

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

TO: Community Advisory Committee Members

FROM: Mitch Sears, Interim General Manager
Rebecca Boyles, Director of Customer Care and Marketing

SUBJECT: Update on the Net Energy Metering (NEM) 3.0 Proceeding

DATE: May 27, 2021

The purpose of this report is to provide an update on the California Public Utilities Commission (CPUC) proceeding on the Net Energy Metering (NEM) Successor Tariff, or NEM 3.0; as well as proposed Assembly Bill 1139 (AB 1139).

BACKGROUND

Net Energy Metering (NEM) is an electric utility tariff that allows customers with onsite electricity generation (usually solar) to get compensated at the retail rate via a bill credit on a month-to-month basis for exporting their excess generation to the grid. NEM began in 1995 in California and has been revised several times in response to impacts on the electric grid and electric rates for non-NEM customers. The timeline of the NEM 3.0 proceeding could experience delays, but a decision is expected by the end of 2021, with potential implementation in Q1 of 2022.

It is too soon to know what changes to expect under NEM 3.0, but the public conversation about the proceeding has been considerable among audiences that follow energy issues. The three investor-owned utilities (IOUs) have submitted proposals for NEM 3.0 that would significantly reduce the financial incentives for customers to go solar, while solar advocacy groups would like to see a more gradual step-down in incentives while encouraging battery storage. Groups such as The Utility Reform Network (TURN) support eliminating what the IOUs have identified as a cost-shift from NEM to non-NEM customers, but believe that the IOU proposals may go too far. Utilities and solar advocacy groups seem aligned on balancing the needs of low-income customers with the needs of the grid. There is also agreement that the next phase of NEM should encourage battery storage, electric vehicles and heating electrification.

Currently, most NEM customers are enrolled in what is called NEM 2.0, which came into effect in 2017, the principal differences between NEM 1.0 and NEM 2.0 being:

- NEM customers are required to be on Time-of-Use (TOU) rates, in which electricity is more expensive at times of the day when demand is higher; and

- NEM 2.0 customers are required to pay (not eligible for credit) non-bypassable charges, including the Wildfire Fund Charge, Competition Transition Charge, Nuclear Decommissioning and Public Purpose Program charges.

Under NEM 3.0, NEM 2.0 customers should be able to remain on their legacy rates (a term sometimes known as “grandfathering,” which should not be used¹) unless this provision is modified by AB 1139. So, NEM 3.0 changes should only affect those customers that apply for interconnection agreements after the California Public Utilities Commission (CPUC) comes forward with a final decision on NEM 3.0.

NEM Legislation

Another important aspect to the conversation is the proposed California Assembly Bill 1139 (AB 1139). If passed, the bill would impact the CPUC’s NEM 3.0 proceeding. The bill seeks to amend CPUC code to address reforms to the CARE program (increasing the discount) and eliminate what the bill identifies as the cost-shift between NEM and non-NEM customers.

Under AB 1139, the proposed change in compensation for excess generation would be the hourly wholesale market rate at the time of the export. Additionally, NEM 1.0 and 2.0 customers would be removed from their legacy rates, NEM customers would be charged a monthly grid access charge (estimated to be from \$50-86) and NEM customers would pay the same rate as non-NEM customers for electricity that they use (over and above what they generate). The bill would also allocate \$300M annually to make renewable energy more accessible to CARE customers, and \$500M annually for public buildings to install renewable generation systems. As amended, the bill currently allows for CCAs to determine whether to provide NEM credits or charges in different amounts.

56 groups signed on to a letter to oppose the bill unless amended, most notably CalPIRG (California Public Interest Research Group), Vote Solar, and several chapters of 350.org; and there have been opposition email and social media campaigns. The main message for the customer-facing campaigns seems to be that although AB 1139 has several positive aspects, it would effectively destroy the solar industry in California and hinder positive climate action.

NEXT STEPS

Staff will continue to monitor progress on the NEM 3.0 proceeding and AB 1139, and report back in Q3 or Q4 2021.

¹ Merriam-Webster defines “grandfathering” as “a clause creating an exemption based on circumstances previously existing especially : a provision in several southern state constitutions designed to enfranchise poor whites and disenfranchise Blacks by waiving high voting requirements for descendants of men voting before 1867” Source: <https://www.merriam-webster.com/dictionary/grandfather%20clause>