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WASHINGTON, Aug. 23, 2016 – As the solar industry looks for continued growth, the debate is also growing over whether or not net metering is the best way to incentivize the industry's expansion.

The practice – originally designed to encourage adoption of rooftop solar panels and other small-scale power sources – allows customers to receive credits for any excess electricity they generate and sell to their local electric utility via the grid. But many utility companies argue that it would cost them less to produce or purchase the electricity themselves.

Critics charge that providing “net metering” credits to rooftop solar owners for their excess electricity undermines grid reliability and benefits well-off homeowners at the expense of other electricity customers.

The [Americans for Prosperity Foundation](#) charges that “When utilities are forced to buy ‘excess’ solar power at the retail rate, solar-customers receive a rebate . . . this windfall for solar customers is being paid for by non-solar utility customers who typically have much lower incomes.”

Net metering advocates respond that giant utility companies are the free-riders, reaping the cost-cutting benefits that rooftop solar provides yet lobbying to increase charges and reduce net metering credits for rooftop solar owners.

In Nevada's ongoing net-metering wars, the state Public Utilities Commission last December surprised even net-metering critics by abruptly reducing net metering rates and raising fees for both existing and future rooftop solar owners. That controversial decision led to solar companies SolarCity and Sunrun shutting down their Nevada operations and Nevada Gov. Brian Sandoval

promising not to reappoint PUC Commissioner David Noble, who had guided the net metering decision. The Governor's New Energy Industry Task Force and the utility group NV Energy responded by recommending grandfathering current net metering customers, and solar advocates championed a November ballot initiative to overturn the PUC ruling.

In the latest action, on Aug. 4 the Nevada Supreme Court unanimously rejected the net-metering ballot proposal as unconstitutional. Solar advocates are now fighting to have Nevada's legislature restore higher payments to rooftop solar owners.

But returning to higher payments became less likely Aug. 17 when the Nevada PUC released a draft [Energy and Environmental Economics \(E3\) report](#) that contradicts other recent studies and E3's own 2014 report. The new 93-page report concludes that "Overall, for the state of Nevada, NEM (net energy metering) generation is a costlier approach for encouraging renewable generation than utility-scale renewables."

The E3 report finds that partly because utility-scale solar costs have dropped faster than rooftop solar costs, restoring higher payments to Nevada's current 30,000 rooftop solar owners would raise electricity charges for non-solar customers by about \$15 million per year. E3 lists two main reasons for its latest conclusions:

- "Lower natural gas prices decrease the avoided cost of energy by approximately 50 percent, making self-generated electricity relatively less economic."
- "Lower costs of utility-scale renewable resources, from \$100 (a megawatt hour) in 2014 to \$36/MWh in 2016, decreases the 'RPS (Renewable Portfolio Standard) Value' benefit by nearly 95 percent and makes self-generated electricity relatively less economic."

In contrast to net metering's setbacks in Nevada, California's Public Utilities Commission has confirmed that current net-metering rates will be maintained until 2019. In New York state, a coalition including Con Edison, Solar City, and Sunpower has proposed new net-metering rules to support rooftop solar while protecting utilities from losing customers.

Meanwhile, the Arizona Corporation Commission on Aug. 11 rejected utility industry requests, ruling 4-1 against net metering changes until a "Value of Solar" study is completed and against allowing any retroactive rate changes. The ruling calls for completing the study in October and a final decision on net metering charges by March 2017.

In Kansas, Westar Energy has argued that "Valuing distributed generation, or private solar, at a premium based on supposed benefits would be inappropriate and unduly discriminatory." But echoing an Arizona decision last year, the Kansas Corporation Commission in July rejected Westar's position that the commission should not consider what Westar calls "potential benefits al-



legedly provided by” rooftop solar and other distributed generation (DG) sources. Instead, the commission ruled in favor of including “benefits as an offset to the cost of providing service to DG customers.”

