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STAFF REPORT

New Solar Homes Partnership Program Quarterly Progress Report 2021 Second Quarter

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ABSTRACT

The New Solar Homes Partnership (NSHP) program contributes to California's continuing efforts to promote and develop clean, renewable electricity generation. This report provides an update on key NSHP program statistics for the second quarter of 2021. This report is produced in accordance with California Public Utilities Commission Decision 16-06-006, "Decision Funding Authorizations and Related Measures for Continuation of the New Solar Homes Partnership Program," dated June 9, 2016.

Keywords: New Solar Homes Partnership, NSHP, Commission, California Public Utilities Commission, CPUC, Decision 16-06-006, market-rate, affordable housing

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CHAPTER 1:

Introduction and Background

The New Solar Homes Partnership (NSHP) program was created as part of a statewide solar program called the California Solar Initiative (CSI) under Senate Bill 1 (Murray, Chapter 132, Statutes of 2006), which included the following three goals for the initiative:

1. Install solar energy systems with a cumulative generation capacity 3,000 megawatts (MW).
2. Establish a self-sufficient solar industry in which solar energy systems are a viable mainstream option for homes and businesses by 2020.
3. Install solar energy systems on 50 percent of new California homes by 2020.

To reach these goals, the CSI established the NSHP and various publicly owned electric utility (POU) incentive programs.

Launched in January 2007, NSHP is the California Energy Commission's (CEC) component of the CSI and is focused on new home construction in investor-owned utility (IOU) service territories. The program provides financial incentives for homeowners, builders, and developers to include solar energy systems on new, energy-efficient homes. The NSHP program goal under the CSI is to offer incentives toward installing 360 MW solar capacity by December 31, 2021.

Participation in the NSHP program is a two-step process in which applicants reserve funding for a project before construction and receive an incentive payment upon completion of the project. Once the reservation application is approved, applicants have the reservation period to finish construction, install the solar energy system, interconnect with the utility grid, complete third-party field verifications, and submit an incentive payment claim package to the CEC.

A reservation application may cover a single site or multiple sites depending on the project. The NSHP program has multiple project types¹ defined in the [*NSHP Guidebook, Eleventh Edition*](#) including:

- Large development — developments of six or more residential units with solar on 50 percent or more of dwelling units (also referred to as "solar as standard").
- Custom homes — a project consisting of a single home.
- Affordable housing projects — projects that include affordable housing residential unit projects and affordable housing common area projects.
- Common area projects — projects where the solar systems are installed on the nonresidential portions of market-rate residential developments.

¹ The NSHP does not classify project types based upon single- or multifamily construction. Either construction types may be used in large development, affordable housing, or other types as appropriate.

- Virtual net metered² projects — projects that include affordable housing and market-rate housing projects.
- Solar not as standard — projects where solar is installed on less than 50 percent of the residential units.
- Small developments — developments with fewer than six residential units.

Funding Deadlines

Senate Bill 83 (Committee on Budget and Fiscal Review, Chapter 24, Statutes of 2015) established an encumbrance deadline of June 1, 2018, for NSHP and a payment disbursement deadline of December 31, 2021. To fulfill these requirements, the CEC established a reservation application deadline of April 1, 2018, and an incentive payment claim deadline of August 31, 2021.

² *Virtual net energy metering* is a tariff arrangement allowing the electricity produced by a solar energy system to be credited to multiple units, in which each has an electric meter.

CHAPTER 2:

2021 Second Quarter Program Statistics

Reservations

After the April 1, 2018, NSHP program reservation application deadline, the CEC stopped accepting reservation applications. This reservation application deadline was established to meet the June 1, 2018, encumbrance deadline provided for in Senate Bill 83 (2015). No additional reservations were accepted for new projects or adjustments to existing encumbrances after June 1, 2018. Table 1 displays the active reservations as of June 30, 2021.³

Table 1: Active Reservations as of June 30, 2021

Project Type	# of Systems	Encumbrance Value	Capacity (MW)
Large Development	16,533	\$27,508,869	60.00
Affordable Housing	121	\$5,868,432	4.44
Custom Homes	0	\$0	0.00
Other ⁴	4	\$436,119	0.62
Totals	16,658	\$33,813,420	65.06

Source: California Energy Commission

Incentive Payment Claims and Program Activity by Project Type

For a site to receive an incentive payment claim approval, the solar energy system must be installed, grid-connected, and third-party verified, and the building must meet or exceed the energy efficiency standards proposed in the applicant's reservation. Table 2 displays the number of incentive payment claims approved in the second quarter of 2021.

