

First in Nation: California Energy Commission Adopts Standards Requiring Solar Systems for New Homes

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On May 9, 2018 the California Energy Commission, in a landmark decision, unanimously adopted new standards requiring solar photovoltaic systems to be installed on new homes built in California, beginning January 1, 2020. This first-in-the-nation requirement is a move by the CEC to cut energy use in new homes through energy efficiency standards. The CEC has predicted that this requirement will reduce greenhouse gas emissions by an amount equivalent to taking 115,000 fossil fuel cars off the road.

The solar home requirements are included in the 2019 Building Energy Efficiency Standards, which address various other efficiency standards of which the solar home requirement is just a part, and apply to all new residences and major home renovations on buildings under three stories. The standards provide alternative methods, such as installing shared group solar-power systems instead of solar on individual residences, to comply if a building is not suitable for solar. In addition, certain exemptions may be available due to location, space or other factors. Other building efficiency standards adopted by the Commission include lighting and ventilation requirements.

According to the CEC the costs to new homeowners are expected to be on average approximately \$9,500. However that cost is expected to be offset by the energy savings realized from the solar systems. Given this increased cost, financing programs may become impacted as housing costs adjust.

Home builders should closely examine the regulations to make sure they have the appropriate resources in place to meet these requirements by 2020. Depending on the size and location of the development a variety of different issues and agreements may be needed in order to facilitate the installation and maintenance of these systems. This includes real estate requirements, evaluation of covenants, conditions and restrictions (CC&Rs), service agreements, availability of licensed vendors and any ancillary business support services. Depending on the success of this program, other states may follow California's lead.

Before the regulations become effective, they still require final approval by the California Building Standards Commission.

Some other key takeaways:

- Under the updated rules, solar system sizes are expected to range from 2.7 kilowatts to 5.7 kilowatts, depending on

location (the average size of currently installed solar systems on California homes is 6.8 kilowatts);

- The updated standards incentivize demand-response technologies, e.g. battery storage and heat-pump water heaters;
- Numerous flexibility measures are built in to the updated codes, but local governments have discretion to make the rules more stringent;
- According to the CEC, "typical" households will see an increase of approximately \$40 per month on their bills related to the installation of the system, offset by consumer savings in the areas of heating, cooling and lighting of \$80 per month; and
- The CEC estimates that savings of approximately \$19,000 will accrue for homes' "energy and maintenance costs over 30 years."

So far, California's utilities do not appear interested in challenging the mandate and the solar systems will not displace the need to interconnect the homes with the local utility. However, pressure will be on them to recover costs associated with their grid-modernization efforts, which will be impacted by the increasing penetration of solar technologies in residential communities.

Buchalter attorneys are fully adept at addressing the range of issues raised by this new regulation and will actively monitor the implementation process.



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