California State Assembly
UTILITIES AND ENERGY

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BACKGROUND

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Outcomes Review of AB 2316 (Ward, Chapter 350, Statutes of 2022)

This paper provides background for the Outcomes Review on AB 2316 (Ward, Chapter 350, Statutes of 2022), which required the California Public Utilities Commission (CPUC) to evaluate existing community renewable energy programs, to recommend program modifications and/or termination, and to develop a new (or modify an existing) community renewable energy program to achieve specific criteria, if the CPUC found the new program to be beneficial to ratepayers.

The purpose of the Outcomes Review process is to assess, review, and improve implementation of key enacted legislation to ensure that the laws passed by the Legislature continue to improve the lives of Californians.[1] To this end, the committee will hear testimony about AB 2316's outcomes from key parties, including the CPUC, the Coalition for Community Solar Access, the Utility Reform Network (TURN), and the Public Advocates Office (PAO). Representatives from the large investor-owned utilities (IOU) were invited but could not attend the hearing today.

I. History and Passage of AB 2316.

What is Community Solar? The primary mechanism for an individual to participate in solar generation is to install panels on the roof of their own home. Community solar provides an option for solar adoption for individuals who don't own their homes, have financial constraints, or have insufficient roof conditions such as shading, roof size, or other factors. The U.S. Department of Energy defines community solar as any solar project or purchasing program, within a geographic area, in which the benefits of a solar project flow to multiple customers such as individuals, businesses, nonprofits, and other groups.[2] The goal of these programs is to provide greater access for the public to

[1] "Speaker Rivas Announces First-Of-Its-Kind 'Outcomes Review' Legislative Oversight Tool to Enhance Impacts of Laws," https://speaker.asmdc.org/press-releases/20260203-speaker-rivas-announces-14-assembly-lawmakersfirst-its-kind-outcomes
[2] DOE Office of Energy Efficiency & Renewable Energy; "Community Solar Basics"; https://www.energy.gov/eere/solar/community-solar-basics

participate in solar projects.

There are multiple community solar development and implementation models on the market. In most cases, customers of community solar projects benefit from energy generated by solar panels at an off-site array. On-site multifamily community solar options also exist, where occupants of an apartment and condominium complex each benefit from the energy produced from the rooftop array. Subscribers to the program typically receive a bill credit for electricity generated by their share of the community solar project. However, the value of that customer bill credit can vary widely depending on the project. A large utility may own or operate a community solar project that is open to voluntary ratepayer participation. Customers may also collectively sign a contract with a third-party developer and be treated as departing load from their utility.

Back in 2022, there were four main community solar programs in place for eligible customers of California's large electric IOUs. Some allowed customers to subscribe directly to a local renewable generation facility, such as the subcomponent of the Green Tariff Shared Renewables (GTSR) Program, known as the Enhanced Community Renewables (ECR) option. While the GTSR program was established over a decade ago, its participation remained very low. The ECR option had fared worse with only 10 megawatts (MW) – out of a potential 600 MW – of capacity under contract by summer 2022.

The three electric IOUs filed applications in June 2022 for review of their community solar programs. These were consolidated into one proceeding – A.22-05-022 – which was expected to review the programs' goals, budget, capacity, design, implementation, and consumer protections.

AB 2316. According to Assemblymember Ward, "Assembly Bill 2316, would create a cost-effective community renewable energy program (i.e., community solar program) that leverages the ability to combine distributed renewable resources with energy storage to provide all Californians with an option to access the benefits of distributed generation."

After extensive negotiations in the Legislative process, in September 2022, the bill was signed into law by Governor Newsom. The statute directs the CPUC to 1) evaluate existing customer renewable energy programs to ensure they meet specified goals; 2) to terminate or modify programs that the CPUC determines do not meet the specified goals; and 3) determine whether it would be beneficial to ratepayers to establish a new renewable energy program, and do so by July 1, 2024, if it so determines.[3]

If the CPUC established a new program, the statute requires the new program to:

1. be complementary to the California Energy Commission's (CEC) rooftop solar mandate in Title 24 of the Building Codes,
2. serve low-income customers with at least 51% of its capacity,
3. protect nonparticipating customers from excess costs,
4. require prevailing wages for construction workers,
5. provide bill credits to subscribers based on avoided costs, and

[3] Public Utilities Code § 769.3

6. prioritize federal and state incentives and accelerate program implementation to ensure federal incentives are obtained.

The statute did not mandate the creation of a new program, but it was strongly suggested. For instance, the bill language notes the intent of the Legislature was to "create a community renewable energy program so that all Californians, especially those unable to host a rooftop solar system, realize the benefits of distributed generation." The statute also provides significant real estate describing the requirements for the new program but also provides significant latitude to the CPUC to make the initial determination of whether a new or modified program would be "beneficial to ratepayers."

