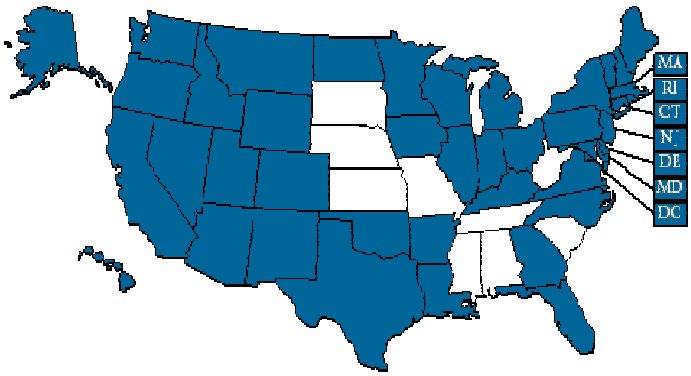
Net Metering

Definition
Net metering allows customer-generators to offset their electricity bill by generating electricity on their own. If a customer usually uses 700 kWh per month, but generates 500 kWh, they only pay for 200 kWh. One meter tracks both usage and consumption.

Who's adopted it?
Forty states plus the District of Columbia now have some kind of net metering law in place.



What does net metering do well?
Net metering is one financial incentive to encourage small scale generators to install renewable energy systems. It is not an incentive designed to encourage large scale generators such as multi-megawatt wind farms.

Net metering encourages customer-sited renewable power generation that is on the customer's side of the meter. In many respects, it acts like an efficiency measure because it reduces customer's demand for power generated at central station power plants and transmitted over the grid.

Like energy efficiency, net metering can reduce demand on the transmission and distribution grid.

What does net metering fail to do well?
Net metering is not a policy to encourage large scale generators or to encourage utility scale power plants.

Net metering, by itself, is probably not enough to encourage large amounts of renewable energy. It is one part of a package of incentives, providing a financial incentive that is around 5% of total cost. A typical solar system on a home might cost $15,000 or more, so most homeowners still need other motivations to install such a system.

Many utilities have not bought in to the idea that net metering is a good thing, and impose other requirements on customer-generators that may make an investment in a net-metered system cost prohibitive.

How much does net metering cost?
Net metering does not impose significant costs on state budgets. Opponents argue that it forces all utility customers to subsidize a few customer-generators because those customer-generators are essentially being compensated (credited) at the retail rate for the power that they generate. Supporters argue that net metering reduces total load on the system, and may actually reduce total costs to the utility system. In whatever case, few states have seen enough net metering to have any measurable effect on customers' rates.

Selected Net Metering Lessons

- Net metering is one financial incentive. It is one part of a package of incentives. By itself, it may not be enough to stimulate large scale investments in renewable energy. Many states have net metering laws, yet relatively few people take advantage of those laws at the moment.
- Net metering laws usually specify the conditions and terms under which customers can connect their system to the utility's grid. These conditions and terms can be very important in addressing utilities' concerns about safety and other matters, as well as customer-generators' concerns about how difficult it is to interconnect with the utility's system.
- Net metering is an incentive that helps small-scale systems. It is not designed for larger scale systems; most state net metering laws limit either the size of individual customers' systems or limit the total of all net metered systems in the state.

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January 2006