SB 1374 – Restoring Self-Consumption Benefits for On-site Generation

IN BRIEF

Recent rule changes unfairly penalize non-residential utility customers – including apartment buildings, schools, community colleges, universities, water agencies, city facilities, farms and shopping centers – by taking away any benefit for self-consuming their own on-site (usually solar) generation, if it is metered separately from their other usage. SB 1374 will fix this and ensure that all utility customers with on-site generation are given fair and equal treatment for the energy that they self-consume.

BACKGROUND

There are two situations, each with its own tariff, where utility customers have been allowed to share the benefits of on-site generation across multiple electric meters. First, the Virtual Net Billing Tariff (VNBT)[1] is for a *single property that has multiple customers with separate meters*, such as an apartment complex or shopping center. This allows a rooftop solar system to generate power that is divided among and credited to all of the building's tenants, for example. Second, the Net Billing Tariff-Aggregation (NBT-A)[2] is for a *single customer with multiple meters on the same or adjacent properties*. This allows a school or a farm with solar over its parking lot or on one of its fields to share this power with separately metered buildings on the same property.

The CPUC's December 2022 "NEM 3.0" decision[3] only covered properties with solar behind a single meter, such as single-family homes. It distinguished between electricity "self-consumed" by customers in real time and electricity "exported"[4] to the grid. It reduced the credit value for exported energy by about 75% but allowed customers to continue generating power for self-consumption without interference from the utility. By self-consuming their energy, customers avoid buying that amount of energy from the utility, which is now the primary source of bill savings.

In November 2023, the CPUC issued a follow-up decision[5] covering the situations with multiple meters. That decision incorporated the same low export rates as the earlier decision, but it was inconsistent with the earlier decision by eliminating any benefit for self-consumption for most multi-meter cases. Except for a special case for residential accounts in multifamily housing, the new rules treat all generation as exported energy, compensated at low export rates, and then require customers to pay full retail rates for any power consumed at other meters on the property – even for electricity that is used on-site without ever touching the grid. By not crediting the energy generated at one meter against energy consumed at co-located meters during the same time period, the CPUC eliminated the benefits of self-consumption for these situations with multiple meters.

Recognizing the inequity of this, the CPUC made an exception within the VNBT for residential accounts in multifamily housing. For those cases, a portion of generation from a shared solar system can be assigned to each residential account on the property, and the residential customer can virtually self-consume that power or get bill credits for any excess power (beyond their self-consumption) that is exported to the grid. The customer only pays the utility for electricity they consume beyond their portion of on-site generation. This treatment seems fair since it is essentially equivalent to the way single-meter properties are treated under "NEM 3.0."

THE PROBLEM

Unfortunately, the fair treatment given to homeowners and multifamily residential accounts – the ability to self-consume on-site generation – is denied to non-residential accounts under VNBT and to all accounts under NBT-A. Without the benefits of self-consumption, it is not financially viable for apartment buildings, schools, community colleges, universities, water agencies, city facilities, farms and shopping centers to install solar and storage.

Take the case of our K-12 schools… If solar generation is separately metered and thus compensated at the 75% lower export rates, it will be far harder to justify installing solar for the 78% of schools that did not yet have it as of January 2024. Energy costs are typically the second largest budget item for local educational agencies,[6] and on-site solar generation with virtual net-metering offered schools a way to save money while helping the environment. Now this option has been taken away, and schools will be forced to take money out of the classroom to pay utility companies more, despite having invested in on-site solar and storage.

In the same way, solar will be much less attractive for a local government who wants to use solar generation from the rooftop of city hall to meet the needs of a cluster of buildings within the civic center (the policy station, library,

[1] Formerly known as Virtual Net Energy Metering or VNEM
[2] Formerly Net Energy Metering-Aggregation or NEMA
[3] PUC decision creating the new Net Billing Tariff or NBT
[4] That is, generation in excess of the amount being self-consumed during the same time period.
[5] PUC decision for VNBT and NBT-A
[6] US Dept of Energy, "Myths About Energy in Schools"

building department, etc.) or for an office building owner who wants to use solar generation from a parking lot to reduce energy bills for their commercial tenants.

In addition, most new buildings in California are required to install solar under the Title 24 building code, but these new rules will drastically reduce the cost-effectiveness of this code requirement for any building that cannot self-consume that solar power behind a single meter.

Even multifamily housing will be harmed by the new rules. Although tenants could benefit significantly from self-consuming on-site solar generation, building owners will be less motivated to install that solar since they cannot benefit from reduced energy costs for common area consumption (such as hallways, outdoor lighting, laundry, and elevators).[7] It will also hinder installation of electric vehicle charging at multifamily properties because those chargers cannot benefit from self-consuming on-site generation.

THE SOLUTION

SB 1374 requires the CPUC to update its tariffs for situations with multiple meters to give credit for self-consumption in an equivalent way to how self-consumption is handled for single-family homes, multifamily residential customers, and non-residential customers with a single meter. It is simply a matter of fairness that all customers can self-consume the power that *they* generate on *their own* property and that multiple-metered customers get the same treatment as everyone else – not have to sell their power to the utility at low prices and immediately buy it back at much higher retail prices.

SB 1374 does *not* attempt to roll back the reductions in export value for excess generation that was also part of the "NEM 3.0" ruling and the subsequent changes to VNBT/NBT-A. It only requires that all customers are treated fairly and equally in their ability to self-consume their own on-site generation. By doing so, it will restore the ability for apartment buildings, schools, community colleges, universities, water agencies, city facilities, farms and shopping centers to save on energy costs by installing solar and energy storage, while accelerating the state's transition to clean energy.

SUPPORT

School Energy Coalition (Co-Sponsor)
UndauntedK12 (Co-Sponsor)
CA Solar and Storage Association
Coalition for Adequate School Housing
GenerationUp
Los Ángeles Unified School District
Rewiring America
Santa Clara County Office of Education
Strategic Energy Innovations

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[7] Those common areas would be billed as part of the property owner's commercial account, which cannot get self-consumption credit.