



CAC Item C5  
Staff Report Item 12

**TO:** East Bay Community Energy Board of Directors

**FROM:** Michael Quiroz, Regulatory Analyst

**SUBJECT:** Informational Discussion on Proposed CPUC Net Energy Metering Decision (Informational Item)

**DATE:** December 14, 2022

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### Recommendation

No action is needed at this time.

### Background and Discussion

The current IOU Net Energy Metering (NEM) tariff, widely known as “[NEM 2.0](#),” has been in place since 2016. Seeking to revise the existing tariff, the CPUC initiated [proceeding 20-08-020](#) in 2020.

Following public comments, several workshops, analyses of NEM 2.0, party proposals, and evidentiary hearings, two proposed decisions for the NEM successor were produced by this proceeding, one on December 13, 2021 (“original decision”), and another on November 10, 2022 (“new decision”).

The CPUC must balance several different design aspects, competing priorities, and statutory obligations in adopting a NEM successor. EBCE, among other CCAs, submitted [opening comments](#) on the original decision, as well as [opening](#) and [reply](#) comments on the new decision. This presentation seeks to provide relevant information on the proceeding, the new decision, as well as EBCE’s positions on both decisions.

### **Fiscal Impact**

No budget impact is identified at this time.

### **Committee Recommendation**

No recommendations have been made at this time.

### **Attachments**

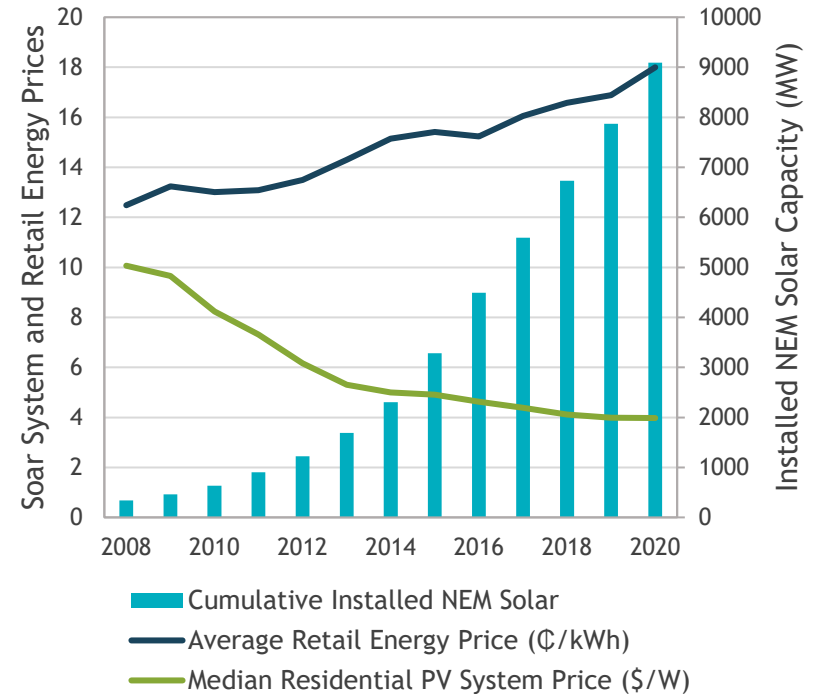
- A. PPT: An Overview of California's Evolving Net Energy Metering Tariff

# An Overview of California's Evolving Net Energy Metering Tariff



# Evolution of NEM in California

- 1995:** CA establishes NEM program for small solar customers through the passage of SB 656.  
  
Between 1995 and 2016: several incremental policy changes.
- 2016:** Significant changes come in the form of NEM 2.0. Customers are moved to time-of-use rates.
- 2021:** CPUC releases a proposal for NEM 3.0. It does not come to a vote.
- 2022:** An alternative proposal is released and could be adopted by the CPUC on December 15<sup>th</sup>. If approved, this proposal would be implemented within a year. EBCE, among other CCAs, is submitting comments on this proposal.



