



California Municipal Utilities Association

Capitol Day 2016



NET ENERGY METERING

History of Net Energy Metering

In 1995, the residential solar power industry was in its infancy and experiencing difficulty gaining traction with consumers because of the high upfront cost of installation. Recognizing the benefits of solar energy, California lawmakers came up with the Net Energy Metering program (SB 656), which allowed solar customers to sell their unused electricity back to their utility. In order to create a powerful financial incentive, utilities were told to purchase this electricity at their retail price, thereby creating a way for solar customers to reduce their monthly electricity bill and recoup the initial cost of solar installation. Solar customers were also exempted from paying standard utility fees, which are paid by all other customers.

The NEM program has always had a cap and the cap is based on a percentage of each utility's highest peak demand. In the beginning the cap was based off a fraction of a percent of total peak demand but through passage of numerous legislative bills the cap has been increased to require that 5% of the highest peak demand be set aside for roof-top solar. In addition, in 2013, AB 327 contained a provision for the California Public Utilities Commission (CPUC) to recalculate the NEM cap on the investor owned utilities (IOUs) using a definition that effectively doubled each IOU's NEM cap. AB 327 required this new cap to be in place until the CPUC developed a successor program on or before January 1, 2017.

Winners and Losers

Net Energy Metering does provide an incentive for roof top solar, however it has come at a high cost and the program now requires further consideration. What has become apparent since NEM first started is that non-solar customers are increasingly having to bare the financial burden of Net Energy Metering rules due to cost-shifting, while utilities are finding it more and more difficult to maintain the physical grid infrastructure due to shrinking operating budgets. Meanwhile, solar installation companies continue to reap the financial benefits of the NEM subsidies despite the fact that consumers are now able to lease solar panels rather than purchase them.

Publicly Owned Utilities are Different than Investor Owned Utilities

Last Thursday, the CPUC adopted a decision (vote 3-2) on an NEM successor with new rules, removing certain charges and no caps for IOUs. In voting "no" CPUC Commissioner Sandoval stated that removing the transmission charges from NEM customers would almost double the cost shift in some regions of the state. CMUA supports solar power as a way to reduce greenhouse gases but we urge policy makers to oppose any legislation that seeks to redefine how publicly owned electric utilities determine their NEM cap or to apply NEM requirements which are developed for investor

owned utilities to publicly owned utilities. Our position is based on the following facts:

- To date only two CMUA members have reached their NEM program cap and both continue to provide either the same NEM incentive or a successor program.
- Out of approximately 40 POUs throughout the state 36 POUs have headroom under their existing NEM program.
- For each POU that reaches its NEM cap, a successor program may be adopted by each Governing Board of a local utility. Local control and decision making is a fundamental component of municipal government and electric utility districts. These boards are often comprised of elected officials that are responsible to the community they serve. Retaining the ability to determine customer incentives and rates, along with the necessary oversight are essential.
- Any attempt to double the NEM cap on POUs is not “leveling the playing field,” instead it upends local control and perpetuates a dual NEM program; one for the IOUS and one for the POUs.
- Recall that AB 327 (Perea) gave the CPUC authorization to develop “NEM 2.0” because the Legislature grew to understand that raising the NEM cap was exacerbating cost-shifts from one group of customers to another.