Fact Sheet:
Modernizing NEM to Meet California's Reliability and Climate Goals

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CPUC Issues Decision to
Update the Net Energy Metering (NEM) Tariff to Support the Modern Grid

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The Decision Promotes Solar and Battery Storage, Supports Grid Reliability, and Controls Electricity Costs for All Californians

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- On December 15, 2022, the California Public Utilities Commission (CPUC) issued a decision that will modernize rooftop solar and storage through updated incentives.
- New residential customers installing solar should save approximately $100 a month on their electricity bills on average, and those installing solar and battery storage should save at least $136 a month on average. With these savings, customers will fully pay off their solar systems in just nine years or less.[1]
- The decision credits customers for the electricity they export based on its value to the grid.
- It financially incentivizes customers to install battery storage so they can store solar electricity produced in the daytime and export it in the evening, when the grid needs it the most for reliability and displacing fossil fuels.
- There is an additional $630 million in state funding set aside by the Legislature for residential low-income solar plus battery storage adopters.
- The decision supplements and bolsters federal incentives provided by the Inflation Reduction Act for solar and battery storage.
- The decision does not affect existing rooftop solar customers, and it does not include any charges specific to solar customers.

The Decision:
Promotes Consumer Adoption of Solar and Battery Storage

- The decision financially incentivizes Californians to install both battery and solar systems as well as adopt electrification measures—like electric vehicles and heat pump water heaters—all of which support grid reliability.
- The decision provides extra electricity bill credits to residential customers who adopt solar or solar paired with battery storage in the next five years. Customers are guaranteed these extra bill credits for nine years.
- The decision controls electricity costs and improves electric bill affordability for all Californians by creating more grid value, and payments to new solar and solar plus storage customers are calibrated to that value.

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[1] The decision applies to Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) customers. A tariff lays out the electric rates and charges for a customer class.

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- The decision has no impact on existing rooftop solar customers. Existing solar customers will maintain their current compensation rates.

Supports the Solar and Battery Storage Industries

- The decision gives time for solar companies and installers to transition to a thriving solar plus storage battery marketplace, which will bolster the local green energy economy. The decision does this by providing extra bill credits to residential customers who adopt solar over the next five years, which allows industry to gradually transition from solar-only sales to solar plus battery storage sales.

Supports Equity

- The new tariff works together with an additional $630 million in upfront incentives for low-income residential solar plus battery storage adopters.
- It provides low-income customers, customers living in disadvantaged communities, and customers living in California Indian Country with a larger amount of extra bill credits to improve access to solar and storage.

Supports Grid Reliability Through Improved Price Signals

- The decision applies new residential rates that financially incentivize electricity use when it is most beneficial for grid reliability. The rates financially incentivize technologies such as battery storage, electric vehicles, and heat pump water heaters, which are important for achieving carbon neutrality.
- The new tariff also credits solar and solar plus battery storage customers for the electricity they export to the grid based on its value, as determined by the avoided cost to their utility of buying clean electricity elsewhere. This will encourage solar exports during the late afternoon and early evening hours, particularly in the summer, when the grid is the most stressed.
- The extra payments solar and solar plus battery customers receive if they install systems in the next five years are paid on top of these avoided cost electricity bill credits.

Why the NEM Tariff Needs to Be Modernized

- Assembly Bill 327 (Perea, 2013) requires the CPUC to reform its existing NEM tariff. The CPUC partially revised the NEM tariff in 2016, creating NEM 2.0, and committed to return to the effort after obtaining more information. Accordingly, the CPUC initiated its current reform of NEM 2.0 in 2019.
- Since its creation more than 20 years ago, the NEM tariff has successfully enabled 1.5 million customers to install more than 12,000 megawatts of renewable generation. However, NEM 2.0 is not aligned with California's current reliability and climate change goals.
- When the sun starts to set in the late afternoon and early evening hours, output from solar declines, and other energy resources, primarily fossil gas plants, must ramp up and fill in the gap to meet electricity demand. As a result, during the hours between 4 and 9 p.m., greenhouse gas emissions are at their highest. A new tariff structure that incentives widespread

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battery storage adoption will better support our current grid needs, because battery storage allows customers to save solar energy for use or export in the evening hours, contributing to grid reliability and the displacement of fossil fuels.

- NEM customers are connected to the grid as are other customers and intermittently import and export electricity throughout the day. The new tariff updates price signals and compensation for solar and solar plus battery storage customers, which will improve these customers' interaction with and contributions to the grid.

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