

CPUC Frequently Asked Questions

Ruling – Net-Energy Metering Tariff Revisit Proceeding

May 9, 2022

Proceeding ([R.20-08-020](#)) | www.cpuc.ca.gov/nemrevisit

1. What is the Net-Energy Metering (NEM) tariff, currently known as NEM 2.0?

Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) customers who install rooftop solar on their property and connect it to the electrical grid are eligible for the NEM 2.0 tariff. The NEM 2.0 tariff governs how rates are calculated for rooftop solar customers as their panels interact with the grid throughout the day. The NEM tariff allows customers to receive a financial credit on their electricity bills when their rooftop solar system sends excess electricity to the electric grid.

Although the NEM tariff covers technologies like wind and biogas, the vast majority of NEM 2.0 customers have installed rooftop solar. Some NEM 2.0 customers pair their solar system with battery storage, which allows them to store electricity for use during evening hours, when the sun is down and electricity prices are higher. Both residential and nonresidential customers (like businesses and schools) are eligible to participate in the NEM 2.0 program.

To learn more about the program, please visit the California Public Utilities Commission’s (CPUC) [NEM webpage](#).

2. What is a CPUC proceeding, Ruling, and Proposed Decision?

A CPUC proceeding is a formal public decision-making process overseen by an Administrative Law Judge (ALJ) with an Assigned Commissioner. This process provides a transparent venue for parties to the proceeding to present evidence for consideration by the CPUC.

Throughout a proceeding, the ALJ may issue one or more Rulings to communicate with stakeholders participating in the proceeding, who are formally called “parties.” Rulings may include documents for party feedback, questions presented for party comments, or any number of matters that are relevant to the scope of the proceeding. For example, a previous [Ruling](#) in the NEM revisit proceeding ([R.20-08-020](#)) included a [white paper](#) as an attachment and provided guidance for parties on developing their NEM reform proposals.

Prior to adopting a final Decision in a proceeding, the CPUC will consider a Proposed Decision, which proposes final judgement on a matter for adoption at a public Voting Meeting. Parties and the public may provide comments on the Proposed Decision, and the ALJ may revise the Proposed Decision before it is voted on by the CPUC’s Commissioners. Multiple decisions may be adopted over time within a proceeding.

3. Why is the CPUC proposing to modernize the NEM 2.0 tariff?

In 2013, Assembly Bill 327 required the CPUC to reform the NEM tariff.¹ The bill required the CPUC to:

¹ See the text of AB 327 (Perea, 2013) here: https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB327

- Ensure that customer-sited renewable distributed generation continues to grow sustainably;
- Include alternatives designed for growth in disadvantaged communities;
- Base the tariff on the costs and benefits of the renewable electric generation facility; and,
- Ensure that the total benefits of the tariff to all customers and the electric system are approximately equal to the total costs.

The CPUC made initial revisions to the NEM tariff in 2016 in Decision [\(D.\) 16-01-044](#). The tariff then became known as the NEM 2.0 tariff. The CPUC stated in its 2016 Decision that it needed additional information before adopting further changes to the NEM tariff to comply with Assembly Bill 327. The CPUC started its [NEM 2.0 tariff revisit process](#) in August 2020 with the approval of [Order Instituting Rulemaking \(R.\) 20-08-020](#), which formally opened the active NEM revisit proceeding.

4. The CPUC issued a Proposed Decision to modernize the NEM 2.0 tariff on December 13, 2021. What are the changes the CPUC proposed?

The December 2021 [Proposed Decision](#) issued in the NEM revisit proceeding proposes to replace the NEM 2.0 tariff with a successor tariff called the “Net Billing Tariff.” The Net Billing Tariff would apply to future residential and non-residential customers that interconnect an on-site renewable energy system in PG&E, SCE, and SDG&E territories.

