

# Impacts on the California Economy: Alternative Net Energy Metering Policies



## Client

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The Alliance for Solar Choice (TASC)

## Facts

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Period

2016

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Project Country

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United States

**The Alliance for Solar Choice (TASC) a national trade group advocate for customer-sited solar developers/installers needed to prepare “evidence” during the California PUC’s open comment interval on their recommendations for how the successor tariff (NEM 2.0) should continue beyond 2016. NEM policies are set by the Public Utilities (Service) Commission of the state which adopts solar distributed generation (“customer-generators”) into the power generation/distribution system. Several states have been in the news concerning NEM policy renewals and dramatic changes that have resulted (e.g. HI, NV, AZ). Weighing in the balance for California is the future market growth for roof-top residential and commercial-scale solar adoptions. With the ‘economics’ of anticipated future customer-sited solar deployments at risk, renewable generation targets set through the state’s AB32 GHG Reduction Act could be jeopardized. As part of a larger consulting team, EBP (formerly EDR Group) was chosen to demonstrate how a proposed NEM successor scenario works in the ‘secondary markets’ – the broad economy – as this could prove useful in the CPUC’s selecting among alternatives, especially with the long-lived performance of NEM systems.**

The study examines three scenarios – one put forth by TASC, another by Southern California Edison (SCE), and the third by the Office of Ratepayer Advocacy (ORA). All proposed a two-tier residential rate structure, various demand caps on new connected systems, and various custom-segment adoption levels. These were evaluated against a base case of ‘no additional NEM customers after 2016’ using a NEM analysis model developed for the CPUC “the Public Tool.” From the Public Tool came a forecast of participant and non-participant bill changes (savings or dis-savings) by customer-segment, acknowledging Utility-sector avoid costs implications, and participant derived solar investment defrayed by some level of incentives. EBP analyzed these elements for each scenario in an economic impact forecast model of the state’s economy.

Despite the TASC scenario posing a potential non-participant cumulative (through 2035) rate increase of \$2 billion across the California economy, the additional participants would see a \$30 billion cumulative net bill savings after paying for their systems. Combined, the \$28 billion of bill savings for the entire ratepayer base was 1.5 -fold of the ORA scenario and 1.7-fold the SCE scenario. In addition, the TASC scenario also would support \$17 billion cumulative of local contracts through 2035 on the additional solar investment demand - 1.7-fold greater than the ORA scenario and 2.4-fold the SCE scenario. Not surprisingly, the TASC scenario supported more economic growth for California relative to the other two scenarios – TASC’s scenario would on average support \$1.5 billion of additional Gross State product with 14,000 additional jobs per year.

TASC submitted its written evidence in October 2015 as did other entities in the discussion. The CPUC ruled in January of 2016 to “stay the current structure of NEM 1.0 with small adjustments – time of use rates for new residential NEM accounts, interconnect charges dependent on the size of the system, and non-bypassable charges based on electricity bought off the grid - pending resolution of several CPUC proceedings by 2018.”

**Contact Persons**