



Staff Report Item 5

TO: East Bay Community Energy Executive Committee

FROM: Kelly Brezovec, Director of Account Services

SUBJECT: Recommendations to Update the Net Energy Metering Policy, Effective April 2023

DATE: September 30, 2022

Recommendation

Adopt a resolution to Approve the Proposed Update to the Net Energy Metering Policy, Effective April 2023

Background

The [initial NEM Policy](#) was adopted on February 21, 2018, followed by an [amendment to the NEM Policy](#) to clarify language in the tariff and add an additional step in calculating the annual cash-out for our “Existing NEM” customers on February 20, 2019. At its December 16, 2020 meeting, the Board of Directors adopted an update to the [Net Energy Metering \(NEM\) Policy](#) to include the new communities of Tracy, Pleasanton, and Newark, while otherwise maintaining the existing policy. At the March 17, 2021 meeting, the Board of Directors voted to update the [Net Energy Metering Policy](#) to move the majority of NEM customers onto the Standard EBCE NEM program, which pays customers at the wholesale rate for energy.

EBCE’s NEM Policy has always included one major difference from PG&E’s Policy. PG&E, for the most part, has NEM customers on an annual true-up, meaning that customers accrue debt for under-generation and credits for over-generation over the course of a 12-month cycle. EBCE does not hold on to that debt resulting from under-generation from month to month; rather, if a customer under-generates, EBCE will bill them for their usage. EBCE does carry over-generation credits from month-to-month. Our cycle for over-generation credits, or cash-out, is April to April for all customers.

Due to this timing discrepancy of when customers pay for their net usage, EBCE staff identified that customers who receive a wholesale cash-out may perform better on an annual true-up cycle. This is because customers pay for energy at the retail rate, but receive

compensation at the wholesale rate. If customers have to pay throughout the year and over-generate at the end of the cash-out cycle, they may not be receiving the full retail value of their overgeneration credits. EBCE added a step, internally named the NEM Sweep, in 2019 to resolve this discrepancy and ensure that our NEM customers do just as well financially as they would on an annual true-up cycle.

EBCE staff have found this additional calculation to be burdensome and time intensive. In 2020, 2021 and 2022, there were issues with the NEM Sweep that caused checks and on-bill credits to be delayed until June, or later, creating a poor customer experience. NEM customers are very engaged and there is an uptick in calls regarding cash-outs during the April - June timeframe.

NEM customers who are familiar with PG&E's annual true-up have expressed a request for an annual EBCE true-up, as well. In 2020, EBCE conducted a survey of 500 NEM customers and found about 45% of customers preferred an annual billing option. With this customer feedback and the challenge of the NEM Sweep, EBCE is proposing to offer an annual true-up cycle for the Standard EBCE NEM customers, giving customers a choice. An annual true-up would result in the same financial leveling as the NEM Sweep calculation.

Discussion

Current Programs and Policy

EBCE offers three different NEM programs, depending on the customer characteristics. The CARE/ FERA NEM program is for low-income customers that are on the CARE or FERA programs. Legacy municipal customers consist of municipal accounts in EBCE's original jurisdictions that interconnected their systems after EBCE started service. The vast majority (90%) of EBCE NEM customers fall into the Standard EBCE NEM program.

Customers receive monthly credits on their bill for surplus generation that can be used to cover future charges until the annual cash-out period. Monthly settlements are valued as follows based on customer definition, shown in Table 1.

Every April is the cash-out period when customers are paid via bill credit or check for their surplus generation during the previous 12- month cycle. The cash-out amount is calculated based on the NEM program with EBCE. Standard EBCE NEM customers receive a cash-out at PG&E's Net Surplus Compensation rate, which is the wholesale value of energy. Standard EBCE NEM customers are also eligible for the NEM Sweep during the annual cash-out period. EBCE will review the financial outcomes of the Standard EBCE NEM Customers that have 1) been billed for retail charges by EBCE in the prior 12 months and 2) held a positive NEM balance (\$) in April. EBCE will assess whether these accounts would have had a higher cash-out on an annual NEM service, and if so, issue a credit or check for the difference.

Table 1: Monthly Bill Credit and Annual Payout Credit Amount by Customer Type

Customer Type	Monthly Bill Credit per kWh	Annual Payout Credit per kWh
Standard EBCE NEM Customer	Retail*	PG&E’s Net Surplus Compensation (NSC) value
Legacy Municipal NEM Customer	Retail* + \$0.01	Retail* + \$0.01
CARE/FERA EBCE NEM Customer	Retail* + \$0.01	Retail* + \$0.01

**Equivalent to the generation rate charged for power received from EBCE*

A large portion of Standard EBCE NEM customers currently receive a higher cash-out than just the NSC rate times their excess generation due to the NEM Sweep calculation. These numbers are indicated in Table 2 below.

