

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report - Item 10

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**TO:** Board of Directors

**FROM:** Mitch Sears, Executive Officer  
Yvonne Hunter, Legislative and Projects Specialist

**SUBJECT:** New CPUC NEM 3.0 Proposed Decision

**DATE:** December 8, 2022

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#### Introduction

The following highlights key elements of the new CPUC NEM 3.0 proposed decision (PD), released November 10, 2022. The newly released PD replaces the previous proposed decision released in 2021, which attracted substantial opposition and was withdrawn.

#### Background/Analysis

##### Highlights of Key Provisions

The PD includes the following key provisions which would be applicable to residential NEM customers and NEM Aggregation (primarily agricultural) customers:

- **Legacy NEM Customers Not Impacted:** Unlike the previous PD, the new PD does not affect existing NEM 1.0 or 2.0 customers. It would *only* apply to those customers who install systems and submit their interconnect paperwork to the appropriate utility by April 2023, assuming the CPUC adoption timeline proceeds as suggested by the CPUC.
- **No New Fees:** Unlike the previous PD, the new PD does not add new, monthly fees to NEM 3.0 customers.
- **Annual True Up:** The PD retains an annual true up and monthly billing. It appears NEM 3.0 customers may have an initial option to change their true up month.
- **Excess Generation Payments:** The PD uses a new formula to determine what to pay NEM 3.0 customers for excess generation. Unlike NEM 2.0, which pays customers a fixed per kWh fee for excess generation, the PD would instead implement “Retail Export Compensation Rates” that will be based on an hourly Avoided Cost Calculator that averages costs across days in the month, differentiated by weekdays and weekends/holidays based on Time of Use Rates. There

are other added rates that include a “five year glide path” in the form of an Avoided Cost Calculator which the CPUC expects to result in a nine-year payback period for standalone solar.

- **Battery Storage:** The PD incentivizes inclusion of battery storage in several ways. Those PV systems with battery storage capability will be able to take advantage of time windows when it is financially advantageous to send stored power to the grid, such as during evening or night hours, when the export rates are higher. The PD also states that NEM 2.0 customers may add battery storage to their systems without changing their NEM 2.0 status.
- **Low Income Customers:** Low-income customers would receive higher incentive payments for the power they send to the grid. In addition, two-thirds of the \$900 million in the 2022-2023 state budget that offers additional upfront incentive payments for installing solar PV systems paired with battery storage is allocated to low-income homes.

### Timeline

The November release of the revised PD kicked off a minimum 30 day comment period. The timeline for implementing the PD depends on whether the CPUC considers and adopts the proposal at its December 15, 2022 hearing. If the decision is adopted in December, there is a 120-day window for those wishing to install solar PV on their homes or businesses and become NEM 2.0 customers. Or, the CPUC could reschedule when to consider and vote on the PD, which would delay when NEM 3.0 takes effect.

VCE staff will continue to monitor the proceeding and bring information to the Board as major developments occur.