

# Net Metering as Basis for Surplus Power Compensation

**HB 1643 by Rep. Farabee**

**AECT Position: Amend**

## Proposal

- HB 1643 requires the Public Utility Commission of Texas (PUC) to require electric utilities, retail electric providers (REPs), electric cooperatives and municipally owned utilities to offer net metering service to all retail customers using renewable energy technology. “Net metering service” is defined to require full netting of electricity consumed from and surplus power provided to the electric grid.
- HB 1643 further provides that the PUC develop rules to compensate the retail customer at “fair market value” for metered surplus power produced on-site.
- The bill also would allow the PUC to establish by rule standards an on-site renewable energy technology generating facility must meet to be eligible for compensation for net metering, including standards for generating facility equipment and for interconnection. The standards must be designed to allow residents and businesses to be eligible.
- HB 1643 could be interpreted through its reference to the Interstate Renewable Energy Council rules to require use of an electric meter that simply rolls forward or backward, which is different from many advanced meters being deployed in many parts of the state.

## Background

- When an individual or business has a distributed renewable generation system – such as solar panels on a home – that produces more electricity at a given moment than the individual or business is using, **surplus power** may flow from the premise onto the electric grid.
- There are two basic means to compensate an individual or business for surplus power – net metering or net billing.
  - **Net metering** essentially contemplates a meter that will roll forward when power is delivered to a premise for consumption and roll backward when surplus power is delivered to the electric grid.
  - **Net billing** is based on using meters that measure both the total power delivered for consumption at a premise and the surplus power that is delivered to the electric grid. The customer is billed for power consumed from the electric grid, as well as the associated costs for using the transmission and distribution system, and credited for surplus power delivered to the electric grid.
  - Under the current statute provisions, an individual or business with distributed generation will save the full retail value of electricity for the energy they generate and consume on-site rather than drawing from the electric grid, including the avoided cost of using the transmission and distribution system.
- **Net metering** allows an individual or business to avoid paying for their use of the transmission and distribution system for some of the power from the electric grid delivered and consumed at the premise; over time, other customers will bear these costs for the benefit of that premise.
- **Net billing** enables an individual or business to pay for their use of the transmission and distribution system for power from the electric grid delivered and consumed at the premise. In addition, net billing enables the retail service provider to compensate the individual or business for their surplus power delivered to the grid. With advanced metering systems and advanced system settlement systems, the full value of the surplus power (MCPE) may be realized, with maximum value paid for power delivered at times of peak system demand. This is a superior method of surplus power compensation in the ERCOT market.
- Current Texas law requires advanced meters or dual-channel meters to be installed at premises installing distributed generation systems so that both the actual power usage from the electric grid may be measured as well as the surplus power delivered back to the grid.

## **AECT Position as it Relates to Transmission and Distribution Utilities**

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- AECT supports the existing mechanisms in the Public Utility Regulatory Act and the current requirement that meters record in-flows and out-flows to customers who request them.
- AECT opposes imposing a requirement that electric meters be deployed that are different from the advanced meters currently being deployed in many parts of the state.
- Net metering does not compensate the transmission and distribution utility for the construction or maintenance of the infrastructure required to provide service to the distributed renewable generation site during times when the site requires electricity.

## **AECT Position as it Relates to Retail Electric Providers**

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- A REP is responsible for procuring sufficient power to meet the needs of its customers. As with the wholesale power market as a whole, the value of surplus energy delivered to the grid has different values to a REP based on the time of day it is provided to the grid. At this early stage of the deployment of distributed generation, the value of such surplus power generally will track the market clearing price of electricity (MCPE) if the system operator settles that premise in a manner that recognizes when and how much surplus power is delivered to the electric grid.
- Requiring a REP to pay an individual or business more than the MCPE of surplus power at the time such power is delivered to the electric grid effectively will force the REP to charge more to other customers in order to cross-subsidize generators of surplus power.

## **AECT Position on HB 1643**

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- HB 1643 should be amended to require net billing as the basis for compensation for surplus generation, with an electric utility, REP, electric cooperative, or municipally owned utility not required to pay more than the value of the surplus power to that entity. In addition the provisions regarding the means of providing compensation to the provider of surplus power should be clarified.