# Key Issues in a NEM 2.0 Successor

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- How much to pay customers for excess electricity sent back to the grid
- How to promote sustainable growth of solar adoption
- What type of rate to enroll NEM customers in
- How to recover costs associated with distribution and grid maintenance
- How to address potential cost shifts
- How to ensure low-income customers have access to distributed generation and storage
- How to balance the costs and benefits associated with distributed generation

In drafting a revision to the existing NEM policy, the CPUC must consider several different design aspects and competing priorities.

# Comparing Proposed Decisions

Issue	2021 Proposed Decision	2022 Proposed Decision
<p><b>Export compensation</b> <i>How much to pay customers for excess energy</i></p>	<ul style="list-style-type: none"> <li>Based on avoided costs. Lower than in NEM 2.0.</li> <li>Rates will be locked in for the first <b>5 years</b></li> </ul>	<ul style="list-style-type: none"> <li>Based on avoided costs. Lower than in NEM 2.0.</li> <li>Rates will be locked in for the first <b>9 years</b></li> </ul>
<p><b>Glide path approach</b> <i>How to ensure sustainable growth of solar adoption</i></p>	<ul style="list-style-type: none"> <li>Customers receive a monthly bill credit</li> <li>Available for the first <b>four</b> years of NEM 3.0, stepping down by <b>25%</b> each year.</li> </ul>	<ul style="list-style-type: none"> <li>Customers receive additional \$ for each unit of energy they sell back to the grid.</li> <li>Available for the first <b>five</b> years of NEM 3.0, stepping down <b>20%</b> each year.</li> </ul>
<p><b>Rate Structure</b> <i>What type of rates to enroll NEM customers in</i></p>	<ul style="list-style-type: none"> <li>Customers are required to use <b>time-of-use</b> rates, <b>EV2-A</b> for PG&amp;E customers.</li> <li>No changes to billing or interconnection fees.</li> </ul>	<ul style="list-style-type: none"> <li>Customers are required to use <b>electrification rates, E-ELEC</b> for PG&amp;E customers.</li> <li>No changes to billing or interconnection fees.</li> </ul>

# Comparing Proposed Decisions

Issue	2021 Proposed Decision	2022 Proposed Decision
<p><b>Fixed Charges</b> <i>How to recover costs associated with distribution and grid maintenance</i></p>	<ul style="list-style-type: none"> <li>NEM customers pay a monthly fixed charge for ten years</li> </ul>	<ul style="list-style-type: none"> <li>No fixed charge specific to NEM customers</li> </ul>
<p><b>Equity</b> <i>Ensure low-income customers have access to distributed generation and storage</i></p>	<ul style="list-style-type: none"> <li>Low-income customers exempt from monthly fixed charge</li> <li>Low-income customers can enroll in any rate, not just TOU</li> </ul>	<ul style="list-style-type: none"> <li>Low-income customers receive even more \$ for each unit of energy they sell back to the grid.</li> </ul>
<p><b>Other charges</b> <i>How to balance the costs and benefits associated with distributed solar</i></p>	<ul style="list-style-type: none"> <li>NEM customers exempt from many statewide charges for wildfire prevention, resiliency, et.</li> </ul>	<ul style="list-style-type: none"> <li>NEM customers no longer exempt from these statewide charges</li> </ul>

In response to the Proposed Decision in 2021, EBCE filed comments with other CCAs, arguing:

1. The monthly fixed charge for NEM customers is discriminatory. Instead, the CPUC should address cost recovery issues by moving NEM customers to electrification rates.
2. NEM customers should be subject to the same suite of statewide charges as other ratepayers.
3. A glide path to export rates based on avoided costs should be established to stabilize the transition

The CPUC adopted these recommendations in the 2022 proposal.



In response to the Proposed Decision in 2022, EBCE filed comments with other CCAs, arguing:

1. Utilities should be given more time to implement NEM 3.0, and this should be completed before NEM 2.0 is closed to new customers.
2. Funding for the glide path should only be collected from IOUs that receive glide path incentives (SDG&E does not)
3. Glide path step-downs should be based on installed capacity, rather than year
4. The CPUC should consider additional incentives for low-income customers
5. Non-residential customers should receive the additional glidepath incentives that are currently limited to residential