



Myths and Facts

MYTH:

Any significant reform of Net Energy Metering (NEM) subsidies provided to future rooftop solar customers will end the growth of rooftop solar in California.



FACT:

Other states including Hawaii, New York, Arizona and Nevada have updated their NEM rate structures and customers continue to install rooftop solar systems.

The goal of the NEM program when launched 25 years ago was to jumpstart the rooftop solar industry, drive down costs of the technology and contribute to the growth of renewable power in California. It worked! **While the original goal of the 1995 program was to install 10,000 home-based systems, today there are over 1 million.**

The intent of the program was never to burden an increasingly shrinking number of electricity customers with the obligation of covering all costs associated with electric grid upkeep and state-mandated public purpose programs. However, that is exactly what is happening today because the credits paid for excess power generated by rooftop systems are so large that many NEM customers have just nominal monthly bills. That means they are no longer contributing towards these costs that used to be shared by all customers. **This inequity has driven up the electric bills of Californians without rooftop solar \$3.4 billion more every year or as much as \$245 per customer. Without reform of NEM, that unfair cost burden will continue to increase.**

Advocates for consumers, seniors, environmental groups and many others agree that by modifying the NEM program, it's possible to achieve the state's clean energy objectives AND increase the number of rooftop solar systems in California without unfairly increasing the electric bills of customers who don't have rooftop systems.

Finally, the California Solar Mandate (Title 24) enacted in 2019 guarantees growth for the solar industry by requiring that new homes be equipped with solar panels. This law is expected to drive between 74,000-100,000 new solar installations every year regardless of how the CPUC chooses to reform NEM.

MYTH:

Any significant reform of NEM will harm California's ability to achieve its clean energy/zero-carbon goals by 2045.



FACT:

The exact opposite is true; solar power generated from large-scale systems costs 8 times less than rooftop solar. The huge cost shift to non-solar customers is raising electricity rates, providing disincentives to these customers from pursuing electrification of their homes and driving electric vehicles.

In a recent study by Next10 and UC Berkeley, NEM was identified as a significant driver of higher electric rates in California. High electricity costs jeopardize the state's clean energy goals by making it more difficult and costly to transition away from fossil fuels.

In addition, unless the rate structure of NEM is reformed, it is the most expensive means of expanding solar in California. Power generated from large-scale systems is 8 times cheaper. Today, those with solar rooftops are receiving credits of about 25 cents per kilowatt hour for their excess solar. Utilities could buy that same solar on the wholesale market for 3 cents per kilowatt hour.

MYTH:

Any significant reform of NEM will result in loss of jobs for the solar industry and significantly impact solar businesses in the state of California.

**FACT:**

Other states, including states with high solar adoption like Hawaii and Arizona, have updated their NEM rate structures and interest in rooftop solar systems has remained steady allowing businesses to continue to grow.

Additionally, the California Solar Mandate (Title 24) guarantees growth for the California solar industry by requiring that new homes be equipped with solar panels. This law is expected to drive between 74,000-100,000 new solar installations every year regardless of how the CPUC chooses to reform NEM.

MYTH:

Rooftop solar systems don't rely on the electric grid so those customers shouldn't have to pay to maintain it.

**FACT:**

Rooftop solar systems need the electric grid to export their excess power back to the grid and to get electricity at night, as well as on cloudy or rainy days.

Because of the large bill credits California's more than 1 million solar customers receive, many pay no more than a nominal electric bill and are no longer contributing for their share of grid upkeep or state-mandated public policy programs like energy efficiency and low-income assistance. These costs do not go away and are shifted to customers who don't have solar systems, driving up their electric bills by over \$3 billion every year—an amount that will continue to increase if changes aren't made.

MYTH:

The California Public Utilities Commission (CPUC) was pressured by the state's three utilities to open a formal proceeding to consider changes to NEM.

**FACT:**

The CPUC was required by law to update NEM. AB 327 (signed into law in 2013) requires the CPUC to ensure that benefits from NEM are equal to or greater than the costs borne by all customers. Studies commissioned by the CPUC and released in 2021 confirmed that the subsidies offered today are far greater than the benefits that solar rooftops provide. That's why NEM needs to be reformed.

