



2023 Status Report Distributed Energy Resources and Net Energy Metering Implementation

Introduction

S.C. Code Ann. § 58-39-140(E) requires the South Carolina Office of Regulatory Staff (ORS) to prepare and submit a Report on the status of implementing the Distributed Energy Resource Programs (DER) and Net Energy Metering (NEM) for South Carolina's three largest investor-owned electric utilities (Utilities) —Dominion Energy South Carolina, Inc. (DESC), Duke Energy Carolinas, LLC (DEC) and Duke Energy Progress, LLC (DEP). The Report was originally submitted in 2017 and was updated in 2019 and 2021. The Report is required to be updated no later than July 31 every two years.

Renewable Policy Progression

On June 2, 2014, the DER Program Act (Act 236) was signed into law by then Governor Nikki Haley. Act 236 was the result of consensus among a diverse group of stakeholders that created a pathway for growth in the renewable energy industry in South Carolina.

Then on May 16, 2019, the South Carolina Energy Freedom Act (Act 62) was signed into law by Governor Henry McMaster. Many aspects of Act 62 are a direct result of continued collaborative discussions that were part of the Act 236 2.0 process outlined in the 2019 Status Report on DER and NEM Implementation. Act 62 also provided further renewable policy guidance and created a framework for the next generation of NEM in South Carolina titled "Solar Choice Metering."¹

Status of DER Programs

Upon the adoption of Act 62 and the sunset of Act 236, DER Program goals have been met to achieve NEM capacity requirements and DER has been promoted in South Carolina. Currently, there is no capacity reserved for development. Programs are fully implemented and closed to new participants as of June 1, 2021.

DESC offered the following DER Programs: 1) contracts with solar developers for utility-scale solar farms on company property under power purchase agreements (PPAs), 2) contracts with solar developers for the installation of at least 30 megawatts of solar farms on property not owned by the utility under 15- or 20-year PPAs and where the solar power can be integrated into DESC's electrical grid, 3) a Performance-Based Incentive bill credit for residential customers fixed for a 10-year term, 4) Bill Credit Agreements for non-residential customers fixed for 10-year terms, 5) a Community Solar program, and 6) the formation of a DER Program Advisory Group.

DEC and DEP offered the following DER Programs: 1) the use of request for proposals for large-scale renewable generation facilities, 2) up-front solar rebates for residential and non-residential customers, 3) a DER Program Collaborative Group, and 4) a Shared Solar Program.

DER Program Costs

Act 236 allows Utilities to recover incremental and avoided costs related to DER Programs to the extent that costs are reasonably and prudently incurred to implement approved programs. DER Program costs are recovered during each Utility's annual fuel proceeding. Each of the costs, including NEM incentives, are separately identified by the Utilities, reviewed by ORS, and submitted for approval to the Public Service Commission of South Carolina (Commission). The value of each cost component can vary due to several factors including fuel costs, capacity costs, generation mix, location of DER generation, billing procedures, and current retail rates. The figure below shows the total incremental

¹ S.C. Code Ann. § 58-40-20 F(1).



2023 Status Report Distributed Energy Resources and Net Energy Metering Implementation

and avoided DER Program costs by Utility as of May 31, 2023.

Utility	Incremental Costs	Avoided Costs
DESC	\$106,388,660	\$36,627,495
DEC	\$57,114,812	\$8,488,621
DEP	\$19,697,578	\$5,320,330

Cost Recovery Mechanisms

Avoided costs are recovered by customer class in the same manner as fuel, variable environmental, and avoided capacity costs. A per kilowatt hour (kWh) charge is calculated using the over/under recovered avoided costs for a utility's actual review period, estimated period, and forecasted period divided by the projected kWh sales for the next twelve-month billing period.

Incremental costs are recovered by customer class in a different manner than avoided costs as they are collected as a separate fixed dollar amount per account versus avoided costs being billed per kWh in the customer's usage charge. S.C. Code Ann. § 58-39-150 requires the incremental costs to be capped to protect consumers and to ensure that the cost of DER Programs does not exceed a reasonable threshold. Based on previous calculations, the DER charges will be collected until approximately **2040**. The following incremental cost caps apply to the Utilities' DER Program:

- Residential customers \$12 per year
- Commercial customers \$120 per year
- Industrial customers \$1,200 per year

The figure below shows the current annual DER Program incremental per-account charges by Utility as of June 30, 2023.

Utility	Residential	Commercial	Industrial
DESC	\$12.00	\$94.92	\$1,200.00
DEC	\$8.64	\$36.48	\$1,200.00
DEP	\$12.00	\$39.12	\$1,200.00

Conclusion

When passed in 2014, Act 236 paved the way for a new era of solar leasing for customers in South Carolina, removed barriers, and provided incentives for customers wishing to install solar on their homes or businesses.

Upon the sunset of Act 236 and with the passage of Act 62 in May of 2019, additional opportunities to expand South Carolina's clean energy future began. Act 62 altered existing policies and programs in the framework of Act 236 to create even broader pathways to renewable energy and resilience in South Carolina for years to come. The next Status Report on Act 236 DER and NEM Implementation is due on July 31, 2025.