



Date: January 8, 2008
To: ERCOT ISO Board of Directors
From: Mark Dreyfus, Technical Advisory Committee (TAC) Chairman
Subject: Definition of Net Metering

Issue for the ERCOT Board of Directors

ERCOT Board of Director Meeting Date: January 15, 2008

Agenda Item No.: 8d

Issue: H.B. 3693 (Tex. Leg., R.S. 2007) introduced the concept of net metering and created provisions with which Electric Reliability Council of Texas, Inc. (ERCOT) and others must comply by January 1, 2009 in measuring, accounting for and settling distributed renewable generation. More specifically, H.B.3693, Section 39.916(j) provided that “the independent organization identified in Section 39.151 shall develop procedures so that the amount of electricity purchased from a distributed renewable generation owner under this section is accounted for in settling the total load served by the provider that serves the owner’s load by January 1, 2009.”

TAC recommends that the ERCOT Board of Directors (Board) forward to the Public Utility Commission of Texas (PUC) a recommendation to address the threshold issue of legal interpretation of net metering. Due to the extensive lead times involved in preparing to settle net metering, TAC recommends the Board advise the PUC a decision is needed as soon as possible.

Background/History: The TAC created the Distributed Generation Task Force (DGTF) at the October 5, 2007 TAC meeting to resolve issues raised by the Retail Metering Working Group (RMWG) in its review of H.B. 3693. TAC created the DGTF to draw from the broader perspective of members of the Commercial Operations Subcommittee (COPS), the Retail Market Subcommittee (RMS) and the Wholesale Market Subcommittee (WMS), as well as subordinate working groups, other market participants, and ERCOT personnel to address ERCOT market design and commercial issues such as power ownership, scheduling and settlement and to provide input to the PUC Staff as they lead a rulemaking proceeding to implement the distributed renewable generation provisions of H.B. 3693, PUC Project. No. 34890, PUC Rulemaking Relating to Net Metering and Interconnection of Distributed Generation.

The DGTF recognized at its initial meeting that there is not a uniform understanding of the metering requirements of PURA §§ 39.914 and 39.916. The DGTF presented TAC the following two points of view and suggested that TAC recommend the Board advise the PUC of the need for market certainty regarding this determination. Because it is a matter of statutory interpretation, only the PUC can make a determination providing Market Participants with sufficient certainty to engage in contractual and operational decisions. Because the PUC rulemaking, Project No. 34890, is not expected to end until October 2008, the TAC respectfully requests that this determination be made on an expedited basis.



Position 1:

The description of the metering, as stated in PURA § 39.914(d) (“separate meters that measure the load and generator output or a single meter capable of measuring separately in-flow and out-flow at the point of common coupling meter point”) and PURA § 39.916(f) (“separate meters that measure the load and generator output or a single meter capable of measuring in-flow and out-flow at the point of common coupling meter point”), taken in conjunction with the legislative history of H.B. 3693, indicate the meaning of § 39.914 and § 39.916 is to provide for separate measurement and accounting of the load (in-flow) and generation (out-flow) of a distributed renewable generation customer, allowing “netting” to occur “behind the meter” when the distributed renewable generation serves the on-site load. While historic practice and PUCT Substantive Rule § 25.242 provided for a single meter that could “spin both ways”, i.e. credit excess distributed generation against past use, this practice did not account for the restructured electricity market in which generation, wires, and retail charges are separately priced and accounted for.

Position 2:

Traditional net metering allows a retail customer with distributed renewable generation to have in-flows and out-flows netted against each other within an established period, such as a month or year. Interpreting H.B. 3693 to allow any and all out-flow to be compensated at an undetermined value, or not compensated at all, does not comport with the requirement of H.B. 3693 that net metering be rapidly deployed. Such an interpretation does not net in-flows and out-flows and, therefore, cannot be considered “net” metering. Tracking total in-flows and out-flows may be necessary in a restructured electricity market, but these amounts should be netted within an established time-period to accomplish net metering.

Key Factors Influencing Issue: On January 3, 2008, TAC heard the report of the DGTF and unanimously voted to recommend that the Board forward to the PUCT a recommendation to address the threshold issue of legal interpretation of net metering and note that, due to lead times involved in preparing to settle net metering, a decision is needed as soon as possible. All Market Segments attended the vote.

Alternatives:

1. Approve the TAC recommendation to forward to the PUCT the recommendation to address the legal interpretation of net meeting as presented by TAC or as amended by the Board;
2. Reject the TAC recommendation; or
3. Remand the recommendation to the TAC with instructions.

Conclusion/Recommendation:

As more specifically described above, TAC recommends that the Board forward a recommendation to the PUCT to address the threshold issue of legal interpretation of net metering as described herein.



Attachment A

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, H.B. 3693 (Tex. Leg., R.S. 2007) introduced the concept of net metering and created provisions with which Electric Reliability Council of Texas, Inc. (ERCOT) and others must comply by January 1, 2009 in measuring, accounting for and settling distributed renewable generation, and

WHEREAS, the ERCOT Technical Advisory Committee (TAC) created a task force called the Distributed Generation Task Force (DGTF) to consider issues associated with H.B. 3693 and the DGTF reported to the TAC on January 3, 2008 regarding certain matters related to H.B. 3693, and

WHEREAS, the TAC, with all market segments in attendance, unanimously voted to recommend that the Board forward to the PUCT a recommendation to address the threshold issue of legal interpretation of net metering and note that, due to lead times involved in preparing to settle net metering, a decision is needed as soon as possible.

THEREFORE, BE IT RESOLVED, the ERCOT Board hereby approves the TAC recommendation to forward to the PUCT the recommendation to address the legal interpretation of net meeting as presented to the Board at the January 15, 2008 Board meeting.

CORPORATE SECRETARY'S CERTIFICATE

I, _____, Corporate Secretary of ERCOT, do hereby certify that, at the January 15, 2008 ERCOT ISO Board of Directors Meeting, the Board of Directors of ERCOT approved the above-referenced Resolution. The Motion passed by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 200__.

A. Andrew Gallo
Assistant Corporate Secretary