SESSION OF 2024

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2588

As Recommended by House Committee on Energy, Utilities and Telecommunications

Brief*

HB 2588 would amend the Net Metering and Easy Connection Act (Act) to further develop regulation and expand capacity for investor-owned utilities (IOUs) to connect customers' renewable energy generation systems, such as rooftop solar panels systems, to the electric grid. The bill would amend definitions and establish new definitions within the Act. Further, it would increase over four years the total percentage of allowed net metered interconnections for IOUs to 5.0 percent of peak demand. The bill would establish the methodology for monthly billing calculation of certain customer-generators using time-varying rates (different billing rates for the use of electricity at certain times of the day). The bill would require that customer-generators be "appropriately sized," would codify the formula used to determine the appropriate size, and would establish requirements on exporting capacity to the electric grid. The bill also would make conforming technical changes.

Definitions (Section 1)

The bill would add several defined terms, including "export" (electricity transmitted from a customer-generator to the electric grid), "generating capacity" (excess electricity generated by net metered facilities), "permission to operate" (the operational date of the customer-generator's net metered facility), "supplied" (electricity provided by an IOU to a net metered electrical system), and "witness test" (an on-site

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

measurement or verification by a utility representative). It would revise the definition of "customer-generator" to specify that the customer-generator will fully deliver remaining energy output to the utility. Additionally, the bill would amend the definition of “customer-generator” to add that the installed mechanism responsible for interrupting electricity flow must be certified by Underwriter Laboratories, an accredited safety organization.

Allowable Net Metered Interconnections (Section 2)

The bill would amend eligibility for an IOU net metering option, requiring a customer-generator to be in good standing with the utility.

The bill would increase the threshold of generating capacity produced by all net metered systems from the current 1.0 percent by 1.0 percent annually until reaching a maximum of 5.0 percent in 2027. The bill would authorize the Kansas Corporation Commission (KCC) to increase the 5.0 percent cap after conducting a hearing authorized by continuing law.

The bill would authorize an IOU to introduce incentive programs for customer-generators that began operation after July 1, 2024.

Monthly Variable Time-of-use Billing for Certain Customer Generators (Section 3)

The bill would establish criteria for billing net metered facilities for electricity supplied by the IOU and crediting a net metered facility/system for energy exported to the utility in a given billing cycle for those net metered facilities that began operating on or after July 1, 2024, and are participating in an optional time-varying rate (rate).

The bill would require the utility to measure the net energy supplied or exported for each time-of-use period established by the optional rate in the same manner as it measures supplied energy to other customers in the same class of service (residential, business, industrial). Customer-generators would be billed for net supplied energy exceeding their exported energy using the same time-of-use periods, to include all other charges applied to non-customer-generators in a given customer class. If the energy exported from the customer-generator exceeds the energy supplied during a time-of-use period, the IOU would be required to credit a customer-generator at least 100 percent of the IOU monthly system average cost of energy per kilowatt hour, with any net credit, and net of all other charges applied to the same customer class. The credit would be applied to the next billing period.

In essence, a customer-generator consuming more energy than it produces will be billed for the difference. If the customer-generator produces more energy than it consumes, the utility will apply the difference in cost as a credit on the customer-generator's next bill.

Appropriate Net Metered System Size (Section 4)

For customer-generators that began to operate after July 1, 2014, the bill would amend the export limitations to remove the delineation between classes of service and increase the amount of electricity subject to net metering to 150 kilowatts for all classes.

The bill also would codify the formula used to calculate the appropriate size of a customer-generator's export capacity in kilowatt-hours using 12 months of historic consumption. If a customer-generator does not have historic consumption, the bill would require the export capacity to be calculated by 7.15 kilowatt-hours per square foot of conditioned space, which would be rounded up to the nearest standard size:

- By 2 kilowatts for facilities with capacity between 2 and 20 kilowatts; and
- By 5 kilowatts for facilities with capacity between 20 and 150 kilowatts.

Additionally, the bill would establish the following limitation to a net metered facility's export capacity for those customer-generators that begin operating a net-metered facility/system on or after July 1, 2026:

- Export generating capacity shall not exceed 50 percent; and
- Energy storage capacity, including electric vehicles, and portable storage devices, are not to be included in the sizing formula unless the device has the ability to add export capacity.

The bill would require a customer-generators that operates a net-metered facility/system designed to export an amount of power that differs from the system's generating capacity to comply with the following:

- Own and maintain necessary export limiting devices (which control the power generation of a generator, such as a solar panel);
- Restrict the export limiting device settings to qualified individuals;
- Allow the utility to require a witness test of the export limiting device function prior to operation;
- Seek approval from the utility prior to increasing the systems export capacity;
- Allow the utility to conduct periodic testing of the export limiting device; and

- Cease operation if the export limiting device's settings are incorrect or if the device fails to limit the export of power below the designed capacity for a period exceeding 15 minutes in a single event.

The bill would also clarify that a utility cannot restrict the brand or model of an export limiting device if the device is approved for use by the system manufacturer or Underwriter Laboratories.

Technical and Conforming Changes (Throughout)

The bill would make technical and conforming changes including but not limited to the following:

- Replacing the term "NEG" with "net excess generation"; and

- Replacing the term "generates" with "exports."

Background

The bill was introduced by the House Committee on Energy, Utilities and Telecommunications at the request of a representative of the Clean Energy Business Council.

House Committee on Energy, Utilities and Telecommunications

In the House Committee hearing on February 1, 2024, representatives of King Solar, Evergy, Kansans for Lower Electric Rates, Kansas Industrial Consumers Group, Good Energy Solutions, Kansas Sierra Club, and Citizens' Utility Ratepayer Board (CURB) provided **proponent** testimony, generally stating the legislation was a collaborative effort between IOUs and stakeholders. They stated the bill would

bring additional clarity to how net metered connection will function as capacity expands.

Written-only proponent testimony was provided by representatives of The Nature Conservancy, Kansas Interfaith Action, Kansas Chamber, and Hutton Energy Services.

Neutral testimony was provided by a representative of the KCC, noting the need for additional consumer protections due to a possible increase in unscrupulous installers.

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, the KCC indicates that enactment of the bill would not have a fiscal effect on KCC's revenues or expenditures. CURB indicates the enactment of the bill, with respect to utility rates in general, could open a general docket with the KCC, but the proceedings are not likely to have a fiscal effect on CURB's revenues or expenditures.

The Kansas Association of Counties indicates that the fiscal effect associated with the enactment of the bill cannot be estimated for county governments. The League of Kansas Municipalities indicates enactment of the bill would have a fiscal effect on cities from the retail rate generated from the excess energy, in addition to the creation of a cross-subdivision of customers; however, the fiscal effect cannot be estimated.

Net metering; renewable energy; investor-owned utilities