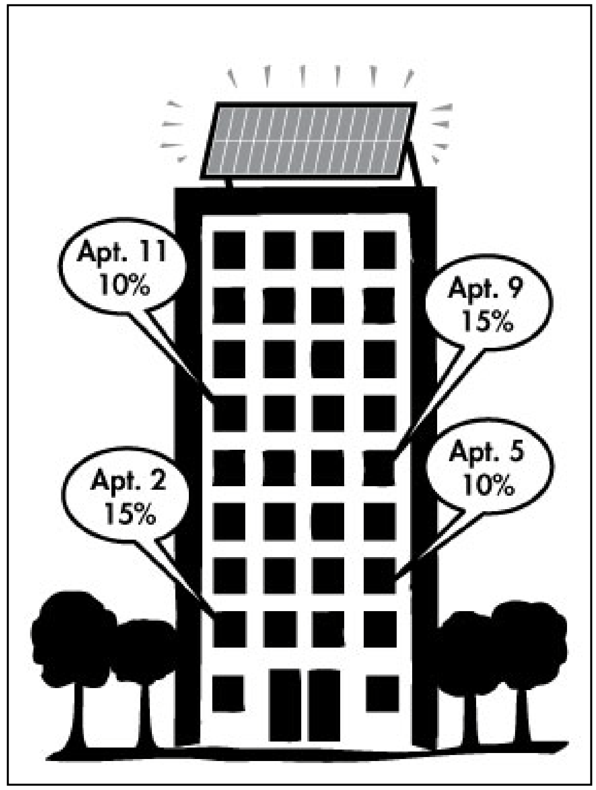
Solar at Multitenant Buildings: Virtual Net Metering

SF Environment FACTSHEET

Thanks to a new program called "virtual net metering," multiple tenants at a property can share the electricity produced by a single solar energy system. This makes it easier for residential and commercial rental properties to reduce tenant utility bills and create a revenue stream for landlords. It also makes it simpler for condominium and tenancy-in-common owners to share the benefits of an on-site solar system.

Facts about virtual net metering



Below are important details to know before you get started:

- **The solar system must have an owner**. Every virtual net metering project requires an owner, such as a landlord or HOA, who is in charge of the *generator account*, a dedicated meter to which the solar system is connected.
- **Participating tenants get credited on their PG&E electricity bill**. Tenants benefit from the solar electricity by receiving a credit directly on their PG&E bill. The system owner gives PG&E a list of participating tenants, known as *benefiting accounts,* indicating the percentage of the system's output to be credited to each tenant.* For example, if the solar system produces 1,000 kWh of electricity in a month, and Apt. B has a 10% allocation, then Apt. B receives a credit of 100 kWh on their bill, which reduces their "net" electricity usage, and thus their utility bill. Utility accounts that serve a building's common areas are also allowed to be credited.
- **Allocations of electricity credits can be changed as frequently as needed**. The system owner can instruct PG&E to change the allocation of electricity whenever a participating tenant leaves or a new tenant joins the program. (PG&E charges $3 when there is a change to a single benefitting account more than once per year.) When there are periods that less than 100% of the electricity is allocated, the owner can designate a *default account* that receives unallocated credits.
- **Existing tenants cannot be forced to participate**. A landlord cannot force an existing tenant to accept an allocation of electricity. Consequently, for existing multitenant buildings, virtual net metering must be an opt-in program. As individual units become vacant, a landlord can require new tenants to receive an allocation of electricity as a condition of their rental agreement.

*Affordable housing properties must allocate electricity to every unit at the property based on each unit's relative size. Market-rate properties are free to provide electricity to as few as two tenants, and can allocate electricity in any proportion.

- **The system owner arranges with tenants to recover the costs of the solar system**. PG&E is not involved in any payments from tenants to the system owner (landlord or HOA) to pay for the costs of the solar system and compensate for the generated electricity the tenant is receiving. These arrangements are made privately between the system owner and tenants. It is advisable for payments to be structured as a flat fee (e.g., $/month) rather than based on actual electricity delivered ($/kWh). With an HOA, participating homeowners may prefer to simply split the upfront system cost.

Incentives & financing for solar energy systems

A solar energy system is a significant investment. Fortunately, incentives and tax credits can reduce the cost. San Francisco's GoSolarSF program (solarsf.org) offers cash incentives to install solar power. State rebates (pge.com/csi) and a 30% federal tax credit are also available. In addition, these financing tools can make it possible to go solar without large up-front costs:

- Solar lease & power purchase agreement: Under these arrangements, a third-party owns the equipment and you pay a monthly fee for the use of it (a lease) or a set price for the electricity generated (a power purchase agreement or PPA).
- GreenFinanceSF (commercial property only): This is San Francisco's property assessed clean energy (PACE) financing program that allows commercial property owners to finance and repay the loan through their property taxes. Visit greenfinancesf.org.
- Loan or line of credit: A business or real estate loan or other secured line of credit is a more traditional way to go solar without high up-front costs.

Next steps

1. Visit the SF Solar Map (sfenergymap.org) to find the solar potential of your roof, and use the calculator to estimate the financial return.
2. If your building is currently occupied, survey the tenants to gauge their interest in sharing electricity from a solar energy system.
3. Get bids from multiple solar installers and consider your financing options.
4. Identify system owner, participating tenants/units, cost and payment structure for participants, and allocations by meter.
5. Install system in accordance with PG&E's Virtual Net Metering guidelines (contact gen@pge.com).

Additional information

- Read SF Environment's paper on virtual net metering at tinyurl.com/SF-virtualnetmetering
- Learn more about solar financing options at sfenvironment.org/article/solar/solar-financing-options
- If you have questions, contact SF Environment's renewable energy staff at renewable@sfgov.org