

Status of Net Metering: Assessing the Potential to Reach Program Caps

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ABSTRACT

Several states are currently addressing the issue of net metering program caps, which limit the total amount of net metered generating capacity that can be installed in a state or utility service territory. In this analysis, we examined net metering program caps to forecast how long net metering would be expected to be available in various jurisdictions under current policies. We also surveyed state practices and experience to understand important policy design considerations.

STUDY METHODOLOGY

Using data available from utilities, PUCs, EIA, and other sources, we calculate:

- Net metering cap/trigger (MW)
- Current state of net metering (MW)
- Percent of the cap that is met (%)

We examined states that have a net metering cap or trigger and that have a solar policy that is anticipated to drive future net metering installations. We focused on states that are likely to be closest to meeting or exceeding net metering caps over the next 5 years, based on projections.

Data sources and limitations include:

- Data on current net metering were obtained from EIA, PUC, and utility reports as well as from PUC staff.
- Utilities in a given state may hit their caps at different times due to different net metering adoption rates in varying service territories.
- External estimates of future net metering penetration are largely unavailable.
- Forecasts of future residential and non-residential PV do not necessarily correlate with net metered capacity, and were adjusted where necessary.
- Estimates were made based on the fraction of future capacity that will be net metered; therefore, future market and policy changes may impact these results.

CONCLUSIONS

- **Currently, most states are substantially below their net metering caps or trigger levels, with the exception of New Jersey and Hawaii.** Some utilities in Massachusetts and Vermont recently reached caps, prompting legislative action.
- **Based on projections of near-term distributed PV capacity additions, a handful of states could reach current cap levels by 2018.**
- **Considerations for setting and adjusting net metering cap levels may include interaction with other policies as well as potential rate and grid impacts.** In setting cap levels, some policymakers have considered the interaction of net metering with state or local policy goals for distributed generation as well as federal policies. Another consideration is the potential financial impact on the utility and ratepayers.
- **Communication about the status of net metering when installations are nearing the level of the cap is important for providing certainty to solar customers and project developers.** Uncertainty about the availability of net metering can impede the PV market.
- **Clear definitions of caps and data sources are important for providing accurate information to the market about progress toward reaching a cap.** Imprecise or ambiguous definitions in legislation have led to challenges in a few commissions and delayed implementation

Download report: (Link forthcoming)

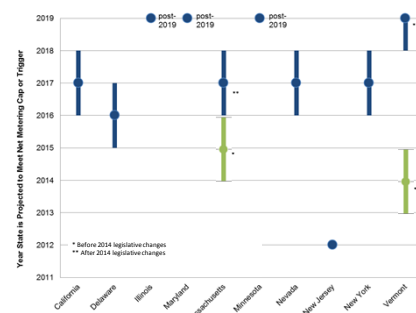
RESULTS

Just over half of states with net metering policies today include caps on net metered capacity; several states without caps have triggers that when reached enable net metering to be reviewed. Of the 44 jurisdictions with net metering:

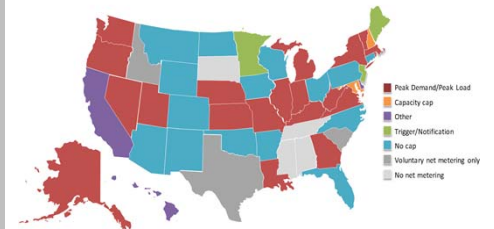
- 25 (57%) have some type of restriction on total eligible capacity
- 16 (37%) have no restrictions
- 3 (7%) have notification or trigger policies.

The level of net metering caps generally ranges from 0.2% to 9% of peak demand; two jurisdictions have substantially higher caps of 15% and 20%.

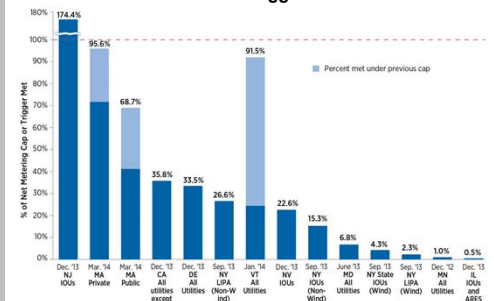
Range of Years When States Are Projected to Reach Net Metering Caps



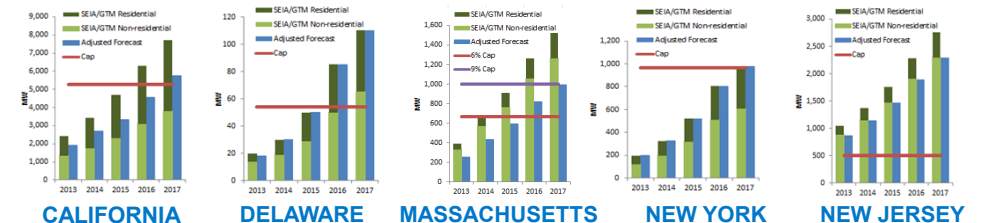
State Net Metering Program Cap Policies



Progress Toward Reaching Net Metering Program Cap or Trigger



Based on projections of near-term distributed PV capacity, a handful of states could reach current cap levels by 2018.



CALIFORNIA

California is expected to reach its cap sometime in 2017. Utilities must offer net metering until it reaches the program cap, or July 1, 2017, whichever is earlier. After that time the utility must offer a standard contract or tariff (which may include net energy metering).

DELAWARE

Delaware caps net metering at 5% of a utility's aggregated customer monthly demand during a calendar year. Although the interpretation of "aggregated customer monthly demand" is unclear, we use a conservative interpretation, examining the percent of peak demand.

MASSACHUSETTS

As of August 2014, two distribution utilities, Unitil and National Grid, reached their 3% private cap, when including 35 MW of capacity on National Grid's waiting list. Senate Bill 2214 raised the public sector cap from 3% to 5%, and the private sector cap from 3% to 4%. We project the state as a whole to reach the net metering cap around 2017.

NEW YORK

New York may reach its program cap in 2017. Given that the NY-Sun initiative is expected to install 3 GW of solar, the New York PSC noted that "We recognize that the current three percent (3%) cap most recently set by the Commission will not be sufficient to support the significantly expanded energy capacity goals of NY-Sun..." (NY PSC 2014).

NEW JERSEY

Despite reaching the program trigger, to date, the Board of Public Utilities has not authorized suppliers to cease offering net metering.

Recent Efforts Expanding Net Metering Program Caps

- Vermont passed H 702, increasing the net metering program cap from 4% of retail sales to 15% of retail sales.
- Massachusetts passed Senate Bill 2214, increasing net metering caps from 3% for both the private and public sector to 4% for the private sector and 5% for the public sector.

Case Study: Hawaii's Program Cap Evolution

- Hawaii has placed restrictions on the availability of net metering and makes the determination based on penetrations at individual circuits.
- The initial cap was established in 2006 as 0.5% of system-wide peak demand. In 2011, the system-wide cap was removed, and a distribution level cap of 15% of circuit peak demand was established for circuits of 12 kV or lower. Utilities can analyze the circuit to determine if the limit can be increased.