Table 2: NEM Statistics for 2022 Annual Cash Out

Number of Standard EBCE NEM Customers	45,300
% Net Generators	32%
% Net Consumers	68%
# of Customers Receiving a Cash-out Only (no Sweep)	9,000
# of Customers Receiving NEM Sweep	21,600
% Eligible Customers Receiving NEM Sweep	45%
Average NEM Sweep	\$20

Proposed 2023 NEM Policy

Starting with the 2023-2024 NEM cycle, EBCE staff propose offering an annual NEM true-up option to all Standard EBCE NEM customers and removing the NEM Sweep calculation.

Table 3: Proposed Changes for Standard EBCE NEM customers

	Current	Proposed Monthly Option	Proposed Annual Option
Monthly credits at retail rate	Yes	Yes	Yes
Annual cash-out in April at the Net Surplus Compensation (NSC)	Yes	Yes	Yes

Rate			
Monthly true-up (customers pay for debts when they are due)	Yes	Yes	No
Annual true-up (credits and debits roll over until annual cash-out in April)	No	No	Yes, may be a payment required to EBCE or a check/credit for over-generation
Annual NEM Sweep calculation (process to make the financials of a monthly true-up mimic an annual true-up)	Yes	No; customers that are concerned about this potential difference are able to choose the annual true-up option	No

Discussion of Proposed EBCE NEM Policy

Enrollment Timing: On-going

Customers will be able to change their true-up cycle once per year, prior to March 1, with the new plan effective after the April true-up/cash-out. New EBCE NEM customers will default to the monthly true-up and be able to choose their preferred true-up cycle, which will take effect after the next April cash-out. Ongoing NEM enrollments and new NEM move-ins will receive a special NEM welcome kit email to explain their NEM choices.

Customer Communications and Schedule for 2023 Option

EBCE will send, starting in December, at minimum, one letter or postcard and an email to every Standard EBCE NEM customer informing them of the policy change and new option to select an annual true-up.

Customers who received a cash-out benefit from the NEM Sweep will be sent a personalized notice stating how much they received from the 2022 NEM Sweep and indicating they may receive a higher cash-out with the annual true-up option.

Customers will remain on the monthly true-up option unless they select the annual option, which will be available via phone or email conversation with a live customer service representative, and potentially an online web form. Since over 90% of our NEM customers today have an email address on file, we expect to see uptake via web and email. Customers that switch to the annual true-up option will be required to verify their email address so that EBCE has an up-to-date form of contact, should the customer close their account.

Discussion of CARE/ FERA and Legacy Municipal NEM

EBCE staff do not propose any changes to the CARE/ FERA and Legacy Municipal NEM programs. These customers are paid at the retail rate + \$0.01/kWh for their monthly and annual settlements and do not receive the additional NEM Sweep calculation.

Overview of Bay Area CCA NEM Offerings

Table 4: Overview of Bay Area CCA NEM Program Design

CCA	Monthly Credit Rate	Annual Cash-Out Rate	True-up cycle	Cash-Out Cycle
A	Retail + \$0.01/ kWh	Retail + \$0.01/ kWh	Monthly	Every April
B	Retail	2X Net Surplus Compensation (NSC) rate	Monthly	Every April
C	Retail + \$0.01/ kWh	2X NSC rate	Monthly	Every April
D	Retail + \$0.01/ kWh	NSC + \$0.01/kWh	Monthly or Annual	February (monthly) or PG&E true-up date (annual)
E	Retail	NSC + 25%	Monthly or Annual	Every April
F	Retail	3X NSC rate	Monthly	Every April

EBCE staff have calculated the different cash-out values if we offered variations on NSC plus a premium, but found that this would not solve the timing discrepancy issue of the monthly vs. annual true-up that our NEM Sweep calculation accounts for, since customers that specifically over-generate in the later months of the NEM year, or over-generated in certain billing categories, such as taxes are not included in the cash-out.

These higher value NSC rates would, in theory, provide an incentive for a larger rooftop installation. However, EBCE found that our previous payout plan for new interconnections did not influence customer behavior around NEM installations.