While analyses at the time noted that the bill, in calling for an evaluation of existing community renewable energy programs and an establishment of only those that meet specific criteria, may help guide the CPUC's proceeding and clarify the Legislature's intent for these programs moving forward; the statute's broad construction leaves room for the CPUC's own interpretation in how to implement these provisions.

II. Implementation of AB 2316 at the CPUC.

In 2022, the CPUC used the consolidated community solar proceeding – A. 22-05-022 – as the basis for examining existing community solar programs, as well as considering the details of a new community solar program, as outlined in AB 2316. While AB 2316 did set deadlines of March and July 2024 for actions to be reported to the Legislature (namely, program consolidation and new program formation, respectively), the proceeding remains ongoing. The most recent decision extended the statutory deadline of the proceeding to July 1, 2026.

Within the proceeding, the Coalition for Community Solar Access, which represents companies and nonprofits that advocate for community solar, proposed the Net Value Billing Tariff (NVBT) as a proposal to meet the requirements of the statutorily authorized new community solar program. That proposal sought to enable 8 gigawatts of new community solar projects.

After considering stakeholder feedback, the CPUC issued a decision on May 30, 2024, rejecting the NVBT proposal.[4] The CPUC argued the proposal is not cost-effective, suggesting that the proposed community solar projects are akin to wholesale resources as opposed to rooftop customer generators. This different classification changed the value of the resource, because a wholesale asset receives a wholesale rate, whereas a behind-the-meter asset receives an Avoided Cost Calculator rate. This will be discussed at greater length below. Rather than approving the NVBT, the CPUC adopted an alternative program: the Community Renewable Energy Program (CREP). CREP uses existing wholesale tariffs to dictate energy costs and relies on federal and state funds to subsidize the projects.

Some additional elements of dispute with the CREP and AB 2316 include: 1) the availability of alternative funding to offset program cost; 2) compliance with Title 24

[4] CPUC Decision 24-05-065

building standards; and 3) interpretation of "avoided cost" for calculating customer credits. These are discussed in more detail below.

Alternative Funding Sources for Program Incentives. Statute requires the new community solar program to use funds for financial incentives that were only available through Legislative appropriation. And requires the CPUC to prioritize "the maximum use of state and federal incentives and accelerate implementation of the program to ensure that time- or quantity-limited federal incentives can be obtained for the benefit of subscribers."[5]

In 2023, $33 million was appropriated from the state budget[6] for community energy renewable programs and storage-backed renewable generation programs to satisfy these statutory requirements and supplement the program costs. California also secured a $250 million grant from the U.S. EPA's Solar for All program in April 2024. Unfortunately, as of today, the future of the Solar for All program is in the balance with that grant subject to ongoing litigation.[7] While the $33 million in state funding was cut in the 2025 Budget Act. Unfortunately, according to stakeholders, the CREP was dependent upon these monies to make the projects financeable.

Solar Ready Buildings in the Title 24 Regulations. In May 2018, as part of its regulation of building energy efficiency, the CEC adopted a requirement for the installation of solar PV capacity on all new low-rise residential buildings. More specifically, the CEC regulations require (a) installation of a certain sized solar PV system on a newly constructed, low-rise residential building; (b) successful exemption from the installation requirement in the event of excessive shade, roof design or other defined factors; or (c) development of a community solar PV project that offsets the load of the newly constructed, low-rise residential building.

It is the committee's understanding that most all compliance with Title 24 to date has been met by rooftop solar PV systems. For a community solar project to comply with Title 24 it must (a) reduce the building's energy bill by an amount greater than the added cost to the building resulting in the building's share in the community solar project; (b) provide energy savings benefits dedicated to the building for no less than 20 years, and (c) be exclusively dedicated to the building. The committee is unaware of active community solar programs that meet these criteria – especially the 20-year contract tied to the building, not the customer – and the closest option was a program the CPUC discontinued in 2024, as noted below.[8] The Sacramento Municipal Utility District (SMUD) has a community solar program – SolarShares – certified under the CEC's solar PV regulations.[9] However, the committee understands that program is fully subscribed and not accepting new reservations. As such, it is unclear how developers would comply with Title 24 standards outside of rooftop solar

[5] PUC § 769.3 (c)(6)
[6] AB 102, Budget Act of 2023, Section 244 appropriated $33 million to the Commission with additional requirements.
[7] Alexa St. John and Jennifer McDermott, "State attorneys general sue Trump administration for canceled solar program funding;" *AP*; October 16, 2025; https://apnews.com/article/climate-solar-for-all-trump-biden-lawsuit-4501baab3a86a45db941e80ad861cf2d
[8] the Green Tariff Shared Renewables enhanced community renewables (GTSR-ECR) program
[9] https://www.smud.org/Going-Green/Residential-SolarShares

systems; or if a community solar option is even necessary if compliance to date has been achieved without such programs.

