Who Keeps the Lights on?

If irreducible minimum utility functions are wires networks and frequency, then utilities keep the lights on.

Two questions follow:

• How do they do business and make money?
• What incentives are provide by regulators?
Two Goals:

Describe work on new utility business models and regulatory reforms

Apply that work to today’s topic: “decentralizing utility services” in three examples: New York, Minnesota, and Hawaii

America’s Power Plan

Web Site: www.americaspowerplan.com
Eight papers:
http://americaspowerplan.com/the-plan/utility-business-models/

Plenty of motivation for change, support from CEOs and Regulators, business model and regulatory options: “Restructuring 2.0”
Performance Regulation

Utilities get investment certainty based on forward looking costs and benefits
In exchange for new business plans that meet new, measured public interest performance requirements

WIEB Phase I Report “New Regulatory Models” Sonia Aggarwal, Eddie Burgess
Performance regulation definitions and examples


New York “Reforming Energy Vision”

Hurricane Sandy
Moreland Commission Reports, LIPA changes
Audrey Zibelman, PSC Chair
Restructured market, regulated wires companies,
NYISO
Proposal: “Distributed System Platform Providers”
Regulatory changes, renewable energy, distributed generation, advanced energy management, empowered customers
Six core policy outcomes relating to customer knowledge: market animation, system-wide efficiency, fuels and resource diversity, system reliability and resiliency, and carbon reduction.

Minnesota “e21 Initiative” Report

Utilities’ and stakeholders’ one year consensus recommendations
Xcel letter: Asking for commission review and input
Ben Fowkes to analysts: improve flexibility, lower investment risks
Five year rate plan, terms defined
Assured investment recovery based on forward-looking costs and benefits, new business plans, meet new performance goals
Public interest performance goals
Metrics and measurements; incentives and penalties

“Instead of looking back, asking ‘did we pay the correct amount for what we got?’ look forward to ask ‘what do we want and how do we pay for that?’

http://www.betterenergy.org/projects/e21

Hawaii “postcard from the future”

Hawaiian Electric Industries
HECO Oahu PV penetration at eleven percent
Next Era: 65% renewables to cut rates 20%
Docket to review existing decoupling mechanism
Performance regulation testimony, proposals
Blue Planet Foundation—Ron Binz
Consumer Advocate—Tim Woolf

BP’s Hawaii Request

New regulatory mechanism, pending negotiation of implementation details.

Parties to be ordered to negotiate, report to PUC

- The mechanism integrates utility outputs (goals) in an approved business plan with utility revenues
- Revenue growth is tied to an external measure
- Utility performance meaningfully affects revenues
- The mechanism is in place for an extended period
- Mechanism breaks link of utility sales and earnings

Hawaii Clean Energy IBR

Approved Business Plan

Outputs To Be Delivered

- Revenue Growth Factor
- Performance Measures
- New Baseline Revenue
- Rewards or Penalties
- Negotiated Revenues

Baseline Revenues + Incentive Revenues + Extraordinary Revenues

Base Fuel + Purchased Power + Cost Trackers

Changing Business Models UTILITIES 2020 Transforming Utility Regulation
Conclusions

Utilities keep the lights on. Pressures for “restructuring 2.0” mean changes. Utilities will change how they do business and make money. Regulators change to look forward, define goals and performance metrics, rewards, penalties. Customer empowerment and satisfaction are key. Stakeholders take on much more responsibility. Early adopters are on the job. There is a lot of productive work to be done.

Thanks for inviting me.

I look forward to our discussion.

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