Table 5: Cash-out Calculation Comparisons for 2022 Annual Cash-Out

Cash-out value	Total cash-out	Average cash-out	# of Customers Receiving a Cash-out	# of Customers that Receive Less than with an NSC + NEM Sweep Policy
NSC + NEM Sweep	\$1.9M	\$40	31,800	N/A
NSC + \$0.01/ kWh	\$1.65M	\$35	15,000	23,000

NSC X 2	\$2.7M	\$56	15,000	21,500
NSC X 3	\$4.0M	\$85	15,000	20,500

We still see 20,500 customers faring worse financially in a policy that provides a higher cash-out value but does not include the NEM Sweep calculation. These customers are part of the 35% of NEM Sweep recipients that were not annual over-generators, but otherwise paid monthly non-energy portions of their bill, such as taxes, or over-generated only at the end of the year.

Financial Implications

Annual True-up Billing

Customers that accrue debt to EBCE over the course of the NEM year will not be billed until April, annually. Figure 1 depicts various scenarios based on the mix of customers that choose the new annual true-up option. If all Standard NEM customers choose the annual option, EBCE could see \$3.5 million in outstanding bills in December, mostly credits that customers would use during the winter months, ending with \$2.2 million in bills that will go out in March and April. Customers would receive and pay these bills in April and May, restarting the cycle. Most likely is that the total outstanding debt peaks around \$1.75 million or lower, assuming half of eligible NEM customers switch to an annual NEM true-up option.

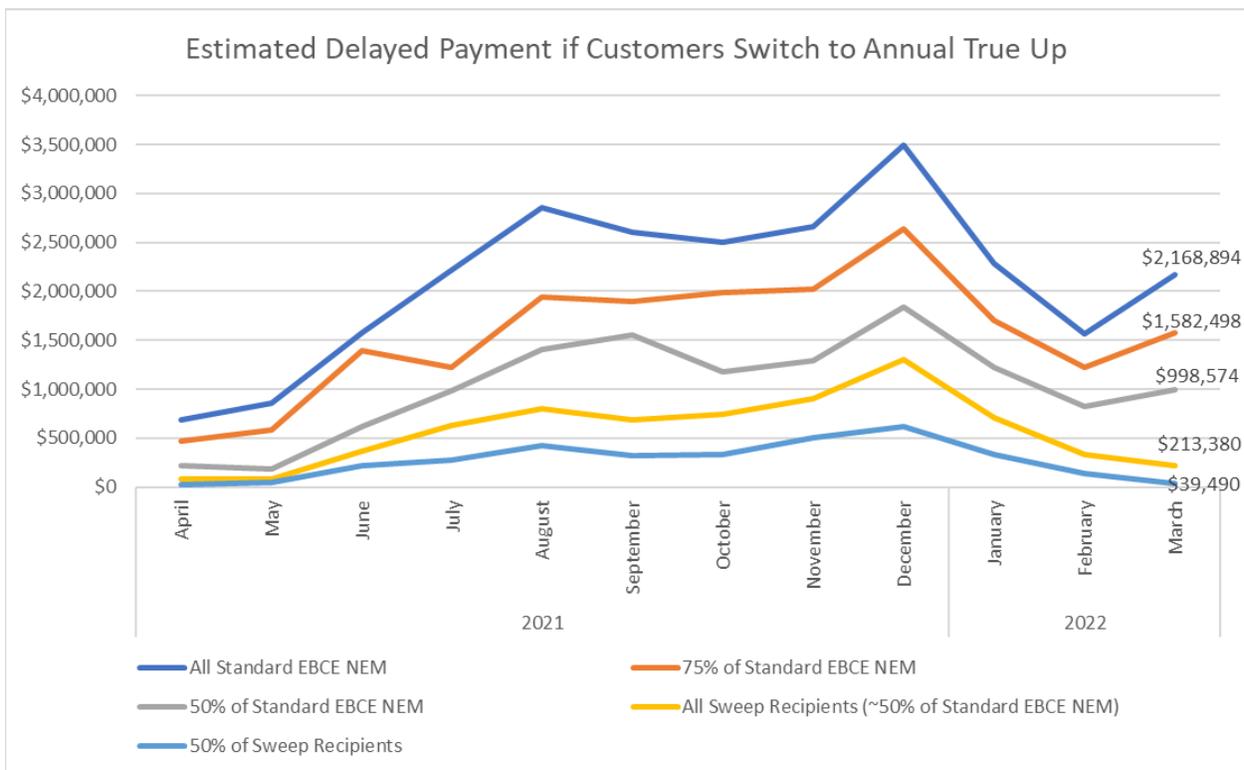


Figure 1: Estimated Delayed Payment if Customers Switch to Annual True-Up

Implementation Financial Implications

EBCE staff are confident that SMUD can smoothly facilitate an annual NEM true-up option, as they currently offer this for Valley Clean Energy, and have included this option in our contract. There may be an additional implementation fee, which EBCE staff expects will be largely covered under our annual task amendment budget.

