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Bill Analysis

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SUMMARY

Virtual net metering

- Establishes requirements for virtual net metering (VNM), including: (1) extensive standards VNM systems must satisfy and (2) provisions governing VNM customers.
- Provides that residential customers cannot be VNM customers.
- Prohibits a residential customer or large industrial customer from being required to directly or indirectly incur any costs or be charged for any costs related to VNM.
- Requires an electric utility, except for various transmission costs, to develop a standard contract or tariff providing for VNM that is similar in rate structure, all retail rate components, and any monthly charges as what the customer would be assigned if not for being a VNM customer.
- Requires the contract or tariff providing for VNM to allow for a mercantile customer's transmissions service costs to be billed and collected by the customer's competitive retail electric service (CRES) provider.
- Specifies how the measurement of net electricity supplied or generated for VNM must be calculated.
- Requires an electric utility that receives more electricity from a VNM customer than the utility supplied to the customer during the billing period to convert the excess electricity generated into a monetary credit in a manner that meets certain requirements.
- Requires the electric utility to communicate with and assist a VNM customer or person interested in becoming a VNM customer in calculating their electricity requirements, and upon request provide the three-year average electricity and coincident peak power supplied to the customer or a reasonable estimate.

- Allows a VNM customer to aggregate any or all of the customer's electric meters that are in the same electric utility certified territory as a VNM system where the electricity generated by the system is attributable to the customer.
- Allows multiple VNM systems to be located on the same site.
- Prohibits an electric utility from requiring a VNM system to take certain actions, such as, for example, purchasing additional liability insurance, if the system meets specified safety and performance standards.
- Requires the Public Utilities Commission to adopt rules to administer VNM and meter aggregation.

Net metering

- Requires an electric utility to develop a separate contract or tariff providing for net metering for a mercantile customer that is also a customer-generator subject to certain conditions, including a condition that allows for the mercantile customer's transmissions service costs to be billed and collected by the customer's CRES provider.

DETAILED ANALYSIS

Virtual net metering

The bill requires electric utilities to develop a standard contract or tariff to provide for virtual net metering (VNM). Under the bill, "VNM" means measuring the difference in an applicable billing period between the electricity supplied by an electric utility and the electricity from a VNM system attributed to a VNM customer that is fed to the electric utility. A "VNM customer" is a person, including a hospital, who contracts for or otherwise acquires electricity generated by a VNM system. "VNM customer" does not include a residential customer, meaning that a residential customer cannot participate in VNM. A "VNM system" is a facility that satisfies all the requirements described below (see "**VNM systems**").[1]

Continuing law defines an "electric utility" as an electric light company that has a certified territory (meaning an electric supplier territory established under law) and is engaged on a for-profit basis in the business of supplying at least a noncompetitive retail electric service. Also under current law, "hospital" is defined to include various types of hospitals, related facilities such as laboratories and other care facilities, and education and training facilities for health professionals.[2]

VNM differs from net metering permitted under existing law because net metering must be provided by a system located on the customer's premises, while VNM does not have such a requirement.[3]

[1] R.C. 4928.675(B) to (D) and 4928.679(A).

[2] R.C. 3701.01(C) and 4928.01(A)(3) and (11), not in the bill.

[3] R.C. 4928.01(A)(31), not in the bill.

No VNM costs for residential or large industrial customers

The bill prohibits a residential customer or large industrial customer from being required to directly or indirectly incur any costs or be charged for any costs related to VNM. Under the bill, a "large industrial customer" is defined to mean any manufacturer that primarily uses electricity in a process that transforms raw or unfinished materials into a different form or product and that receives service from an electric distribution utility at primary voltage, subtransmission voltage, or transmission voltage.[4]

VNM contract or tariff

The bill requires, except for the customer's transmission rate structure, transmission rate components, and transmission charges, the contract or tariff to be similar in rate structure, all retail rate components, and any monthly charges to the contract or tariff to which the same customer would be assigned if that customer was not a VNM customer. The contract or tariff must provide that any credit for electricity supplied or generated by the VNM system (see "**Electricity generated by VNM system exceeds electricity supplied**" below) applies only to the generation and transmission charges imposed on the VNM customer, and the VNM customer must be billed for distribution-related charges.

The contract or tariff providing for VNM must have the option for a mercantile customer's transmissions service costs to be billed and collected by the customer's competitive retail electric service (CRES) provider instead of the mercantile customer's electric utility.

