

HOUSE BILL REPORT

HB 1011

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to distributed generation interconnection procedures and net metering provisions.

Brief Description: Adopting distributed generation interconnection procedures.

Sponsors: Representative Morris.

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/13/05, 1/14/05, 2/17/05 [DPS].

Brief Summary of Substitute Bill

- Increases the generating capacity on a net metering system to 100 kilowatts or less.
- Specifies procedures, time lines, and technical specifications for interconnecting a customer's electrical generation facility of 10 megawatts or less to an electrical distribution system.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Morris, Chair; Kilmer, Vice Chair; Ericks, Hudgins, P. Sullivan, Takko and Wallace.

Minority Report: Without recommendation. Signed by 4 members: Representatives Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Nixon and Sump.

Staff: Sarah Dylag (786-7109).

Background:

Net Metering and Interconnection

Net metering allows electricity customers to offset (over a predetermined time-period) their consumption of purchased electricity with electricity generated by their own small scale renewable system. Under net metering, the customer's small renewable energy system is connected to a utility's electrical distribution system. This interconnection of small scale

generation includes a number of issues, including the technical and contractual issues that must be settled between the utility and its customer before connection to the electrical distribution system can be made.

There are a number of efforts underway to establish standards for interconnection to an electrical grid for small scale generation. Several states have adopted interconnection standards. In addition, the National Association of Regulatory Utility Commissioners, the Federal Energy Regulatory Commission, and the Institute of Electrical and Electronic Engineers (IEEE), among others, are developing interconnection requirements to ensure safety and reliability of the electrical transmission and distribution system. The Interstate Renewable Energy Council has developed a model net metering and a model interconnection rule to assist state policy makers when considering net metering and interconnection legislation.

Current Law

Under current law on net metering, a net metering system is defined as an electrical production facility that: (1) use solar, wind, or hydropower; (2) has a generating capacity of 25 kilowatts or less; (3) is located on the customer's premises; (4) operates in parallel with the electrical utility's distribution and transmission system; and (5) is intended primarily to offset part or all of the customer's electricity requirements. Current law also provides that the utility must allow net metering systems to be interconnected using standard bidirectional meters, unless the Washington Utilities and Transportation Commission (WUTC), in the case of investor-owned utilities or the governing body of a consumer-owned utility determine additional metering equipment is necessary.

Current law requires a net metering system used by a customer-generator to include equipment that meets applicable safety, power quality, and interconnection requirements established by the National Electric Code, National Electrical Safety Code, IEEE, and Underwriters Laboratories (UL). The WUTC (for investor-owned utilities) or the governing body (for a consumer-owned utility) may adopt additional safety, power quality, and interconnection requirements.

Summary of Substitute Bill:

Current Law

Current net metering law is amended so that the definition of net metering system includes an electrical production facility that has a generating capacity of 100 kilowatts or less. Current net metering law is also amended so that utilities must make net metering available to eligible customers until the cumulative generating capacity of net metering systems equals 1 percent, instead of 0.1 percent, of the utility's peak demand during 1996. The date for a customer's accumulated kilowatt-hour credit to be returned to zero is changed to April 30 instead of at the beginning of the calendar year.

Interconnection Procedures

The interconnection technical advisory group is established, composed of one representative from each of the investor-owned utilities in the state, one representative from a consumer-owned utility in the state, one representative from an electric cooperative in the state, and one representative from a municipal utility in the state. The group is responsible for meeting annually to reach agreement on the technical standards to be applied by utilities when evaluating applications for interconnection. If the group establishes agreement, the WUTC and the governing bodies of consumer-owned utilities must adopt those standards. Penalties apply for failing to adopt the standards. In addition, if the group fails to reach agreement, the WUTC must adopt rules establishing the standards.

Four levels of interconnection review are established instead of three. The levels are simplified, expedited, intermediate, and standard, and are established based on the generating capacity of customer-generator's facility and the configuration of the line. Pre-certification criteria also apply to determine the level of review. Once qualified for simplified, expedited, intermediate, or standard review, several steps and time lines are specified for a utility to process an application for interconnection under these four different paths.