Attachment

A. NEM Policy Update PPT

SEPTEMBER 30, 2022

Recommendations to Update the Net Energy Metering Policy, Effective April 2023



Background – EBCE and PG&E Policy Review

EBCE's NEM policy and PG&E's default annual NEM true-up handle true-up and cash-outs differently:

	Standard EBCE NEM	PG&E's Annual NEM
Monthly credits at retail rate for surplus generation	Yes	Yes
Annual cash-out at the NSC rate per kWh for surplus generation	Yes	Yes
Annual true-up for consumption of electricity	No	Yes
Monthly true-up for consumption of electricity	Yes	No
Annual true-up for transmission and delivery charges	Yes	Yes



Background

- Staff identified that customers who receive a wholesale cash-out may have a better financial outcome with an annual true-up cycle
 - Customers pay for energy at the retail rate, but receive compensation at the wholesale rate
 - If customers pay throughout the year and overgenerate at the end of the cash-out cycle, they may not be receiving the full retail value of their overgeneration credits
- Staff added a step in 2019, the “NEM Sweep,” to account for this difference
- The NEM Sweep, while effective, is time-intensive, resulting in a delayed cash-out
- *Nearly half of NEM customers surveyed in 2020 said they would prefer an annual true-up*



Offer customers a choice of:

1. A monthly true-up, or
2. An annual true-up in April

And - remove NEM Sweep calculation



Current NEM Policy

EBCE NEM Program	Monthly Bill Credit per kWh	Annual Payout Credit per kWh
Standard EBCE NEM Customer	Retail*	PG&E's Net Surplus Compensation (NSC) value
Legacy Municipal NEM Customer	Retail* + \$0.01/kWh	Retail* + \$0.01/kWh
CARE/ FERA NEM Customer	Retail* + \$0.01/kWh	Retail* + \$0.01/kWh

**Equivalent to the generation rate charged for power received from EBCE*



2022 NEM Cash-out: The Numbers

Attachment Staff Report Item 5A

Number of Standard EBCE NEM Customers	45,300
% Net Generators	32%
% Net Consumers	68%
# of Customers Receiving a Cash-out Only (no Sweep)	9,000
# of Customers Receiving NEM Sweep	21,600
% Eligible Customers Receiving NEM Sweep	45%
Average NEM Sweep	\$20



Proposed NEM Policy Compared to Current

	Current	Proposed Monthly Choice	Proposed Annual Choice
Monthly credits at retail rate	Yes	Yes	Yes
Annual cash-out in April at the Net Surplus Compensation (NSC) Rate	Yes	Yes	Yes
Monthly true-up (customers pay for debits when they are due)	Yes	Yes	No
Annual true-up (credits and debits roll over until annual cash-out in April)	No	No	Yes, may be a payment required to EBCE or a check/credit for over-generation
Annual NEM Sweep calculation (process to make the financials of a monthly true-up mimic an annual true-up)	Yes	No; customers that are concerned about this potential difference are able to choose the annual true-up option	No



