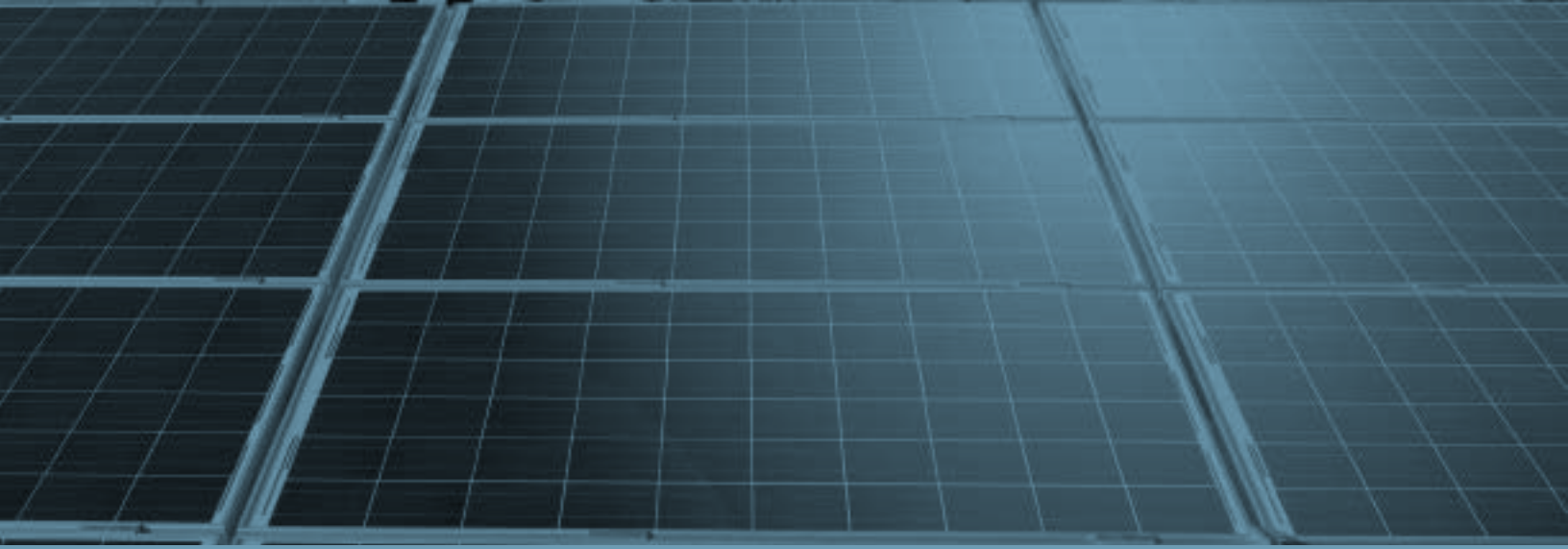


Net Metering Wars: What Do Customers Think?

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E Source



Rooftop solar and the accompanying net metering rules have suddenly caused utilities to rethink their entire approach to residential rate design. Should solar customers be on their own rate? Should all customers have new fixed or demand charges to ensure that solar customers are not subsidized by non-solar customers? With solar vendors lobbying for their positions and utilities trying to protect their revenues, the voice of the typical residential customer is often lost in the shuffle. E Source has just come out of the field with a sweeping market research study regarding US and Canadian residential customers' attitudes toward a wide variety of pricing options, including those associated with solar.

