

1 Q. Please provide justification for the Board to approve a proposed deviation from the  
2 provincial Net Metering Policy Framework.

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5 A. The objective of the net metering policy is to provide customers with the option to  
6 offset their own energy usage. Incenting net metering customers to sell energy to  
7 the system at an energy rate that may far exceed its value to the system is not  
8 consistent with the net metering policy objective.

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10 Hydro believes the deviation is justified as the potential for cross-subsidization will  
11 increase after commissioning of the Muskrat Falls Project. After the Muskrat Falls  
12 Project is commissioned, the marginal cost of energy for increased load  
13 requirements by Hydro will be based on market prices and is forecast to be  
14 approximately 4¢ per kWh.<sup>1</sup> Domestic rates are forecast to exceed 20¢ per kWh to  
15 provide full recovery of the cost of serving customers including Muskrat Falls  
16 Project costs. A net metering customer that reduces usage under this scenario will  
17 save 20¢ per kWh. The savings to Hydro for reduced supply is only 4¢ per kWh. The  
18 net loss to Hydro of 16¢ per kWh is still a cost incurred by Hydro and must be  
19 allocated for recovery from other customers.

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21 Hydro proposes the use of a payout rate reflective of system marginal generation  
22 costs to apply to net excess generation instead of the use of the retail rate. Hydro  
23 has proposed this deviation from the Framework to limit the risk of subsidization of  
24 the net metering program by non-participants and remove any incentive for

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<sup>1</sup>Table 1 on page 4 of Marginal Cost Report, Part II: prepared by Christensen Associates Energy Consulting for Hydro and filed on February 26, 2016.

1 customers to install generation in excess of their own requirements. Please refer to  
2 Hydro's responses to CA-NLH-001(d) and CA-NLH-008(a).

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4 Hydro also submits that the Board is not prohibited from approving a deviation  
5 from the Framework. The Framework is a policy document that was released by  
6 Government and is "intended to provide the utilities with the policy parameters to  
7 inform the development and implementation of their own net metering  
8 programs..."<sup>2</sup> According to the Framework, Hydro is responsible for developing a  
9 net metering program while the Board, as regulator of Hydro, is "responsible for  
10 reviewing the utilities' proposals and approving net metering programs to ensure  
11 the rules developed by the utilities are consistent with the *Public Utilities Act* and  
12 the *Electrical Power Control Act*."<sup>3</sup> While the Framework sets out the  
13 responsibilities of both Hydro and the Board, it itself is not legislation. To the extent  
14 that government policy conflicts with legislation, the legislation overrides the  
15 policy. The Framework is also not a directive to the Board pursuant to Section 5.1 of  
16 the *Electrical Power Control Act, 1994*. In fact, rather than limiting the Board's  
17 jurisdiction, the Framework recognizes the Board's jurisdiction over any net  
18 metering program by requiring the Board's approval prior to implementation,  
19 rather than directing the Board to approve a program that is wholly consistent with  
20 the Framework.

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<sup>2</sup> Framework, Section 3.0.

<sup>3</sup> Ibid., Section 4.0.