The Kansas ruling means that net metering payments to solar owners could continue to include consideration of a range of economic, environmental and health benefits rather than just the market value of the electricity generated.

Forty-one states, DC, and four U.S. territories require certain utilities to offer net metering to distributed solar customers as of the beginning of 2016. Before policy changes in Nevada and Hawaii in late 2015, 43 states had enacted net metering policies, making it arguably the most widespread state distributed solar policy in the U.S.

Sean Gallagher, vice president of state affairs at the [Solar Energy Industries Association](#) (SEIA), tells *Agri-Pulse* that as solar energy continues its rapid growth in the U.S., there’s a clear correlation: “States with good solar deployment have good solar policies, like net metering, in place.”

Gallagher, a lawyer and former director of the California Public Utilities Commission’s Energy Division, says utilities have been pushing back on the growth of solar for the last couple of years with regressive rate proposals. He explains that the aim is “to eliminate or water down net metering, to increase customers’ fixed monthly costs on customers, or to impose new fees for customers who want to go solar.”

He says attacks like these can “devastate the market,” as they have in Nevada. But he adds that most state regulators – in California, New York, Iowa, Minnesota, Texas, and even Arizona – “have seen through these proposals and rejected the worst of them.”

“These attacks reflect utilities’ anxiety about how their business model must change as distributed resources, like solar and battery storage, become an ever larger part of our grid,” Gallagher says. “The attacks can be harmful in the short term, but they are so thoroughly steeped in old thinking, that in short order, the substance of the attacks will be a relic of an electricity system that is changing before our eyes.”

Gallagher maintains that in the majority of states with low solar penetration, “net metering works and there is no reason to change it.” And in most of the states with significant levels of solar installed, “there are productive discussions about the path forward for appropriately incorporating rooftop solar generation.” And in still others, such as Nevada, “the discussion has turned toxic, with an all-or-nothing approach being advanced by the primary utility.”

There is no turning back, however, Gallagher says.

“The robust growth of solar energy is all but guaranteed and the relevant parties involved, even those who are at odds now, must ultimately agree on a path forward for greater solar,” he says. “Solar is driving America to a cleaner, more reliable energy future and it is critical that we get policies right around the net metering discussion.”

[National Rural Electric Cooperative Association](#) Communications Manager Tracy Warren points out that NRECA’s member-owned non-profit co-ops are figuring out net metering policies which

reflect members' views which range from members who place "a high priority on growing renewable energy" and others with "little or no interest." Reflecting growing support for renewables, NRECA reports that as of 2013, 45 percent of NRECA co-ops purchased excess power from member-owned generation, up from 20 percent in 2009, and 47 percent offered net metering, up from 28 percent in 2009.

Warren notes that NRECA member surveys show that "About 20 to 25 percent of consumers like the idea of being able to generate their own power." She adds that with about half of the NRECA co-ops offering net metering, NRECA generally favors "[community solar](#)" projects over rooftop solar because community projects provide the option for all consumers and can be located for maximum electricity generation at peak times.

Scott Sklar, president of [The Stella Group](#), which promotes renewable energy, and an adjunct professor at George Washington University, tells *Agri-Pulse* that "Net-metering is an important tool to allow owner-generators to receive a fair rate for their extra electric power they do not use." He predicts that this source of zero-emissions power will become increasingly important. But he warns that if utilities "erect ridiculous barriers" to protect their market share, "consumers will turn to battery banks and just store their energy to remove their electric loads from the grid."

If utilities continue to fight net metering, Sklar says, "while they may preserve some of their market share in the short term, they will lose customers and reliable electric power in the intermediate and long term." He says the answer is for state regulators "to become more sophisticated in measuring the attributes of distributed generation throughout the electric grid." To do this, more states are evaluating the benefits of net metering and distributed generation from solar, wind, and other sources – benefits that include reduced need for new power plants to replace the coal-fired plants being shut down across the U.S.

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