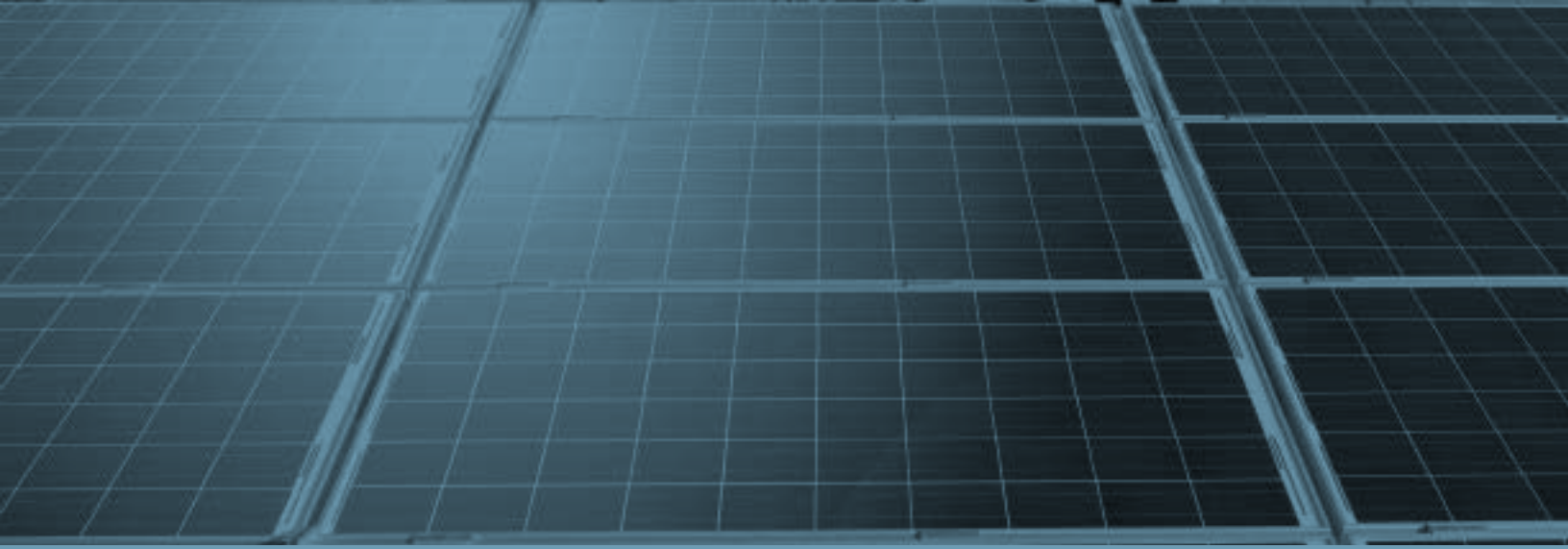
Customers support the expansion of solar
The vast majority of customers support the expansion of solar power. Fully 80 percent of respondents say that policy-makers should encourage, through subsidies, those who install solar panels.

Given this overwhelming support, utility efforts to block subsidies for solar installations are likely to be seen in a negative light by most of their customers, resulting in a hit on the utility's brand image. **Support for solar power was strongest in the West at 85 percent, but the South followed closely at 81 percent. Younger people had a slightly higher propensity to support solar subsidies than older residential customers, but income seems to have virtually no influence on support.** Even 79 percent of the "Cost-Conscious" segment supported subsidies, eclipsed only by the "Environmental" segment at 88 percent.

Given the high level of consumer support for solar power, how should a utility restructure its rates, and even more importantly, communicate any rate changes that might be seen as working against customer support of solar power? Before asking residential customers questions about solar power rates, E Source took several steps to educate them about a utility's need to cover its fixed costs to support the grid. With that information in hand, would these customers want those with solar systems to be able to zero out their bill and not pay anything toward fixed costs?

As it turns out, \$0 contribution from solar customers seemed to be accepted by most respondents.





Nearly 70 percent said it would be fine for solar customers to pay nothing to the utility each month if they produced enough electricity to cover their own needs in aggregate. The age of the respondent was the biggest driver of this sentiment, with 82 percent of those aged 18 to 24 years supporting the \$0 bill, compared to only 55 percent of the 65-and-over crowd. Both the Environmental and “Tech” segments rose to the top with 77 percent support for the \$0 bill.

Net metering

We then moved on to asking about specific net metering attributes. The results were similar when it came to support for solar subsidies. Respondents were asked to choose whether solar customers should receive credit above, below, or at the retail rate for electricity. Only 18 percent said that customers should receive less than retail for the kilowatt-hours their systems produced. This answer was nearly identical across all groups, regardless of income, rent/own, education, geographic region, and attitudinal segment. Where differences appeared was in support for price premiums, with age as the most significant factor. Millennials supported payments above the retail rate at 43 percent versus only 27 percent of the 55+ group.

Rate reform

A few elements stand out for utilities currently making decisions about rate reform.

1. Any reduction in support for the expansion of solar power is likely to be seen in a negative light by over three-fourths of the population, not just by intervenors and lobbyists.
2. Millennials are even more supportive of moving to solar power than are their elder counterparts.
3. Those who would logically suffer monetarily from subsidizing solar customers, such as renters and lower-income customers, expressed virtually the same support for solar subsidies as the other customers.

Ultimately, utilities are facing a huge communication challenge in the solar power and rates arena. Demand charges and even fixed charges tested poorly in our survey. **Utilities will need to start now to educate the customer base about the need for and reasons behind pricing structure changes related to fixed charges, to demand rates, or to lower net metering support, but even that effort may be insufficient to stem negative sentiment from the majority of the customer base.**

The data presented above represent just a small portion of the results from the quantitative and qualitative surveys conducted by E Source. Contact us for more information about “Innovative Residential Rate Design and Pricing 2015,” our market research study investigating customer preferences for and acceptance of different rate options.



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