The Proposed Decision proposes to:

- Pay Net Billing Tariff customers for the electricity they export to the grid based on its value to the electric grid, determined by the Avoided Cost Calculator. The Avoided Cost Calculator quantifies the value of electricity exported to the grid at different times of day, based on the avoided cost to the utility of buying clean energy elsewhere.
- Charge Net Billing Tariff customers for the electricity they receive from the grid based on high differential time-of-use rates - rates that vary based on the time of day (and cost of electricity at various times of the day). These rates incentivize customers to install battery storage so they can store and then use and export electricity in the evening when the sun is down and electricity prices are higher.
- Provide a Market Transition Credit so that residential Net Billing Tariff customers can pay off the cost of a solar plus storage energy system in less than 10 years. Residential customers would be eligible to receive this monthly electric bill credit during the first four years of the tariff, and they would lock in their credit amount for 10 years. The Market Transition Credit itself would step down by 25 percent each year for prospective customers.
- Establish a Grid Participation Charge based on the size of the solar system so that residential Net Billing Tariff customers pay their share of the fixed costs of the electric grid, similar to other customers without rooftop solar. Low-income customers, customers living in a disadvantaged community, and customers on tribal lands² would be exempt from paying this charge.
- Allow solar systems to be sized to cover 150 percent of a customer’s historical load to enable future electrification.
- Establish an Equity Fund with up to \$600 million to support clean energy and storage programs for low-income and disadvantaged Californians.
- Transition existing NEM tariff customers to the Net Billing Tariff after their solar system has been interconnected to the electric grid for 15 years.

More information on the proposed decision can be found on [this CPUC webpage](#).

² Defined in the 18 United States Code Section 1151: <https://www.govinfo.gov/app/details/USCODE-2011-title18/USCODE-2011-title18-partI-chap53-sec1151>

5. The CPUC issued a Ruling on May 9, 2022. What is 2022 Ruling asking for feedback on?

The May 9, 2022 Ruling represents another step in the CPUC's decision-making process regarding a successor tariff to NEM 2.0. The questions presented in the May 9, 2022 Ruling were developed after consideration of comments from parties and evidence in the record of the proceeding. They focus on how to provide a gradual transition from the NEM 2.0 tariff to the Net Billing Tariff; how to collect public purpose charges from Net Billing Tariff customers; and community solar photovoltaic (PV) models. These three issues are described below.

I) Gradual Transition from NEM 2.0 to the Net Billing Tariff

- The CPUC considered various party proposals to gradually transition from the NEM 2.0 tariff to the Net Billing Tariff.
- The May 9, 2022 Ruling requests party feedback on a transition approach in the form of a fixed electric bill credit “adder” on top of the hourly export credits. Pursuant to the Ruling, parties are asked to consider a proposed adder that would be in cents per kilowatt-hour (c/kWh), which would step down over time for new customers, providing a glide path ending at Avoided Cost Calculator values.
- The May 9, 2022 Ruling requests party feedback on how much the adder should be, and over what timeframe it should be offered to new customers.

II) Collecting Public Purpose Charges from Successor Tariff Customers

- Some parties have proposed that the tariff could bill customers for their full contribution to fund public purpose programs, such as low-income assistance, energy efficiency programs, and wildfire hardening costs, even after they switch to rooftop solar to cover some of their electricity needs. This proposal is referred to as “Non-bypassable Charges on Gross Consumption.”
- The May 9, 2022 Ruling requests party feedback to gather more information about this proposal, including questions regarding which set of charges would be appropriate to include, and on which customers they should be assessed. For example, the Ruling asks if low-income customers on the Net Billing Tariff should be exempt from paying these charges.

III) Community Solar

- The CPUC oversees two community solar PV programs including the Enhanced Community Renewables program and the [Community Solar Green Tariff](#). The Community Solar Green Tariff provides clean energy access to low-income customers living in disadvantaged communities. Customers that participate in that program are eligible to receive a 20 percent electric bill discount in addition to other low-income discounts offered by utilities.
- The May 9, 2022 Ruling requests feedback on the advantages and disadvantages of the Community Solar Green Tariff compared to other community solar PV models.
- The May 9, 2022 Ruling also requests feedback on whether any community solar program or tariff should guarantee a certain level of electric bill savings for low-income customers and/or renters.

6. What are the next steps in the NEM Revisit proceeding?

Party comments on the May 9, 2022 Ruling are due on June 10, 2022, and reply comments are due on June 24, 2022. The public may submit comments to the Ruling at any time by visiting the proceeding's [Docket Card](#).