# VCEA Citizen's Advisory Committee NEM Policy Introduction

January 11, 2018

# Overview

- What is NEM?
- Who is on NEM?
- NEM Policy Considerations
- CCA NEM Policy Comparison

# What is NEM

## Net Energy Metering

- A statewide policy to provide credits to solar customers for excess generation
- Customers are billed monthly according to their net usage by time-of-use period, and can carry over credits for excess generation.
- At year-end, customers may be compensated for any net surplus generation.

# NEM 1.0 vs. NEM 2.0

- The California Legislature directed the CPUC to develop NEM 2.0 to address concerns about cost shifting from non-solar customers to solar customers.
- For PG&E territory, NEM 2.0 applies to customers with new solar installations after 12/16/2016
- Key changes include:
  - All NEM 2.0 customers must take service on time-of-use (TOU) rates.
  - There is no longer a 1MW size limit on NEM projects. The generator can be sized to generate up to the customer's annual load. There is a one-time flat $145 interconnection fee for generators sized 1 MW or less. Larger projects will have a cost-based fee.
  - Customers will be billed for State Mandated Non-Bypassable Charges (NBCs) based on each kWh of electricity consumed from the grid, not just on the annual net amount. These charges include:

| Charge | E1(Residential) 2017 Rate |
|---|---|
| Public Purpose Program (PPP) | $0.01501 |
| Nuclear Decommissioning (ND) | $0.00149 |
| DWR Bond Charge (DWR Bond) | $0.00549 |
| Competition Transition Charge (CTC) | $0.00130 |
| **Total** | **$0.02329** |

# Who is on NEM

- 3,971 customers at December 2016
- 34,000 MWh of excess generation in 2016

# NEM Policy Considerations

Compensation for excess generation

- NEM is designed to incentivize uptake of solar more than just reducing the bill.
- PG&E and CCAs typically provide credits monthly at the retail rate, or in some cases slightly higher than the retail rate.
- Annually, PG&E will cash out any total excess at the wholesale rate. CCAs generally cash out at the retail rate.
- Each $0.01 offered above retail would be an additional investment (compared to pro-forma) of about $350k/yr.

# NEM Policy Considerations

Annual True-ups

- A customer may have excess generation in some months, and not in other months. With PG&E, the net is recorded monthly, and accumulated until a year-end true-up.
- Several CCAs are requiring payment monthly when there is net use, and carrying forward credits when there is excess generation. Differing true-up processes have different implications for customer communications and cash flow.

# NEM Policy Considerations

Enrollment

- Enrollment of a NEM customer triggers a true-up on the PG&E side.
- Enrolling additional customers triggers a $5,000/event fee from PG&E

# NEM Policy Considerations

Cap on payments

- Generation Systems are designed to match the load of the property they are installed on.
- Some CCAs have set a cap on annual payouts. This cap supports the requirement that that systems match load.

# CCA NEM Policy Comparison

| CCA | Excess Generation | True-Up | Cash Out Limit |
|---|---|---|---|
| **Peninsula Clean Energy** | Retail plus $0.01 | April | >$100 can elect cash out |
| **Marin Clean Energy** | Retail plus deep green (currently $0.01) | April | >$100 can elect cash out |
| **Silicon Valley Clean Energy** | Retail<br>GreenPrime if enrolled | April | >$100 can elect cash out<br>Cap on payout |
| **Lancaster Choice Energy** | Retail. Credit not applied if net generation is less than zero. | October | None – Always cashed out |
| **Clean Power SF** | $0.0693 – average retail rate<br>$0.0893 – average SuperGreen rate | April | None |
| **Sonoma Clean Power** | Retail plus $0.01 | April | >$100 can elect cash out<br>Cap on payout |
| **PG&E** | Wholesale, plus adder if given RECs | Annual based on enrollment | None |

# Next Steps

- Staff and consultants will bring recommended policy, along with the pros/cons of various options. Key considerations in the development of the policy will include:
  - Not harming existing NEM customers
  - Providing continued incentive for rooftop solar
  - Ensuring customer understanding of program
  - Managing impact to agency budget and overall power portfolio
  - Alignment with other NEM programs