

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell

SUBJECT: SEE BELOW

DATE: February 26, 2024

Approved



Date

2/28/24

INFORMATION

**SUBJECT: SAN JOSE CLEAN ENERGY SOLAR SERVICES CHANGES
EFFECTIVE APRIL 1, 2024**

The purpose of this memorandum is to inform the City Council of changes to San José Clean Energy (SJCE) solar customer services and Net Energy Metering (NEM) policies that will go into effect April 1, 2024. This includes transitioning customers from annual invoicing to monthly invoicing, replacing mailed checks with on-bill credits, and implementing a billing structure designed to support the upcoming Solar Billing Plan for new solar customers. The changes are expected to improve customer satisfaction, reduce staff time and expense, and set SJCE up for the next phase of solar customer enrollment.¹

BACKGROUND

At the City Council meeting on December 12, 2019, SJCE introduced its NEM policy and received approval to enroll over 21,000 residential and small commercial NEM customers in four quarterly batches. NEM is an electric utility program that addresses compensation for energy exported to the grid by customer-sited generation resources, most commonly rooftop solar. When customer-sited generators produce more energy than utilized at any given moment, the electricity will flow back onto the grid. The customer receives a “credit” for the exported power.

¹ These administrative changes simplify SJCE solar customer account management and align SJCE NEM policies with the Net Billing Tariff established by the California Public Utilities Commission decision D.22-12-056 and Pacific Gas and Electric’s (PG&E) Solar Billing Plan, described below. They do not include changes to any rates, which are approved annually by City Council.

Summary of SJCE's Current NEM Policy

Billing – Customers receive a NEM statement displaying monthly charges and/or credits and the running total of generation credits/charges in an escrow balance. An annual “True-Up” bill for SJCE is sent in May. Customers with net charges are billed. Customers with net credits are reset to zero. SJCE’s NEM statement for generation credits is separate from the PG&E NEM statement for distribution credits.

Rates - SJCE matches all PG&E NEM rate structures. Customers remain on their existing rate under SJCE’s NEM program.

Export credit - Retail value based on customer’s rate and selected service (GreenSource/ TotalGreen).

Net Surplus Compensation (NSC) rate - Separate from the NEM credits, customers who export more electricity than they consume over a year receive compensation for the net surplus generation. SJCE customers receive a 25% premium over PG&E’s NSC rate², set annually based on PG&E’s March NSC value. By default, customers receive a check for amounts over \$100 and a bill credit for amounts less than \$100.

Annual True-up - SJCE NEM customers have a separate true-up of net SJCE generation charges from their true-up of PG&E charges. All SJCE NEM customers true-up each April.

ANALYSIS

Solar Service Changes

In recent years, there have been changes in NEM programs that make this an ideal time to revise SJCE policies to ensure alignment with best practices. These changes are designed to ensure that all SJCE NEM customers have the same billing experience, improve customer satisfaction, and retain more NEM customers.

1. Monthly Invoicing

Around 70% of SJCE NEM customers are net consumers who are required to make a payment at true-up time. This annual bill can be unexpectedly high if a customer is not monitoring their escrow balance closely. Additionally, SJCE true-ups do not align with PG&E true-ups so customers can feel as if they are being hit with two large bills a year. The result is that SJCE sees

² PG&E’s NSC value for net surplus generation is calculated as the “rolling average of PG&E’s default load aggregation point price from 7 a.m. to 5 p.m., corresponding to the customer’s 12-month true-up period.”

a large increase in NEM customers opting out following true-up time each year. Monthly invoicing will eliminate large true-up bills and decrease NEM billing confusion. In addition, SJCE will remove the requirement that customers be on our service for at least 10 months before trueing up. This requirement can lead to particularly large true-up bills as customers can go without a true-up for up to 22 months.

Change: Effective April 1, 2024, all SJCE NEM customers will transition to monthly invoicing. Monthly invoicing will reconcile balances each month. Customers with net charges for any given month, less any previously accumulated credits, will receive a bill for those charges. Customers with a net credit will still have that credit held in escrow to apply to the charges for subsequent months.

2. On-bill credit

Mailing checks to all net generators with over \$100 net surplus compensation has been operationally cumbersome and has frustrated customers. Customers frequently need to be mailed a check multiple times which consumes staff time and resources.

