



Staff Report Item X

TO: East Bay Community Energy Board of Directors
FROM: Annie Henderson, VP Marketing and Account Services
SUBJECT: Amendments to Net Energy Metered (NEM) Policy for Solar Customers
DATE: December 5, 2018

Recommendation

Approve amendments to the Net Energy Metering (NEM) policy that covers solar customers. Amendments include:

- Amend EBCE's Net Energy Metering (NEM) policy with program details and publish a NEM tariff.
- Amend policy to start enrollment of existing PG&E Net Energy Metered (NEM) customers in April 2019 with bi-monthly enrollment batches in April, June, August, October, and December of 2019 based on the date of a customer's PG&E True-Up date.

Background

At its February 21, 2018 meeting, the EBCE Board adopted an initial NEM policy, and also directed staff to amend that policy, as necessary, after finalization of Local Development Business Plan (LDBP). At that time, several policy details were identified as needing additional attention:

- Refine and expand based on final LDBP and stakeholder feedback
- Consider adders (cents/kWh) for
 - Additional income-qualified customers beyond CARE/FERA
 - Projects that support local labor
 - Technologies beyond solar photovoltaics
- Refine surplus valuation for new installations
- Address other program considerations such as
 - Data management
 - Marketing and outreach
 - Operational mechanics of cash-out payment
 - Billing system configuration and functionality
 - Surplus cash-out threshold and cap
 - REC ownership

With the LDBP now approved, EBCE staff have revisited the NEM policy and recommend making several immediate policy revisions in order to facilitate the transition of NEM customers to EBCE service in 2019 and support the annual true-up of NEM customers already on EBCE service in April 2019. Those are articulated below. The discussion of creating new adders and/or other incentives shall wait until EBCE has hired a Director of Local Development, Electrification and Innovation. Staff have also prepared a detailed NEM tariff that provides all program details that participating customers need.

Surplus cash-out threshold and cap

EBCE’s Board adopted a policy for the value of the monthly export credit that NEM customers receive in a given month, and for the annual surplus credit for the April true-up. EBCE did not establish a minimum threshold for the true-up, nor a cap on the total cash-out amount. Below is a comparison of policies at PG&E and various other community choice aggregators (CCAs).

| | True-up Minimum Threshold | Cash-out Cap |
|--------------------------------|---------------------------|---------------------|
| PG&E | None | None |
| MCE | \$100 | \$5,000 |
| Sonoma Clean Power | \$100 | \$5,000 per account |
| CleanPowerSF | None | None |
| Peninsula Clean Energy | \$100 | None |
| Silicon Valley Clean Energy | \$100 | \$5,000 |
| Redwood Coast Energy Authority | \$100 | None |
| Pioneer | \$25 | \$5,000 |

In all cases, customers that do not meet the minimum threshold for a cash-out retain the value via a bill credit. The primary reason why most CCAs adopt a minimum threshold for cash-out is because of the administrative challenge. EBCE currently serves about 25,000 NEM accounts. Most of those accounts will not have a net surplus each April. However, it is likely that thousands will have a surplus, and it takes staff resources and financial resources to issue thousands of checks. Having a threshold decreases administrative costs, and avoids a situation where EBCE is issuing a check for a de minimis amount that otherwise could be issued as a retail bill credit. Bill credits are retained at retail value, while the cash-out amount for most EBCE NEM accounts will be at a lower wholesale value. Therefore, it is in the interest of most NEM customers to retain the small amount of retail bill credit to offset future consumption, rather than receive a small wholesale cash-out payment. For those reasons, EBCE staff recommend implementing a \$100 minimum cash-out threshold.

Regarding the cash-out cap, that is used by some CCAs to limit financial liability. EBCE has made efforts to meet or improve upon PG&E’s NEM policies in terms of customer outcomes. For most of EBCE’s NEM accounts, the cash-out would be at wholesale rates, which limits EBCE’s financial liability, as EBCE makes a similar cash-out payment to a NEM account as it would cost EBCE to procure the same power in the market. For that reason, staff recommend not adopting a total cash-out cap.

Finally, when EBCE set its surplus credit policy, it set the amount for new NEM accounts as “The greater of retail capped at \$2,500 or the PG&E NSC”. In the wake of adopting that policy, EBCE staff realize that customers who would generate just over \$2,500 of retail credit will be prevented from monetizing those marginal kilowatt-hours (kWhs) just above the

\$2,500 threshold. For that reason, EBCE staff recommend replacing the policy with “Retail value up to \$2,500 plus the PG&E NSC rate for each additional unit above \$2,500.”

