



Solar Pricing and Policy Concepts

- **Community solar:** A solar power plant whose electricity is shared by more than one household. Often framed as an alternative to rooftop solar. Also known as a **solar garden** or **shared renewable energy plant**.
- **Federal investment tax credit (ITC):** Commonly referred to as the **solar tax credit**, the ITC effectively reduces the total cost of your solar energy system by 30 percent with a credit to your federal taxes. It is regarded as the most significant financial incentive for solar in the U.S.
- **Grid parity:** The point at which power generated by solar panels costs the same or less than power from conventional resources like natural gas. Solar is already at grid parity in 20 states.
- **Levelized cost of energy (LCOE):** The per-unit cost of energy from a solar energy system. LCOE is calculated by dividing the out-of-pocket cost for the system by the estimated total amount of energy the system will produce over its lifetime.
- **Net metering:** A practice that credits you for the excess electricity generated by your solar panels, which you can then draw upon when your panels don't produce enough electricity to match your use. With net metering, you effectively use the electric grid to "store" excess electricity for later use.
- **Property-Assessed Clean Energy (PACE):** A special type of loan that is repaid through an annual assessment on your property tax bill. PACE financing can be used to install a solar PV system, among other clean energy improvements.
- **Payback period:** Represents how long it takes to "break even" on a solar energy investment. The average payback period for solar homeowners in the U.S. is just over seven years.
- **Performance-based incentive (PBI):** Financial incentive for solar that pays a homeowner based on the energy production of their solar system. PBIs are typically paid per kilowatt-hour of electricity generated. **Feed-in tariffs** are a type of PBI.

- **Power purchase agreement (PPA):** Contract with a solar company to have a solar energy system installed on your roof. With a solar PPA, you agree to pay the company a per kilowatt-hour rate for the electricity produced by the solar panels.
- **Solar lease:** Contract with a solar company to have a solar energy system installed on your roof. With a solar lease, you agree to pay the company a fixed monthly fee to “rent” the system in exchange for the benefits (i.e., the electricity) the system provides.
- **Solar lease escalator:** A clause of most leases and PPAs that increases payment rates by a fixed amount per year. A typical escalator is 2.9 percent.
- **Solar loan:** A loan provided by a bank, credit union, or specialty provider to finance the cost of buying a solar PV system.
- **Solar renewable energy credit (SREC):** For every unit of electricity that a solar panel system generates, an associated SREC is also created. In some states, you can sell your SRECs for additional revenue.
- **Third-party owner (TPO):** In a lease or PPA, the owner of the solar energy system (typically a solar corporation). By entering into a solar lease or PPA, you sign an agreement with the third-party owner.