Change: Beginning with the April 2024 SJCE true-up period, NSC will be issued as an on-bill credit for all customers; the customer will be able to apply it against PG&E delivery and gas charges as well as future SJCE charges. The on-bill credit will be a faster and more automated way to compensate net generators, which should improve customer satisfaction.

For more detailed information about SJCE NEM processes, please see the **Attachment** -NEM Terms and Conditions.

Solar Billing Plan

In December 2022, the California Public Utilities Commission changed how utilities compensate new NEM customers for excess solar generation. The new compensation method is called Net Billing Tariff, but is colloquially known as NEM 3.0.

The key difference between Net Billing Tariff and previous versions of NEM is the valuation of exported energy. The Net Billing Tariff will value electricity exports using the California Public Utilities Commission's Avoided Cost Calculator that sets an export value for all 8,760 hours annually. These values are expected to better align with wholesale energy pricing.

The low average price of exported solar energy at midday will incentivize new solar customers to consider solar plus storage options that take advantage of higher peak export values in early evenings. In recognition of the important role rooftop solar plays in solving the climate crisis,

SJCE is evaluating potential programs to incentivize rooftop solar paired with battery storage, particularly in communities that have lacked access to solar in the past.

California Public Utilities Commission approved changes for all PG&E customers: Solar Billing Plan, PG&E's version of Net Billing Tariff, will be applicable to solar and storage customers with interconnection application dates after April 14, 2023. Customers already participating in a legacy NEM program, prior to April 15, 2023, will transition to the Solar Billing Plan after 20 years on their legacy NEM program. Residential customers will start transitioning to the new Solar Billing Plan on April 15, 2024. Commercial customers will transition to the new Solar Billing Plan on July 1, 2024.

SJCE changes: Effective April 15, 2024, SJCE will mirror PG&E's Solar Billing Plan for applicable customers to keep things consistent for the customers. SJCE will continue to charge customers for energy use based on their applicable rate schedule. Solar Billing Plan customers will be invoiced on a monthly basis, with excess generation reconciled on an annual basis. SJCE will continue to provide a higher NSC rate than PG&E.

CONCLUSION

The changes in SJCE's solar services outlined above, including transitioning customers from annual invoicing to monthly invoicing and the replacement of mailed checks with on-bill credits, are expected to improve customer satisfaction and reduce staff time and expense. The implementation of a billing structure consistent with PG&E's Solar Billing Plan is expected to reduce customer confusion that could result from being billed under two very different billing structures.

/s/

LORI MITCHELL

Director, Energy Department

For questions, please contact Lina Williams Deputy Director, Account Services, Marketing and Communications, at email lina.williams@sanjoseca.gov or (408) 534-2933.

ATTACHMENT

Attachment - NEM Terms and Conditions

APPLICABILITY

This schedule Net Energy Metering (NEM-San José Clean Energy) is applicable to enrolled San José Clean Energy customers who use a Renewable Electrical Generation Facility.

To be eligible, the San José Clean Energy customer must satisfy the requirements of Pacific Gas and Electric Company's (PG&E) Electric Schedule NEM, or NEM2; must take service on a PG&E NEM Tariff Schedule; and install a Renewable Electrical Generation Facility.

This schedule is available upon request, on a first-come, first-served basis to eligible San José Clean Energy customers that provide PG&E with a completed PG&E NEM application and comply with all PG&E NEM requirements, as described in the following PG&E Electric Schedules: NEMV or NEM2V (Virtual Net Energy Metering), NEMVMASH or NEM2VMSH (Virtual Net Energy Metering for Multifamily Affordable Housing), multiple tariff facilities, and any other forms of net energy metering as defined by PG&E Electric Schedule NEM and NEM2.

PG&E NEM tariff terms and conditions apply. San José Clean Energy NEM customers are also subject to the terms, conditions, and billing procedures of PG&E for services other than electric generation.

TERRITORY

This schedule is available throughout the City of San José.

DEFINITIONS

“Annual True-up Period” means the 12-month period commencing in May of each year.

“Net Electricity Consumer” means a NEM-San José Clean Energy customer that generates less electricity from its Renewable Electrical Generation Facility during an Annual True-up Period than is delivered by San José Clean Energy to the customer during the same period.

“Net Electricity Generator” means a NEM-San José Clean Energy customer that generates more electricity from its Renewable Electrical Generation Facility during an Annual True-up Period than is delivered by San José Clean Energy to the customer during the same period.