Under the simplified path, review of the application and execution of an interconnection agreement may happen within a few weeks if the application is complete when submitted. The cost of the application to the customer may not exceed \$25.

Under the expedited and intermediate path, certain pre-application assistance is required. After receipt of a completed application, the utility does an initial review of the application. Time lines are specified for each step. The application fee cost to the applicant may not exceed \$50 plus \$1 per kilowatt of capacity of the proposed generator. Additional fees may be imposed if minor system modifications are required.

Under the standard path, additional studies are required because of the increased complexity of a larger generation project. Fees for a standard application may not exceed \$100 plus \$2 per kilowatt capacity. Additional charges may include actual time spent on an interconnection study. Costs for engineering review may not exceed \$100 per hour. Additional costs may be assessed.

Once the interconnection is approved, an electric utility may conduct limited testing of the facility. The utility may conduct an annual test and any manufacturer recommended testing. A customer-generator must maintain in force general liability insurance without any exclusion for liabilities related to the interconnection.

A penalty of \$10 per kilowatt hour of generating capacity applies if a utility fails to meet the application time lines. A customer-generator may bring a civil action in the local district court to recover the amount.

The commission or the governing body of a consumer-owned utility may resolve disputes using a technical master.

Substitute Bill Compared to Original Bill:

Establishes an interconnection technical advisory group to agree on technical standards to be applied in reviewing applications for interconnection.

Four levels of interconnection review are established instead of three.

Penalties are established if a utility fails to meet the application time lines. A customer-generator may bring a civil action in the local district court to recover the amount.

Insurance provisions are included.

Additional amendments are made to current net metering law.

A severability clause is added.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (In support) Interconnection issues do pose barriers for renewable energy so standards would be helpful. Without standard procedures, it is difficult for customers to interconnect. The bill makes it easier to install distributed generation and established uniform standards across the state.

Amending the current definition of net metering system reflects development that has been done in this area. The current definition of net metering system that includes an electrical production facility that has a generating capacity of 10 kilowatts or less is too low. Internationally, development has already surpassed that.

(With concerns) To correspond with the bill's proposed change to expand the maximum generating capacity of a net metering system to 100 kilowatts, current net metering should also be changed so that utilities make net metering available to eligible customers-generators on a first-come, first-served basis until the cumulative generating capacity of net metering systems equals 1 percent of the utility's peak demand during 1996.

To correspond with the bill's proposed change to expand the maximum generating capacity of a net metering system to 100 kilowatts, the simplified review path should be allowed for larger generating capacities. The generating capacity for expedited review should also be raised to three megawatts or less to allow for new turbine technologies to be utilized for off-shore wind. For standard review, there may also be some issue with qualifying facilities under the FERC.

Biomass is another good resource in Washington so the definition of renewable energy should include biomass.

The technical issues involved in this bill must be examined and a group of engineers should look at the specifics. Some definitions should be clarified, including the definition of "minor" for minor system modifications. Structurally, the bill should separate the three paths into three sections. The technical requirements should include a requirement for an accessible disconnect switch.

The cost for interconnecting should be appropriately balanced between utility and generator.

Testimony Against: None.

Persons Testifying: (In support) Rita Schenck, Institute for Environmental Research and Education; Jeremy Smithson, Puget Sound Solar.

(With concerns) Heather Rhoads-Weaver, American Wind Energy Association; David Van Holde, Seattle City Light; Bill LaBorde, Northwest Energy Coalition; Collins Sprague, Avista Corporation; Dave Warren, Washington Public Utility Districts Association; Mike Tracey, Puget Sound Energy; Kathleen Collins, PacifiCorp; and Al Aldrich, Snohomish Public Utility District.

Persons Signed In To Testify But Not Testifying: (In support) Pamela Burton, Solar Washington.

(With concerns) Dave Clinton, Washington Rural Electric Cooperative Association.