³ Since the program is not accepting new reservations, Table 1 displays active reservations as of June 30, 2021. Reservations listed in this table were granted before the June 1, 2018, encumbrance deadline.

⁴ Other consists of NSHP project types: common area, virtual net metered, solar not as standard, and small developments.

Table 2: Incentive Payment Claims Approved April 1, 2021, Through June 30, 2021

Project Type	# of Systems	Amount of Funds Paid	Capacity (MW)
Large Development	1,379	\$1,919,927	4.84
Affordable Housing	90	\$2,946,418	2.12
Custom Homes	2	\$6,726	0.01
Other ⁵	2	\$390,589	0.77
Totals	1,473	\$5,263,660	7.74

Source: California Energy Commission

Incentive Payment Claims Received and Approved

Table 3 shows the number of incentive payment claims received and approved in the second quarter of 2021.

**Table 3: Incentive Payment Claims Received and Approved
April 1, 2021, Through June 30, 2021**

	Received	Approved ⁶
Incentive Payment Claims⁷	1,515	1,473

Source: California Energy Commission

Incentive Payment Claim Processing Time

NSHP staff receives, documents, processes, and approves the incentive payment claim for transmittal to the CEC Accounting Office for processing with an average processing time of two to five weeks. The CEC Accounting Office requires an additional six-to-eight-week processing time for preparation and transmittal to the State Controller's Office. The State Controller's Office then processes for disbursement of incentive money within two to four weeks.

Overall Progress Toward Meeting Program Goals

One goal of the NSHP program is to fund the installation of 360 MW of solar energy capacity on new housing by December 31, 2021. As of June 30, 2021, the NSHP program supported the installation of 230.97 MW and has 65.06 MW of reserved capacity. There is a potential of 296.03 MW of solar PV to be funded and installed by December 31, 2021. Figure 1 charts this data.

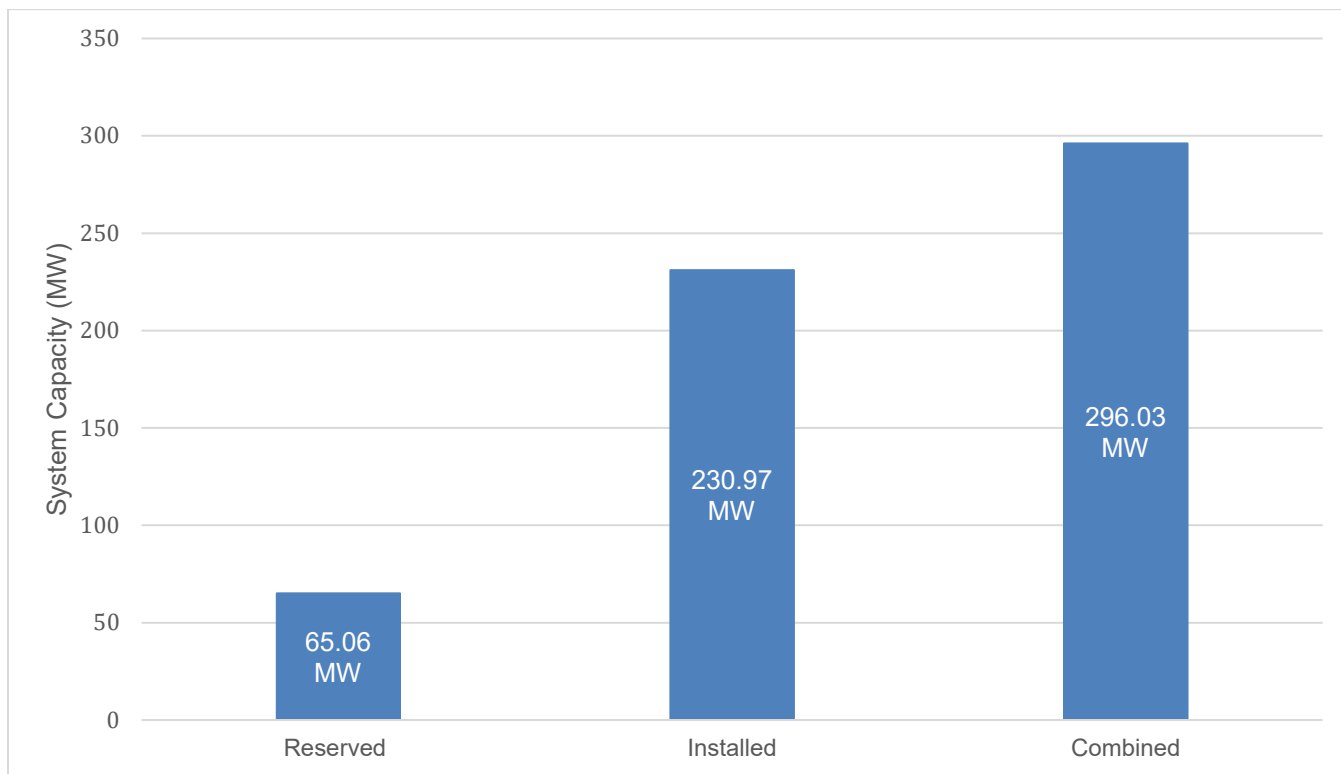
⁵ Other consists of NSHP project types: common area, virtual net metered, solar not as standard, and small developments.

