



Net metering 3 0

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Updates regarding legal action seeking to overturn NEM 3.0: On May 4, 2023, three environmental groups filed a lawsuit seeking to overturn NEM 3.0 on the grounds that the CPUC failed to consider the full benefits of rooftop solar. After oral hearings on December 13, 2023, judges on the Court of Appeal of the First Appellate District upheld the CPUC's decision to approve NEM 3.0 solar billing. As a result, NEM 3.0 will remain the solar billing policy for future solar owners in SCE, PG& E, and SDG& E service territories.

Following years of policy skirmishes, revisions, and a mad dash to grandfather systems into the previous net metering plan, a new solar billing structure — known as NEM 3.0 — is in effect for California's three investor-owned utilities.

NEM 3.0 features a 75% reduction in export rates (the value of excess electricity pushed onto the grid by solar systems), thereby reducing the overall savings and increasing the payback period of home solar. This new policy was designed, in part, to encourage homeowners to pair battery storage with their solar panels to become more self-sufficient and contribute to a more resilient electricity grid.

While NEM 3.0 is undoubtedly less favorable to solar-only customers than previous net metering policies, it's important to note that NEM 3.0 solar systems in California will still largely provide greater energy cost savings than in any other state, especially when paired with home battery storage.

Net Energy Metering describes a billing structure between utilities and homeowners with solar. Under net metering, solar owners earn credit for the excess electricity they push onto the grid when their panels produce more electricity than their home uses. This credit is used to offset the cost of the electricity they pull off the grid when the sun isn't shining.

Net metering policies have traditionally had a one-to-one offset. That means the price of a kilowatt-hour (kWh) of electricity pushed onto the grid was equal to the price of a kWh pulled off the grid.

Under this structure, solar owners with systems designed to produce the same amount of electricity as the household consumes essentially replace their utility electricity bill with a lower monthly payment on their solar equipment. Over the 25-year warranted life of a solar system, this leads to energy cost savings in the tens — or hundreds — of thousands of dollars.

NEM 3.0 — also known as the Solar Billing Plan — is a new version of the net energy metering policy that took effect on April 15, 2023. It applies to utility customers in the territories of California's three major investor-owned utilities (IOUs):

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It's important to note that NEM 3.0 is not retroactive. So, solar systems installed under NEM 1.0 or NEM 2.0 will remain under their current policy for 20 years from the date they received permission to operate (PTO).

The biggest change between NEM 2.0 and NEM 3.0 is the value of export rates; i.e. the price of excess electricity produced by solar systems. Under NEM 2.0, the value of solar exports is based on retail rates, so a kWh of electricity pushed onto the grid was worth the same as a kWh of electricity pulled off the grid. Under NEM 3.0, residential solar export rates will be based on an 'Avoided Cost Calculator'; and are closer to wholesale rates for electricity (what utilities pay for electricity).

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