California Public Utilities Commission
Reports High Costs for ‘Net Metering’

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An initiative to stimulate rooftop solar power in California is raising electricity bills throughout the state, according to a report from the California Public Utilities Commission (CPUC). In the newly released report, the CPUC found the initiative, commonly known as “net metering” or “feed-in tariff,” is especially harming lower-income Californians.

Higher Priced Electricity Purchases
The CPUC report, California Net Energy Metering (NEM): Draft Cost-Effectiveness Evaluation, raises serious questions about the overall effect of net metering. According to the report, the program will cost the Golden State’s non-solar customers $1.2 billion per year by 2020.

Under California’s program, utilities are required to purchase at retail prices excess electricity people produce with solar panels but do not use. Retail rates can be two to three times higher than the wholesale price of electricity. On average, solar ratepayers are credited approximately 16 cents per kilowatt hour on their electric bills for the excess power they generate—even though utilities could buy that power for less than half the price from other energy sources. Utilities must still pay the infrastructure, labor, and overhead costs associated with the power purchased from individual solar producers, with the costs being paid by the utilities’ other customers.

The report found rooftop solar customers are generally big users of energy and have an average household income of just over $91,000 per year, well above the state average of $54,000. The report concluded the savings derived by solar customers were merely shifted to non-solar users as higher costs. The program encourages more affluent households to install solar panels, which are subsidized by favorable tax policies and higher electricity rates paid by non-solar, lower-income utility customers.
Solar Industry Contradicts Itself
The solar industry and its allies criticized the report, saying it was skewed to favor traditional sources of power. However, in testimony before the Ohio Senate Public Utilities Commission in March of this year, Solar Energy Industries Association representative Colin Murchie testified feed-in tariffs in Europe are largely responsible for rapidly escalating electricity prices and the solar power industry no longer supports the tariffs.

Good Idea Gone Bad
“Net metering as a policy could make intuitive sense, but the real question is the rate that should be paid to customers with solar panels,” said Daniel Simmons, director of state policy at the Institute for Energy Research.

“Unfortunately, net metering has been used to subsidize the high-income owners of solar panels. For the system to be more equitable for middle- and lower-income utility customers, net metering programs should not require utilities to pay such high prices to the owners of rooftop solar panels.”

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Dr. Cohen has appeared on Fox News, CNN, BBC, BBC Television, National Public Radio, N24 (German Television), and dozens of radio talk shows in the United States. Articles by Dr. Cohen on environmental and energy-related issues have appeared in the Wall Street Journal, Forbes, Investor’s Business Daily, National Review, Philadelphia Inquirer, Washington Times, Milwaukee Journal-Sentinel, Atlanta Journal-Constitution, Arizona Republic, Richmond Times-Dispatch, Miami Herald, and scores of other newspapers around the country.


An archive of Dr. Cohen's articles for the Heartland Institute can be found here.

Dr. Cohen has spoken at conferences throughout the U.S. and has attended international conferences in Germany, Japan, Italy, Turkey, Australia, Switzerland, Morocco, Holland, and Bangladesh.
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