Advocates for consumers, seniors, environmental groups and many others agree that by modifying the NEM program, it's possible to achieve the state's clean energy objectives AND increase the number of rooftop solar systems in California without unfairly increasing the electric bills of customers who don't have rooftop systems.

MYTH:

Only the state's three investor-owned utilities are advocating for changes to NEM.

> FACT:

This is not true. Diverse organizations representing seniors, consumers and environmental interests similarly recognize NEM needs to be reformed and have submitted separate proposals to fix the unfair cost-shift. Similar reform is occurring at the Sacramento Municipal Utility District (SMUD) and in other progressive states such as Hawaii.

In addition, many organizations representing low-income, senior, environmental, small business and taxpayer interests have also joined the Affordable Clean Energy for All coalition advocating for changes to NEM because the current outdated program is needlessly increasing electricity bills for customers without rooftop solar by \$3.4 billion annually. Without changes, this cost shift will continue to grow.

MYTH:

Utilities are financially motivated to change NEM.

> FACT:

Neither NEM reform nor reduction in rooftop solar subsidies impacts utility revenues.

It's worth noting that the only parties in the CPUC NEM proceeding opposed to meaningful changes to the current program are advocacy organizations funded by solar companies.

Rather than acknowledge the cost shift and seek constructive solutions to ensure the sustainability of rooftop solar, these advocacy organizations are trying to cloud the facts to protect the current level of excessive subsidies.

MYTH:

Half of California's rooftop solar is found in working and middle-class neighborhoods.

> FACT:

According to the Lawrence Berkeley National Laboratory, **70% of California solar adopters are in the wealthiest 40% of society.** Wealthier Californians are more likely to own their homes and have the means to invest in rooftop solar systems.

The goal of NEM reform is to ensure the continued growth of rooftop solar and access to clean energy, including among more low-income Californians, without needlessly raising electricity bills of non-participating Californians – many of whom are already struggling to make ends meet.

MYTH:

Rooftop solar saves everyone money because every solar system reduces the need to maintain or build expensive transmission lines and other grid infrastructure.

> FACT:

The only Californians who save money under the current NEM structure are those who have rooftop solar and receive large credits on their bills for excess energy generated by their systems and sold back to the grid.

Recent studies commissioned by the CPUC found that the program costs society as a whole and customers who don't have rooftop systems far more than any benefits received.

In fact, because of the excessively large credits created by the current NEM structure, customers with rooftop solar systems are no longer contributing their fair share of grid maintenance and public purpose programs, including energy efficiency and low-income programs. Those costs are being shifted to non-participants who are paying \$3.4 billion more each year to make up for what is no longer being paid by electricity customers with rooftop systems.

MYTH:

Advocates of NEM reform are trying to prevent rooftop solar customers from being paid for the excess power they generate from the system.

> FACT:

Solar customers will still get paid for the excess energy they export to the electric grid.

Advocates of NEM reform are simply trying to ensure the price paid for that excess power more accurately reflects the actual value of the energy as calculated by the California Public Utilities Commission.

Since California is already legally required to transition to zero-carbon energy by 2045 and there is now an abundance of lower-cost renewable power options, it makes no sense to pay eight times more for power generated by a rooftop solar system when that same power can be purchased on the wholesale market at a significantly lower rate.

MYTH:

The 1 million plus solar rooftop systems in California help increase the reliability of the state's electric infrastructure during statewide power shortages and Public Safety Power Shutoffs (PSPS) and reduce the need for investments in the grid.

> FACT:

Rooftop solar alone does not support the grid during power shortages or keep the lights on during power outages. For a NEM customer to have backup energy during an outage, they would have to purchase an energy storage system (battery) and control it properly. Even then, customers with batteries still rely on the grid. Less than 4 percent of the 1 million rooftop systems in California have storage capability, and those that do typically use their systems to keep the lights on for their individual homes when the power goes out. To truly increase grid reliability for everyone, energy storage must be used to dependably store the clean rooftop solar energy generated in the middle of the day and use it during the evening hours when the demand for electricity is greatest and most expensive.

Rooftop solar systems can play an important role in the state's transition to 100% clean energy, however, solar alone provides little value during systemwide outages. Even as more rooftop solar systems install batteries, they will continue to rely on the electric grid to reliably keep their lights on and to export their power.