⁶ The volume of incentive payment claims approved may exceed the volume received due to unapproved incentive payment claims carrying over from the previous quarter.

⁷ Each incentive payment claim represents one site or system.

Because of applicant selected changes in final building construction, not all reserved projects meet NSHP requirements. Projects or sites unable to meet NSHP requirements are disapproved and not eligible for NSHP incentive money. Sites disapproved, withdrawn, or expired are removed from program metrics and do not count towards the program goal tracker.

Figure 1: Progress Toward NSHP Program Goals as of June 30, 2021



Source: California Energy Commission

CHAPTER 3:

Funding Reporting

Established in 2007, the NSHP program was allocated \$400 million from the Public Goods Charge (PGC) account, funded from fees collected from IOU ratepayers plus funding from the Renewable Resource Trust Fund (RRTF), an early funding source of NSHP, totaling \$288.22 million. To address a projected shortfall in funding because of high demand, the CPUC Decision 16-06-006 provided for funds up to \$111.78 million. This funding was collected from IOU ratepayers. The expenditure of this IOU funding was restricted by a requirement that PGC funding must first be exhausted.⁸

The accounting of RRTF/PGC and IOU funding through the second quarter of 2021 is represented in Table 4.

Table 4: NSHP Program Funding Encumbered and Paid

Funding Source	Initial Allocation	Encumbered⁹	Paid
RRTF/ PGC Funds (Millions)	\$288.22	\$37.02	\$238.80
IOU Funds (Millions)	\$111.78	\$0	\$0
Total (Millions)	\$400.00	\$37.02	\$238.80

Source: California Energy Commission

⁸ Previously reserved and encumbered but undisbursed RRTF funding may become available due to changes in projects. Funding initially reserved for projects are reassessed during the payment claim. Final project incentives are based upon installed and third-party verified construction. Decreases in project incentives from the reserved amounts create additional funding availability.

⁹ The encumbrance balances allocated to the funding source RRTF/PGC and IOU are based on the incentive paid and the funding reserved as of June 30, 2021.

CHAPTER 4:

Conclusion and Outlook

During the second quarter of 2021, CEC staff approved 1,473 incentive payment claims for \$5.26 million, representing 7.74 MW of solar capacity.

CEC staff makes every effort to maintain a positive business relationship with NSHP applicants and stakeholders. The applicant base consists of affordable housing applicants, custom homeowners, builders, and major program stakeholders. Staff provides technical support to applicants so they can effectively navigate the incentive claim application process. This working relationship promotes and demonstrates the program's commitment to exceptional customer service.

As California combats the effects of COVID-19, staff is managing its impacts through electronic application submittal, review, and approval processes. Staff remains 100 percent committed to advancing the state's mission and effectively administering programs to the fullest capacity possible. The NSHP incentive payment process was adjusted to ensure accessibility by NSHP applicants given the current circumstances. NSHP-2 Payment Claim forms may be submitted electronically rather than via mail, and NSHP call center staff is available to offer application support for program applicants, stakeholders, and customers. Internally, the NSHP process is electronic, and CEC staff periodically adjusts processes for optimal efficiency and production. As circumstances change or evolve, staff will remain vigilant, adaptable, and able to implement changes quickly.