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CPUC Issues Net Energy Metering Proposed Decision, With Comments Due November 30

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On November 10, 2022, the CPUC issued its long-awaited and reworked net energy metering (NEM) "3.0" proposed decision on a successor tariff. The origin of California's NEM tariff was to incentivize Californians to install on-site renewable energy resources such as rooftop solar to serve part or all of their own electrical requirements. The NEM tariff works by allowing utility customers to receive a financial credit on their bills for the excess energy they generate and feed back into the utility's grid. The NEM program played a key role in driving deployment of distributed generation and enabling nearly 1.3 million customers to install approximately 10,000 megawatts of on-site renewable generation. As the state's climate agenda has evolved, however, regulators have recognized that the NEM program must also evolve to incentivize new and different customer choices. Also, the Proposed Decision also finds that there is a "significant and growing cost shift" benefitting participating NEM customers at the expense of nonparticipating customers, particularly low-income customers. The CPUC has expressed concern in regard to this cost shift and the Proposed Decision says that it remains, but to a lesser extent, in the successor tariff.

The successor NEM tariff is intended to promote the State's building electrification and vehicle electrification goals and provide a glide path to sustain the transition from standalone solar to solar paired with storage (which is anticipated to have grid stabilizing effects and help mitigate the need for distribution upgrades to support electrification).

A key aspect of the Proposed Decision is the retail export compensation rate, which is the rate that customers are paid for energy generated feedback to the utility grid. It also establishes that NEM imports and exports will be calculated based on no netting of consumption and production, which means all recorded imports on the first meter channel are charged the import retail rate, and all recorded exports on the second meter channel are credited the retail export compensation rate. The successor tariff will be comprised of the following elements:

- **Retail Export Compensation Rates** based on hourly Avoided Cost Calculator values averaged across days in a month, differentiated by weekdays and weekends/holidays.
    - For the first five years of the new tariff (i.e., the glide path transition time), retail export compensation rates for residential net billing tariff customers will be based on a nine-year schedule of values for each hour from the most recent Avoided Cost Calculator.

  - ❖ For commercial customers, the Avoided Cost Calculator values are locked-in for five years. Following the locked in period, retail export compensation rates will be based on averaged hourly avoided cost values from the most recent Avoided Cost Calculator, adopted as of January 1. Tariff customers enrolling after the five-year glide path will not receive a lock-in period for Avoided Cost Calculator values.

- ❖ An "Avoided Cost Calculator Plus" adder, based on cents per kilowatt-hour exported, as a glide path to allow for a transition period for the solar industry to adapt to a solar paired with storage marketplace. It is designed to target a nine-year simple payback period for all residential successor tariff customers.

- ❖ Highly differentiated Time-of-Use rates;

- ❖ Four non-bypassable charges (the Public Purpose Surcharge, Nuclear Decommissioning Charge, Competition Transition Charge, and the Wildfire Fund Non-Bypassable Charge);

- ❖ Minimum bill or fixed charges; and

- ❖ Annual true-up dates for both residential and nonresidential customers.

To ensure affordability of the successor tariff and equity among all customers, this decision directs an evaluation of these elements preceded by a three-year data collection period. A subsequent decision will address additional or enhanced consumer protections for customers taking service under NEM.

Comments on the proposed decision are due **November 30** and the proposed decision is expected to be voted on at the CPUC's **December 15, 2022** voting meeting.

If you have questions or need assistance, please contact one of the attorneys listed below.

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