Net metering regulation in Ontario: Information to start your community net metering project

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Ontario's new community net metering regulation opens the door to coordinated, cooperative renewable energy efforts, where the electricity produced by a few renewable power generators in a community can reduce the bills of many local utility customers. This article covers the basics of the regulation, including how it works and the criteria your project must meet to be eligible as a future demonstration site.

A brief history of net metering in Ontario

Net metering allows households and businesses to generate renewable energy onsite for their own use and receive a bill credit for any surplus electricity that they return to the grid.

Ontario started its net metering journey in 2005 with O. Reg. 541/05, which required local distribution companies to offer net metering to electricity customers on request. Only individual customers could participate — there was no multi-customer or community option offered at the time.

In 2018, O. Reg. 273/18 was proposed to amend the 2005 legislation to allow third-party ownership of net-metered facilities and virtual net metering demonstration projects, but it was revoked before it came into force.

On September 28, 2021, *Community Net Metering Projects,* O. Reg. 679/21, came into effect. This regulation allows for the sharing of bill credits with facilities that are not directly connected to the net-metered renewable generator that supplied the excess electricity to the grid.

The regulation is limited to a single demonstration project for now, but if the demonstration is successful, we expect the provincial government may expand the community net metering regulation to other projects, on a case-by-case basis. This presents a great opportunity for local distribution companies, developers and municipalities to integrate renewable electricity generation into their ongoing and future initiatives.

The first demonstration project: West 5

The first demonstration project is Sifton Properties' West 5 development, which is supported by London Hydro Inc. West 5 is a 70-acre mixed-use development in London, Ontario with a planned 2.5 million square feet of residential and commercial space. The project aims to achieve net zero energy and water consumption as well as electric vehicle readiness. As a test site for community net metering, West 5 is intended to help stakeholders interested in participating in future demonstration projects see the community net metering business model in action.

Concerns about community net metering

In 2020, the Ontario Ministry of Energy, Northern Development and Mines filed a proposal to gather input on community net metering. The comment period revealed significant concerns about potential system costs, rate impacts and risks to consumers, which the new community net metering regulation attempts to address.

Local cost impacts are mitigated in three ways: by making distributor participation voluntary, making the community net metering generator responsible for distribution costs, and ensuring any other costs are not recovered from customers. System-wide impacts are eliminated by limiting demonstration projects to 10 MW for an initial 10-year term. Consumers are protected because community net metering generators are required to inform customers of the billing limits and provide a bill comparison upon request.

How the new community net metering regulation works

The new community net metering regulation may provide the opportunity for businesses in the energy sector, planning industries, utilities and government to test the model while remaining in line with Ontario's energy policy objectives regarding rate fairness, consumer protection and innovation in the electricity system.

Under the regulation, excess electricity credits can be shared across multiple participating residents and businesses in the community. This change allows generation to be located where it is best suited, such as a building with more roof space or a parking lot, while still allowing other buildings or areas with less optimal spaces to share in the credits to lower their electricity bills without being connected to the original generator.

While credits can be shared, administrative work must be allocated to one entity. One customer will be billed for all participating locations and will be responsible for the operation of the generation facilities within their community. This single customer must cooperate with their local distribution company to allocate the excess credits across their community.

Requirements for community net metering demonstration projects

Organizations with space suitable for renewable electricity generation should consider participating as a demonstration project with community partners. Requirements for community net metering projects are set out by the regulation. Here's what you need to know before moving forward:

- The combined total generation and storage capacity for each demonstration project is limited to 10 MW.
- All projects must be approved and listed in Schedule 1 of the regulation.
- The project must be a pilot or demonstration project limited to a maximum term of 10 years as set out in a community net metering agreement.
- One electricity generator must hold the account with the participating distributor for every facility using electricity (whether it is connected to the generator or not), every generation facility and every storage facility included in the project.
- The project must include two or more facilities that use electricity from the distributor, with at least one being connected to the generation facility. The regulation does not prevent connected electricity users from being connected to two or more generation facilities for larger projects.
- There are other specific eligibility criteria for generators of electricity and project components that must be met to become a demonstration project.
- Bill credits may be carried forward for a maximum of 12 months.

Takeaways

Net metering programs make investment in the renewable energy generation space more attractive, creating a more sustainable and cost-efficient distribution system that will benefit the province as a whole. Community net metering, in particular, has the potential to greatly increase and incentivize the use of renewable energy and electricity storage. For individual developers, energy producers, utilities and municipalities, the financial benefits are enhanced by brand benefits, as participants are recognized for their leadership in sustainability and energy efficiency.

If you're interested in learning more about how community net metering may affect your organization, or if you have a facility that meets the criteria set out above and are interested in learning how to apply for future demonstration projects, please contact the authors or any of the key contacts listed below.

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