

## CREST Position on net metering

### The legal provisions on net metering

Let us first review what the RE Act, its IRR, and the ERC rules say about net metering:

**RE Act (RA 9513):** “... a system, appropriate for distributed generation, in which a distribution grid user has a two-way connection to the grid and is only charged for his net electricity consumption and is credited for any overall contribution to the electricity grid.” [Sec. 4 (gg), underscoring ours]

Let us not forget this: *the user can only be charged his net electricity consumption.*

**RE Act Implementing Rules and Regulations:** “Net-metering is a consumer-based renewable energy incentive scheme, wherein electric power generated by an eligible on-site RE generating facility and delivered to the local distribution grid may be used to offset electric energy provided by the DU to the end-users during the applicable period.” [Sec. 7, underscoring ours]

This offsetting arrangement makes net-metering an *exchange of energy (kWh), not a sale.*

**ERC Rules Enabling the Net-Metering Program for Renewable Energy:** “The net-metering customer “is only charged or credited, as the case may be, the difference between its import energy and export energy.” (Sec. 4(n))

In short, RA 9513, its IRR, and the ERC Rules are all talking about an exchange of energy, one offsetting the other, and that the customer should only be charged the difference between import and export, which is the net of the energy exchange.

Thus, whatever kWh the consumer imports at night from the grid, but exports as excess solar kWh during the daytime, offset each other. Similarly, whatever exported solar kWh the grid gets from the customer during the daytime, but is imported at night by the consumer, also offset each other.

In short,  $NET-KWH = IMPORT - EXPORT$ .

When kilowatt-hours are exchanged, *price does not enter into the picture.*

When one borrows from a neighbor a kilo of rice and returns a kilo of rice the next day, the transactions offset each other and price is not a consideration. It was simply an exchange of equal weights of rice.

Price enters into the net-metering picture when the user is “charged for his net electricity consumption”. This charge will be: **PRICE x NET-KWH.**

By definition, this charge will also be: **PRICE x (IMPORT – EXPORT)**

This can also be written as: **PRICE x IMPORT – PRICE x EXPORT.**

In short, whatever that **PRICE** is, it should apply to both **IMPORT** and **EXPORT**. Another way of

saying this is that **IMPORT** and **EXPORT** should have the same reference price.

The ERC Rules define a “preliminary reference price” as follows: “In case of DUs with special programs, the applicable preliminary reference price shall be the generation charge it imposes on its regular captive market, which is based on the blended generation cost excluding other generation adjustments.” [Art. IV, Sec. 12]

But to set a price for import that is different from the price for export will violate the provisions of the RE Act, its IRR, and the ERC rules cited above.

So, to be consistent with the above provisions, this preliminary reference price should be interpreted as a *common reference price*, i.e., a price that applies to both import and export.

Such a reference price may be needed for recording purposes, if the utility wants to record the peso value of the exchanges in energy under the net-metering scheme.

This is similar to other peering arrangements where transactions in opposite directions cancel each other out and do not have to involve a price, but may be assigned a reference price for accounting and other special purposes.

Examples: bank branches who temporarily borrow foreign exchange from each other but return it the next day; Internet hubs that send and receive gigabits of data between each other; neighboring product suppliers who regularly borrow merchandise from each other whenever they run out of inventory, and so on. In all these peering arrangements, essentially the words and spirit of the RE Act apply. The exchange of equal quantities of energy, foreign exchange, gigabits of data, merchandise, etc. offset each other and do not involve pricing, but the exchanges may be recorded under a reference price for accounting purposes.

Thus, we reiterate our position that the net-metering scheme involves exchanges of kilowatt-hours that offset each other – as unequivocally stated in the RE Act, its IRR, and the ERC net-metering rules. Any reference price associated with such exchanges, should apply in both directions, i.e., it should be a common reference price, which may be necessary for accounting purposes.

In conclusion, we reiterate our position that the net-metering scheme provided for under the RE Act, its IRR, and the ERC rules on net-metering involve exchanges, not sale of energy; that the customer can only be charged for his net consumption, and that any reference price applied to the transaction should apply to both import and export.

The current utility practice of pricing the import differently from the export of kWh and offsetting peso values instead of kWh violates the provisions of the RE Act, its IRR, and the ERC net-metering rules.

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