"Mercantile customer" is defined in continuing law, unchanged by the bill, as a commercial or industrial customer if the electricity consumed is for nonresidential use and the customer consumes more than 700,000 kilowatt hours per year or is part of a national account involving multiple facilities in one or more states.[5]

Measuring net electricity for VNM

The bill specifies that the measurement of net electricity supplied or generated for VNM must be calculated as follows:

- The electric utility measures the amount of electricity generated by the VNM system and attributed to the VNM customer during the billing period;
- The utility measures the amount of electricity consumed by the VNM customer during the billing period;
- The utility measures the net electricity produced or consumed during the billing period using the difference between the two amounts given immediately above, in accordance with normal metering practices.[6]

[4] R.C. 4928.675(A) and 4928.679(G).

[5] R.C. 4928.679(A); R.C. 4928.01(A)(19), not in the bill.

[6] R.C. 4928.679(B).

Electricity supplied exceeds electricity generated by VNM system

If the electricity supplied by the utility exceeds the electricity generated by the VNM system attributed to the VNM customer and fed to the electric utility during the billing period, then the VNM customer must be billed for the net electricity supplied by the utility in accordance with normal metering practices.[7]

Electricity generated by VNM system exceeds electricity supplied

If the electric utility receives more electricity from the VNM customer than the utility supplied to the customer during the billing period, the excess electricity generated must be converted to a monetary credit equivalent to the value of all standard charges associated with transmission, whether based in kilowatt hours or kilowatts, other than disaster recovery fees approved by the Public Utilities Commission (PUCO), and all standard charges associated with generation of the utility's standard service offer and continuously carried forward as a monetary credit on the customer's future bills until applied completely against the customer's charges. The monetary credit: (1) cannot exceed generation savings realized by the electric utility, and (2) is applied only to the generation and transmission portions of the VNM customer's bills. The utility cannot be required to pay the monetary credit, other than to credit it to future bills, and the credit may be lost if a VNM customer does not use the credit or stops taking service from the electric utility.[8]

Calculating customer electricity requirements

Under the bill, the electric utility must communicate with and assist a VNM customer or person interested in becoming a VNM customer in calculating their requirements for electricity based on both of the following:

- The average amount of electricity supplied by the utility to the customer annually over the previous three years;
- The average amount of electricity supplied by the electric utility in any hour within the previous three years, including during electric system coincidental peak hours.

Upon request from any VNM customer or person interested in becoming a VNM customer, the utility must provide or make available either the average electricity supplied and coincident peak power over the previous three years or a reasonable consumption estimate. If any of the following apply, the utility is required to establish an appropriate consumption estimate using any available consumption data or measures:

- The utility cannot provide the data without divulging confidential or proprietary information;

[7] R.C. 4928.679(C).

[8] R.C. 4928.679(D).

- The utility does not have the data or cannot calculate the electricity requirements due to new construction, vacant properties, facility expansions, or other unique circumstances.[9]

Meter aggregation

The bill allows a VNM customer to aggregate any or all of the customer's electric meters that are in the same electric utility certified territory as a VNM system where the electricity generated by the system is attributable to the customer.[10]

VNM systems

Requirements

To be a VNM system, the bill requires it to satisfy all of the following:

- Be a facility for the production of electrical energy.
- Use as its fuel either solar, wind, biomass, landfill gas, or hydropower, or use a microturbine, natural gas-fired generator, battery-storage system, or fuel cell, subject to both of the following:
  - If the system uses either a battery-storage system or natural gas-fired generator, then the system or generator cannot be sized so as to exceed the size of any co-located facility using solar, wind, biomass, landfill gas, or hydropower as its fuel.
  - If both a battery-storage system and natural gas-fired generator are used, then the combined nameplate capacity of the system and the generator cannot be sized so as to exceed the size of any co-located facility using solar, wind, biomass, landfill gas, or hydropower as its fuel.
- Not be a net metering system. "Net metering system" is defined in current law as a facility for the production of electrical energy that can be fed back to the electric service provider and that meets certain requirements, including, for example, being located on the user's premises.
- Not be located on agricultural land. "Agricultural land" is defined in current law as land that is composed of tracts, lots, or parcels totaling not less than ten acres devoted to agricultural production or totaling less than ten acres devoted to agricultural production if the land produces an average yearly gross income of at least $2,500 from agricultural production.
- Be located on one of the following:
  - A mine, which is defined in current law as an underground or surface excavation or development with or without shafts, slopes, drifts, or tunnels for the extraction of coal, gypsum, asphalt, rock, or other materials containing the same, or for the extraction of natural gas or petroleum by means that are substantially similar to the

[9] R.C. 4928.678.

