



## Net Energy Metering Guiding Principles

Net energy metering (NEM) is fundamentally a bill credit that represents the full retail value of electricity delivered. Net energy metering is a critical policy for valuing and enabling distributed generation.<sup>1</sup> Overall, SEIA asserts that these principles are consistent with the imperative of public utility commissions and energy service providers to maintain reliable, cost-effective service to all customers while protecting the right of customers to generate their own energy in a manner that provides many public benefits including environmental protection and economic development.

Established in 1974, the Solar Energy Industries Association is the national trade association of the U.S. solar energy industry. Through advocacy and education, SEIA is working to build a strong solar industry to power America. As the voice of the industry, SEIA works with its 1,100 member companies to make solar a mainstream and significant energy source by expanding markets, removing market barriers strengthening the industry and educating the public on the benefits of solar energy. As the national trade association for the solar industry, SEIA continues to advocate equally for all forms of solar energy including residential, commercial and central-station solar generation as well as solar heating and cooling applications.

**1. Right to self-generate, connect to the grid, and reduce grid electricity use:** Every retail electricity customer has the right to install solar generation equipment at the customer's site, interconnect to the utility grid without discrimination, and reduce his or her grid electricity use.<sup>2</sup> Reductions in customer grid electricity use due to solar generation should not be imputed as a cost to the utility.

**2. Properly valuing solar electricity, and adequately compensating solar customers:** Customer-sited solar generation offers many benefits to the electric grid system and by extension to non-solar customers, including but not limited to: reduction in utility energy and capacity generation requirements, reduction in system losses; avoidance or deferral of distribution and transmission investments; localized grid support including increased reliability benefits; fuel-price certainty; and reductions in air emissions and water use. The aforementioned benefits should be quantified, and solar customers should be adequately compensated for the value their solar energy is delivering to the grid.<sup>3</sup>

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<sup>1</sup> While the principles laid out below are specific to net energy metering and distributed generation, some of these principles may apply to utility-scale generation as well. SEIA's Utility-Scale Valuation Guiding Principles (under development) has more information on valuing central-station solar generation.

<sup>2</sup> <http://www.ferc.gov/industries/electric/gen-info/qual-fac/what-is.asp>

<sup>3</sup> Some of these benefits can also be attributed to utility-scale solar generation.



3. **Non-discriminatory practices within cost of service recovery:** In determining cost allocation, net energy metering customers should not be treated unfairly vis-à-vis other ratepayers and all benefits should be accounted for. Punitive and non-cost based charges should be prohibited. Consistent with SEIA's Rate Design Principles, a utility should have the opportunity to recover its costs of providing service and earn a return on investment as determined by regulators.
4. **No net energy metering caps:** Consistent with the policies laid out in these guidelines, there should be no aggregate or statewide limit for net energy metering.
5. **Statewide application:** Net energy metering rules, regulations, and practices should be standardized statewide.
6. **Transparency, access to data:** Customers, or solar companies on customers' behalf, should have access to data regarding their own electricity consumption (i.e. load data including hourly profiles), with transparency into the tariffs available to them. Billing statements from utilities should clearly show the net energy metering consumed from the utility, and any energy or dollar credits carried forward as a result of solar generation in previous billing periods.
7. **Implementation best practices:**
  - a) **Individual System Capacity:** Any individual system size limitation should be based only on the host customer's annual load or consumption
  - b) **REC ownership:** The owner of a net energy metered system should retain ownership of renewable-energy credits (RECs) produced by their owned system, unless transferred to the utility or another party in exchange for acceptable compensation.
  - c) **Restrictions on "rollover":** Indefinite rollover, credited at retail rate, should be an option for customers. The only exception is allowing for payments for annual net excess generation.
  - d) **Metering equipment:** Consistent with all retail applications, the utility shall provide a meter that is capable of net energy metering. Retail electric customers utilizing net energy metering must not be required to purchase new energy metering equipment.
  - e) **Customer classes:** All customers should be able to participate in net energy metering.
  - f) **Aggregation:** Virtual net energy metering and meter aggregation options should be available to all customers.