**Virtual Net Metering**

**Net Metering:** Traditional net metering allows a renewable energy system’s owner to receive billing credits for extra power generated by the system that is supplied to the grid, in effect running the meter “backwards.” If the system produces more power than the owner used in a billing period, the credits can be applied to future bills. If the renewable energy system is not producing enough electricity, electricity is drawn from the grid and charged to the owner. The electricity distribution company does the metering.

**Virtual Net Metering:** Virtual net metering allows the host of a renewable energy system to share the electricity that is generated when the system produces more power than the host needs. The customers designated by the host to share the electricity are called beneficial accounts. In Connecticut, virtual net metering is limited to municipal, state agency, and agricultural customers.

Municipal or state hosts can designate up to five beneficial accounts that are related to the municipal or state agency and up to five additional non-state or municipal beneficial accounts that are critical facilities (e.g., hospitals and commercial areas of municipalities) connected to a microgrid. Agricultural hosts can designate up to ten beneficial accounts. Energy produced by the host is first used to reduce the host’s electricity consumption. Surplus production is then assigned “virtually” to reduce the electric bills of the host’s beneficial accounts. The EDC must assign a virtual net metering credit to the host’s beneficial accounts for the month after the host generates the excess power. The virtual net metering credits are assigned to the power produced by the host which is consumed by the beneficial accounts for each month. The monetary value of each credit is the generation rate for each kwh plus 80% of the transmission and distribution charge per kwh for the second year of operation, 60% for the third year, and 40% for each year after. Currently the generation charge is $0.01 per kwh, the transmission charge is $0.029 per kwh, and the distribution charge is $0.035 per kwh.

Unassigned virtual net metering credits are for excess power beyond that used by the host and beneficial accounts that is put into the grid. These credits at the end of the year are used to reduce next year’s bill at the wholesale price of electric power.

Virtual net metering credits are capped at $10 million per year for new projects split between the electric distribution companies (EDCs), Eversource at $8 million and Avangrid at $2 million. In addition, each type of VNM facility, municipality, state agency, agricultural entity is capped at 40% of the cap for their electric distribution company. For example, if towns use Eversource, their cap is $3.2 million for each year.

My understanding is that the virtual net metering credits are an accounting device to keep track of whether the total of VNM facilities are approaching the cap. No money is actually involved.