[10] R.C. 4928.6710.

underground extraction of coal, gypsum, asphalt, rock, or other materials containing the same, with hoisting or haulage equipment and appliances for the extraction of such materials; and embraces the land or property of the mining plant, the surface, and underground, that is used for or contributes to the mining properties, or concentration or handling of coal, gypsum, asphalt, rock, or other materials containing the same or of natural gas or petroleum.

- A brownfield. A "brownfield" is defined in current law as an abandoned, idled, or under-used industrial, commercial, or institutional property where expansion or redevelopment is complicated by known or potential releases of hazardous substances or petroleum.
- A site, location, tract of land, installation, or building for incineration, composting, sanitary landfilling, or other approved methods of disposal of solid wastes. "Solid wastes" is defined under current law as such unwanted residual solid or semisolid material as results from industrial, commercial, agricultural, and community operations, excluding various materials such as nontoxic fly ash, and including certain materials like scrap tires.
- Property owned by a county land reutilization corporation, which is a corporation organized for certain purposes, such as, for example, efficiently holding and managing vacant, abandoned, or tax-foreclosed real property pending its reclamation, rehabilitation, and reutilization.
- A disposal system, defined in current law as a system for disposing of sewage, sludge, sludge materials, industrial waste, or other wastes and includes sewage systems and treatment works.
- The roof of a facility that is used exclusively for commercial or industrial purposes.

- Be in the certified territory of the electric utility that provides electric service to all electric meters that the VNM customer intends to attribute electricity to or aggregate with under the bill.
- Operate in parallel with the electric utility's transmission and distribution facilities.
- Be sized so as to not exceed 120% of the customer's electricity requirements at the time of interconnection, as determined through the process outlined in the bill (see "**Calculating customer electricity requirements**" above), regardless of whether the customer intends to take service through an electric utility or a CRES provider.
- The VNM customer maintains an electric meter where the VNM system is located.
- Serve exactly one VNM customer.[11]

[11] R.C. 4928.676; R.C. 122.6511, 901.61, 1561.01, 1724.01, 3734.01, 4928.01, and 6111.01, not in the bill.

Multiple VNM systems allowed on one site

A VNM system may be located on the same site as one or more other VNM systems.[12]

Safety and performance standards

A VNM system must meet all applicable safety and performance standards established by the National Electrical Code, the Institute of Electrical and Electronics Engineers, and Underwriters Laboratories. An electric utility is prohibited from requiring a VNM customer or other person who owns a VNM system that meets all of the standards described above and the standards and requirements provided for under rules by the PUCO (see "**Rules**" below) to do any of the following:

- Comply with additional safety or performance standards.
- Perform or pay for additional tests.
- Purchase additional liability insurance.[13]

Rules

The PUCO is required to adopt rules to administer VNM and meter aggregation. The rules must include additional control and testing requirements for VNM systems that the PUCO determines are necessary to protect public and worker safety and system reliability.[14]

Net metering

Current law allows for a customer-generator to engage in net metering using a net metering system. Generally, an electric utility must develop a standard contract or tariff providing for net metering that is identical in rate structure, all retail rate components, and any monthly charges to which the customer would be assigned if the customer were not a customer-generator.

The bill requires an electric utility to also develop a separate contract or tariff providing for net metering for a mercantile customer that is also a customer-generator, subject to all of the following:

- The contract or tariff must be based upon the rate structure, rate components, and any charges to which the mercantile customer would otherwise be assigned if the mercantile customer was not a customer-generator, except for the customer's transmission rate structure, transmission rate components, and transmission charges.
- The contract or tariff must have the option for the mercantile customer's transmission service costs to be billed and collected by the mercantile customer's CRES supplier instead of by the mercantile customer's electric utility.

[12] R.C. 4928.677.

[13] R.C. 4928.679(E) and (F).

[14] R.C. 4928.6711.

- The capacity of the mercantile customer's net metering system is less than 50 megawatts.

The existing law defines "customer-generator" as a user of a net metering system. "Net metering" is defined as measuring the difference in an applicable billing period between the electricity supplied by an electric service provider and the electricity generated by a customer-generator that is fed back to the electric service provider.[15]

HISTORY

Action	Date
Introduced	04-21-26

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[15] R.C. 4928.67; R.C. 4928.01(A)(29) and (30), not in the bill.