“Net Surplus Electricity” means all electricity generated by an eligible customer measured in kilowatt hours (kWh) over a 12-month period that exceeds the amount of electricity consumed by that eligible customer.

“Net Surplus Electricity Compensation” means a per kWh rate offered to the net electric generator for net surplus electricity.

“Renewable Electrical Generation Facility” means a facility that generates electricity from a renewable source listed in California Public Resources Code Section 25741(a)(1) and that is:

1. located on the customer's owned, rented, or leased premises;
2. within the capacity limits described in applicable PG&E NEM Tariff Schedule;

3. interconnected for parallel operation with the PG&E distribution system; and
4. sized principally to offset part or all of the customer's own on-site electrical requirements.

RATES, BILLING, AND ANNUAL TRUE-UP PROCESS

Rates and Monthly Billing for San José Clean Energy Service

Each NEM-San José Clean Energy customer will receive a monthly billing statement reflecting net electricity consumption, charges incurred, credits generated during the current billing period, and remaining generation bill credits from previous billing cycles. The monetary value of any excess generation during a monthly billing cycle shall be calculated as follows:

- For Customers on a Flat Rate Tariff: If during a monthly billing cycle, the quantity of electricity generated by the customer's Renewable Electrical Generation Facility and delivered to San José Clean Energy is greater than the quantity of electricity delivered to the customer by San José Clean Energy, the value of the excess kWh produced shall be calculated according to the electricity usage charges of the customer's otherwise applicable rate schedule.
- For Customers on a Time-of-Use (TOU) Tariff: If during any TOU period, the quantity of electricity generated by the customer's Renewable Electrical Generation Facility and delivered to San José Clean Energy is greater than the quantity of electricity delivered to the customer by San José Clean Energy, the value of the excess kWh produced shall be calculated based on the applicable time-of-use rate when the excess kWh were produced. The customer will receive a net bill credit if the sum of San José Clean Energy electric generation charges and credits across all applicable TOU periods during the billing cycle is a net positive value.
- All San José Clean Energy charges under the customer's otherwise applicable rate schedule shall be in effect and all charges shall be due and payable on the due date identified in each billing statement.
- All NEM-San José Clean Energy customers by default will receive monthly billing, under which San José Clean Energy charges will become due.

Any net bill credits reflected on the customer's bill will be carried over for use in subsequent billing period(s) throughout the Annual True-up Period until such credits are exhausted.

Annual True-Up and Settlement

On an annual basis, San José Clean Energy will determine whether a participating customer is a Net Electricity Consumer or a Net Electricity Generator during the preceding Annual True-up Period. For new customers, the Annual True-up Period for the first year will cover the period starting on the date that the customer commenced service under this NEM schedule through the customer's April billing cycle.

When the customer is a Net Electricity Consumer at the end of the Annual True-up Period, any net bill credit balances remaining at that time will be reset to zero for the beginning of the next true-up period.

When the customer is a Net Electricity Generator at the end of the Annual True-up Period, the customer is eligible to receive Net Surplus Electricity Compensation (NSC) for any Net Surplus Electricity during the prior 12 months.

SJCE's NSC rate is derived by taking PG&E's March NSC rate and adding 25% per kWh. San José is committed to helping our City's local renewable resources grow by giving our solar customers greater value for their exports. The NSC rate for each kWh of Net Electricity Surplus during the true-up period ended April 2023 is \$0.10565 per kWh.

San José Clean Energy will provide Net Electricity Generators their NSC in the form of a credit to be applied toward future San José Clean Energy or PG&E charges at the end of the Annual True-Up Period.

For net generators whose net compensation is greater than their annual SJCE and PG&E charges, the surplus electricity compensation will be issued, by request, in the form of a check. SJCE may ask a customer to submit a W-9 form.

Renewable Energy Credits and Environmental Attributes

The customer will retain ownership of all renewable energy credits and environmental attributes associated with its usage of electricity produced by the eligible Renewable Electrical Generation Facility.

DISCONTINUE SERVICE FROM SAN JOSE CLEAN ENERGY

If a NEM-San José Clean Energy customer discontinues service with SJCE and the customer is owed net surplus compensation, SJCE will automatically send a check to the address on file.

Any customer who would like to receive the check at a different address, must call (833) 432-2454 or email customerservice@sanjosecleanenergy.org within two weeks of the account end date.