a number of questions and issues, including but not limited to data transparency, privacy, and availability; the possibility of taking an incremental approach to the valuation; and using alternative or separate compensation mechanisms for some value streams. The primary point of disagreement among stakeholders revolves around what value components should be included in the rebate. The paper focuses on potential valuation components specific to distributed generation, namely avoided distribution capacity costs, reduction in distribution losses, distribution voltage support, and operating reserves, as well as the data needs to assess these types of components and perform the overall valuation. The white paper can be accessed here:

https://www.icc.illinois.gov/downloads/public/IL%20DG%20Rebate%20Calculation%20Considerations%20November%202018.pdf

In its April 2, 2020 letter, Ameren Illinois proposes a Staff-led workshop that builds upon the 2018 PNNL effort and states that Ameren will provide an "overview of a proposed framework and structure for calculating the value of distributed energy resources on its distribution system" prior to such a workshop. Ameren further states if "a consensus is reached, then the Company would file a tariff reflecting the methodology developed for the Commission's review and approval."

Staff agrees that informal discussions should be conducted prior to or contemporaneous with commencement of this new investigation. However, given the substantial interest shown in this topic at the 2018 workshops and the wide range of opinions offered by stakeholders, it appears unlikely that a consensus on the methodology will be reached. At the same time, if Ameren's projection is accurate and the 5% net metering capacity threshold is reached within the next nine months, the schedule for litigation at the Commission might be foreshortened. Not only are there many potential ways of calculating DG rebate values, some stakeholders disagree with Ameren Illinois' method of calculating the total net metering capacity. For example, on March 26, 2020, ELPC, NRDC, Vote Solar, Solar Energy Industries Association, and Illinois Solar Energy Association sent a letter to the Chairman and Commissioners, recommending "that the Commission initiate a process to clarify the appropriate method for calculating the 3% and 5% trigger dates as soon as reasonably possible." Thus, Staff anticipates that this "threshold issue" will be raised by some intervenors once the Commission opens the investigation.

STAFF RECOMMENDATION:

Staff recommends that the Commission enter the attached draft Initiating Order opening an investigation into an annual process and formula for calculating the value of distributed generation rebates pursuant to Section 16-107.6 of the PUA.

Prepared by:

Torsten Clausen
Director
Policy Division

Approved by:

Jim Zolnierek
Chief
Public Utilities Bureau

April 8, 2020