What is Net Energy Metering (NEM)?

Net Energy Metering allows solar panel owners to:

- Send excess solar energy to the grid.
- Earn energy credits in exchange.
- Use those credits later (like at night or during cloudy days) to **offset what they pull from the grid**.

You're basically using the utility grid like a battery.

How NEM 2.0 Works

- Under NEM 2.0, credits are based on the time of day and season—this is called Timeof-Use (TOU) pricing.
- The value of the credits you earn depends on when your system exports power:
 - Off-peak (cheaper credit)
 - Peak (more valuable credit—e.g., 4–9 pm rates are highest)

Your solar energy production earns different rates, and your usage is billed at those same TOU rates.

Daily Example

- Most homes produce all the energy they need in just 5.5 hours of sunshine.
- While you're away during the day, your solar sends energy to the grid.
- That excess is **credited** to your account.
- At night, you pull from the grid and use your credits instead of paying cash.

For example:

If you export 25.5 kWh at \$0.26/kWh, you earn \$6.63 in credits for the day.

Annual Billing (True-Up)

- NEM uses a 12-month billing cycle called a True-Up period.
- This allows you to:

- Bank excess credits during sunny months.
- Use those credits during lower-production months (like winter).
- You can opt into monthly billing, but annual is more efficient for most homeowners.

Consumption Monitoring & Oversizing

- If your system is sized correctly, you can **offset nearly all of your yearly electricity** usage.
- If you use more than your system was designed for, you'll owe the utility money.
- With monitoring tools, you can see how much you're using vs. producing and adjust.

Your **monthly payment** is based on how much electricity your solar system produces:

- 1. Production-Based Formula:
 - Monthly kWh produced × Equivalent Rate per kWh
 - = Current Monthly Payment
 - The **Equivalent Rate per kWh** is specified in your agreement (e.g., in Schedule 1).
- 2. If No Production Data Is Available:

If actual production data is missing (due to internet outage, damage, etc.), your payment will be based on an **Estimated Production**, which may be:

- Based on the same month last year, or
- Based on **SolarCity's production estimates** used in the original agreement.
- 3. Exceptions You Won't Be Charged for Estimated Production If:
 - There's **no sunlight** (e.g., cloudy days—not shading).
 - There's system damage that SolarCity is responsible for.
 - There's delayed repair caused by SolarCity's lack of diligence.
 - There's a **power outage or grid failure** not caused by you.
- 4. **However**, if the system is producing no electricity for **other reasons** (e.g., shading from new construction, your own interference, etc.), you **will** be charged based on **Estimated Production**.

How Payments Are Applied

Each month's **Total Amount Due** includes:

- Any past due amounts, plus
- The Current Monthly Payment (as calculated above)

Payments are applied in this order:

- 1. Outstanding fees
- 2. Accrued interest
- 3. Principal balance

Also:

• **Extra payments** made beyond the current Total Amount Due will not reduce or replace future month's obligations.