The Avoided Cost Calculator (ACC) and Cost Shifts. Technologies such as solar photovoltaic systems have led to the decentralization of energy generation on our grid. Distributed Energy Resources (DERs) are defined in California law as distribution-connected renewable generation resources, energy efficiency, energy storage, electric vehicles, and demand response programs.[10] One of the benefits of DERs is that energy generated by local resources, or demand-side resources like rooftop solar, can be used either on-site or nearby, avoiding the need to invest in more distribution and transmission infrastructure. The Avoided Cost Calculator is a mechanism to assess the value of distributed energy resources to the grid by modeling avoided costs of multiple grid variables. These variables include calculated costs for generation energy, generation capacity, ancillary services, transmission and distribution capacity, and decarbonization policy compliance. The ACC calculates a monetary amount in $/kWh to value a distributed resource for the cost saved by not connecting a wholesale resource and is updated annually. Although updates help make real cost calculations more accurate, they can create volatility for programs relying on the ACC to determine credits or incentive values. For instance, the value of rooftop solar's avoided costs has declined over the last decade.[11]

The CPUC assesses a program's overall cost-effectiveness using the ACC as one of the inputs. Costs to administer the program (customer service, marketing, sales, IT, customer education), capital costs (equipment and build), and any offered incentives are weighed against the benefits of any tax credits, the ACC, reliability benefits, and any non-energy benefits. Cost shifts occur when the rewards to participants, developers and/or operators of a program outweigh the benefits to the grid as a whole. This imbalance results in nonparticipants of the program covering the cost difference.

A primary conflict in cost shift determinations is how benefits to the grid are defined and assessed. In Decision 24-05-065, the CPUC disputes that NVBT community solar resources avoid transmission, distribution, and capacity costs. Because of this, the CPUC did not find it appropriate to use the standard ACC in establishing the new community solar program pursuant to AB 2316. [12] The CPUC argued that community solar projects are more similar to wholesale generation resources. Community solar advocates dispute this assertion and argue that the CPUC is under-valuing the contribution of these resources to the grid. Moreover, the community solar developers note without the ACC credit, alongside the absence of any federal or state incentive, the community solar projects would be unfinanceable; rendering the CREP defunct before it even began.

Finally, AB 2316 proponents note that the CPUC could have made modifications to the NVBT proposal – rather than developing from whole cloth the CRPE, at the last minute

[10] PUC § 769
[11] E3 blog, "CPUC Approves 2021 Avoided Costs for Valuing Distributed Energy Resources," June 28, 2021; https://www.ethree.com/cpuc-approves-2021-avoided-costs-for-valuing-distributed-energy-resources/
[12] CPUC Decision 24-05-065

– to account for some of these disputes. This includes program modifications limiting projects to the same Local Reliability Area as their subscribers (the NVBT proposal had no such constraint); putting per-project megawatt limits; or instituting an overall program cap. Supporters suggest that the location requirement in particular addresses the concern that community solar projects do not avoid transmission and distribution costs and would ensure community solar project contribute significantly to alleviating transmission constraints. They therefore note projects meeting these location criteria should be compensated at an ACC rate. Assemblymember Ward introduced AB 1260 last year to adopt many of these program reforms; however, that bill was held in the Assembly Committee on Appropriations.

III. Evaluation of AB 2316 Implementation

Some of the key statutory requirements on the CPUC in implementing AB 2316 are listed in the table below, with evaluation of their implementation summarized alongside.

AB 2316 Requirement	CPUC Action
Did the CPUC evaluate existing customer renewable energy programs by March 31, 2024, to ensure they meet specified goals? (PUC § 769.3 (b)(1))	Yes – the CPUC issued a proposed decision on March 4, 2024, in A. 22-05-022 that evaluated the four "Green Access Program" tariffs. The final decision (D. 24-05-065) was adopted in May.
Did the CPUC terminate or modify programs by March 31, 2024, that it determined did not meet the specified statutory goals? (PUC § 769.3 (b)(1)(C))	Somewhat – the CPUC issued the proposed decision on March 4, 2024, in A. 22-05-022 that discontinued two Green Access Programs[13] and modified the remaining two.[14] This action was delayed, though, with the final decision (D. 24-05-065) adopted in May.
Did the CPUC determine whether it would be beneficial to ratepayers to establish a new renewable energy program, and to do so by July 1, 2024, if it so determines? (PUC § 769.3 (b)(2))	Somewhat – the CPUC issued a proposed decision on March 4, 2024, in A. 22-05-022 that established a new community solar program, the Community Renewable Energy Program (CREP). The final decision (D. 24-05-065) was adopted in May, but the CREP still has not been implemented with the proceeding still open.
Did the CPUC, in establishing a new renewable energy program, ensure the program:	
1) was complementary to Title 24 and did the CPUC consult with the CEC to ensure this? (PUC § 769.3 (c)(1))	Unclear/Unlikely – the CPUC adopted CREP in May 2024, but noted the need for additional program adjustments, including deferring to the CEC to determine consistency with Title 24. The CPUC did note it had consulted with the CEC in this, although the level of consultation was unclear.[15]
2) served low-income customers with at least 51% of its	Somewhat – the CPUC in establishing CREP made it a requirement that the eligible facilities capacity be subscribed to 51% low-income.[16] However, the program is dependent on