Operational mechanics of cash-out payment

Below is a table of how other CCAs manage the annual cash-out process:

| | Mechanics of Payment |
|--------------------------------|---|
| PG&E | Check (over \$1) |
| MCE | Check |
| Sonoma Clean Power | Check |
| CleanPowerSF | Check (if requested within 60 days of receiving April bill) |
| Peninsula Clean Energy | Check |
| Silicon Valley Clean Energy | Check |
| Redwood Coast Energy Authority | Check if requested |
| Pioneer | Check |

EBCE recommends adopting a cash-out process as follows:

At the close of each March-April billing cycle of each year, all current EBCE NEM customers who are Net Generators with a Net Surplus credit balance totaling \$100 or more, will be issued a direct payment by check for this balance. Such checks shall be sent to each eligible customer’s billing address. Upon issuance of such payment, the customer’s associated credit balance will be set to zero. For customers with Net Surplus Generation totaling less than \$100, such balances will be carried forward and shall be applied to offset future EBCE charges. If accountholders do not cash their checks, those payments would be treated like other non-claimed funds.

Note that cash-outs will also be made when a customer moves out of their premise and/or terminates their account.

REC ownership

When EBCE purchases surplus generation from a net metered renewable energy facility, it is not known whether the customer has title to the underlying Renewable Energy Certificates (RECs). In many cases, the customer has a lease or Power Purchase Agreement (PPA) and does not own the generating asset. In the case of a lease or PPA, the lessor or equipment owner may contractually retain the RECs, and not convey them to EBCE’s customer. Therefore, EBCE cannot assume that the RECs convey along with the power when purchasing surplus generation. For that reason, EBCE should treat all surplus generation as not conveying the REC, unless or until EBCE decides to sign agreements with NEM customers to purchase their RECs and create a legal contract path. Until that time, EBCE will treat net surplus generation as unspecified power.

Marketing and Outreach

EBCE prepared a letter (attached) to send to each current NEM accountholder, with basic information about the enrollment schedule and policies. That letter will be sent once the enrollment schedule is finalized.

EBCE also created a NEM fact sheet (**attached**), which is distributed at events to interested customers, and maintains a web page for solar customers. Information is also available on our website at <https://ebce.org/net-energy-metering-with-ebce/>. The fact sheet and website will be updated per the approval of these changes by the Board.

EBCE will work with solar developers to ensure that they understand EBCE’s NEM policies.

Enrollment

Over the last year, EBCE staff has been communicating the enrollment timeline for various customer classes: Municipal and Commercial customers in June 2018, Residential customers in November 2018, and Net Energy Metered (NEM) or solar customers throughout 2019. The initial NEM policy approved by the Board of Directors on February 21, 2018 indicated that enrollment of NEM customers “will be based on the PG&E True-Up Date for each customer. Enrollment will be bimonthly beginning January 2019.”

EBCE is currently serving some NEM customers who installed solar after becoming an EBCE customer. We will process their True-Up in April 2019 and issue surplus credit payment as necessary. This will be the first time we run the true-up process and it is more administratively advantageous to run this new process with a small group.

Proposed Amendments to NEM Policy

Surplus Payment

Staff proposes to:

- Implement a \$100 minimum cash-out threshold.
- Replace the surplus credit policy for new NEM accounts (not low income or municipal) as “Retail value up to \$2,500 plus the PG&E NSC rate for each additional unit above \$2,500.”
- Issue checks to NEM accountholders with \$100 or more in annual net surplus in April.

Enrollment

Staff proposes to:

- Delay enrollment of existing PG&E NEM customers until April 2019 and then enroll customers as follows:

| PG&E True Up Date | Noticing Start Month | Enrollment Month | Approximate # Accounts |
|---------------------|----------------------|------------------|------------------------|
| Jan/Feb/March/April | Feb-19 | Apr-19 | 8,800 |
| May/June | Apr-19 | Jun-19 | 4,400 |
| July/August | Jun-19 | Aug-19 | 4,400 |
| Sept/Oct | Aug-19 | Oct-19 | 4,400 |
| Nov/Dec | Oct-19 | Dec-19 | 4,400 |

- Run the inaugural True-Up process for only current EBCE NEM customers in April 2019 (n ~ 630)
- Run the second True-Up process for all enrolled NEM customers in April 2020 (n ~ 27,000)
- Customers who install solar at any time during 2019 will be enrolled in EBCE service immediately upon interconnection with PG&E.

Fiscal Impact

Surplus Payment

N/A

Enrollment

There is minimal fiscal impact to delaying the enrollment of approximately 4,400 NEM customers. As a NEM customer, they do not represent a large revenue potential.

Attachments

1. Resolution Amending NEM Policy
2. Amended NEM Policy
3. Letter to NEM accountholders
4. NEM fact sheet
5. Draft EBCE NEM Tariff

CEQA

Not a project.