Proposed NEM Policy- Discussion

Attachment Staff Report Item 5A

- **Enrollment Timing**

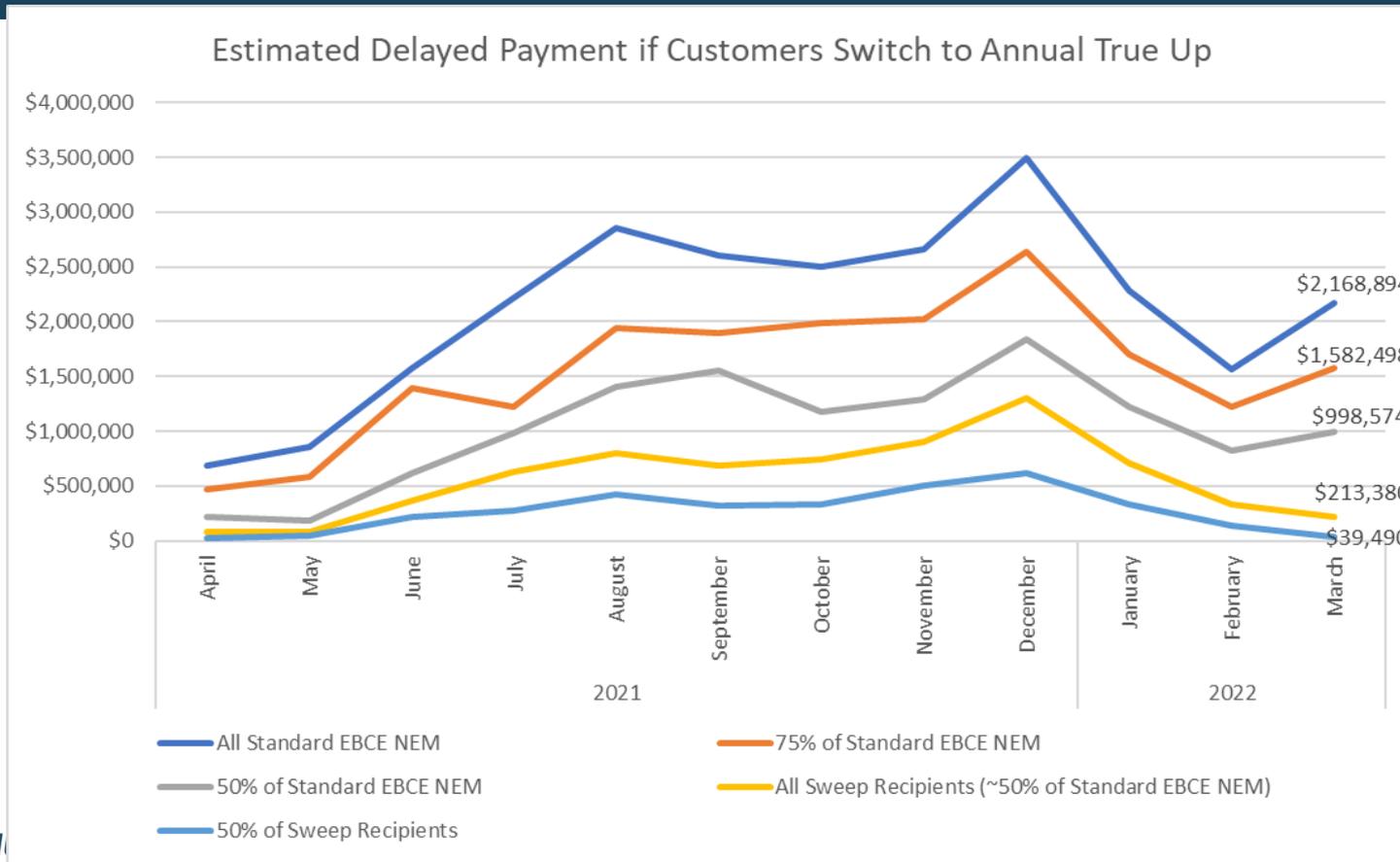
- Customers can change true-up cycle once per year. Change would be effective after next April cash-out
- Defaulted to a monthly true-up

- **Customer Communications**

- Starting in December 2022, EBCE will send a letter and email to all Standard EBCE NEM Customers
- Customers can select preferred true-up cycle via phone or email by March 1
- Ongoing NEM enrollments and move-ins will receive a special NEM Welcome Kit that explains their choices



Financial Implications - Delayed Payment



- Staff propose bringing this to the full Board of Directors in October for discussion and a vote
 - Approval in October would provide adequate advance notice to provide customer communications in December and build the new service for April 2023
- Note – the April 2023 true-up will follow the current policy, with the new annual option becoming available for April 2023-March 2024



Thank You!



Questions? Give us a call:

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Additional Slides



CCA Comparisons

CCA	Monthly Credit Rate	Annual Cash-Out Rate	True-up cycle	Cash-Out Cycle
A	Retail + \$0.01/ kWh	Retail + \$0.01/ kWh	Monthly	Every April
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E	Retail	NSC + 25%	Monthly or Annual	Every April
F	Retail	3X NSC rate	Monthly	Every April



- **Comparison to other cash-out calculations**

- EBCE staff calculated the difference in cash-outs if customers received NSC + a premium
- We still see 20,500 customers faring worse financially on monthly true-up when NEM Sweep is not offered
- Annual true-up provides same financial leveling as NEM Sweep

Cash-out value	Total cash-out	Average cash-out	# of Customers Receiving a Cash-out	# of Customers that Receive Less than with an NSC + NEM Sweep Policy
NSC + NEM Sweep	\$1.9M	\$40	31,800	N/A
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