[13] the Community Solar Green Tariff (CSGT) and the Green Tariff Shared Renewables enhanced community renewables (GTSR-ECR) programs
[14] The Disadvantaged Communities Green Tariff (DAC-GT) and the "Green Tariff" programs.
[15] Pg. 121 of D. 24-05-065
[16] Order #1 (g), pg. 169 D. 24-05-065.

capacity? (PUC § 769.3 (c)(2))	third-party funding to cover the cost of bill credits for low-income subscribers, [17] which as noted above and below are not available.
3) minimize impact to nonparticipating customers from excess costs, specifically ensuring costs in "excess of the avoided costs" were not paid by nonparticipants? (PUC § 769.3 (c)(3))	Yes – the CREP took pains to ensure any excess costs were not paid by nonparticipants in the program.
4) used funds for financial incentives that were only available through Legislative appropriation? (PUC § 769.3 (c)(3))	Yes – the CREP was stabilized through the $33 million state budget appropriation.
5) require prevailing wages for construction workers, and that the project developers make records to that fact; (PUC § 769.3 (c)(4))	Yes – the CREP requires developers demonstrate that all projects comply with the statutory prevailing wage requirements.[18]
6) provide bill credits to subscribers based on avoided costs, as "determined by the CPUC's method's for calculating the full set of benefits of DERs"? (PUC § 769.3 (c)(5))	Highly disputed/Unclear – as discussed above, the supporters of AB 2316 read this statutory requirement as being the ACC value for behind the meter resources; however, the CPUC created CREP to have credits at the PURPA avoided cost. The statute is not crystal clear that "avoided cost" meant ACC; though earlier versions of AB 2316 were explicit in calling out the ACC. Moreover, it is not entirely clear how the CPUC interpreted the "DERs" in this provision to mean PURPA-qualifying facilities, not behind-the meter resources. This is the provision most at issue for the bill's author and proponents, as well as the CPUC, as it impacts the very heart of project financeability.
7) Prioritize the maximum use of state and federal incentives and accelerate implementation of the program to ensure that time- or quantity-limited federal incentives can be obtained for the benefit of subscribers? (PUC § 769.3 (c)(6))	Somewhat – the CPUC established a community solar program and sought state and federal funding to supplement the program. However, the delayed implementation of the program – the CPUC was still asking implementation questions in the proceeding as of April 2025 – has risked the ability to "maximize" those federal dollars. Moreover, this statutory provision is inclusive of investment tax credit eligibility which is also in limbo following the adoption of H.R. 1 in 2025.

IV. Conclusion

AB 2316 set out with a broadly supported goal: to expand access to the benefits of renewable energy for Californians who cannot host rooftop solar, particularly those of lower income. Nearly four years after enactment, however, the program the author envisioned remains unrealized. The CPUC met the letter of several statutory requirements, but the program it created – the CREP – has been rendered functionally inoperative by a combination of factors:

[17] Findings of Fact #50, pg. 159 D. 24-05-065; https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M533/K188/533188781.PDF
[18] Order #1 (h), pg. 169 D. 24-05-065.

the rejection of the ACC framework, the loss of the state and federal funding the program was built around, unresolved implementation questions, and a proceeding that has now missed two statutory deadlines and extended its timeline to July 2026. The most consequential dispute — whether community solar resources should be valued as distributed energy resources at the ACC rate or as wholesale resources at PURPA avoided cost — goes to the heart of whether the CREP can ever attract the project financing necessary to build anything. AB 2316 proponents state to not use the ACC is a misapplication of statute; whereas opponents state the CREP would create a cost shift to non-participants if the ACC is used, also in violation of statute. That dispute also reflects a broader tension left unresolved by the statute itself, which provided the CPUC interpretive latitude. The committee must assess whether the current CPUC framework, if left unchanged, can deliver the program AB 2316 intended; and if not, what corrective action, whether regulatory or legislative, is warranted.

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