Energy Transformation Network of Ontario (ETNO)

Agenda Item # 8

LITERATURE REVIEW

Tuesday, May 15, 2018

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Literature Review – citations

Citation:	Available at:
Lawrence Berkeley National Laboratories, "*Value-Added Electricity Services: New Roles for Utilities and Third-Party Providers*" Release Date: October, 2017	https://emp.lbl.gov/publications/value-added-electricity-services-new

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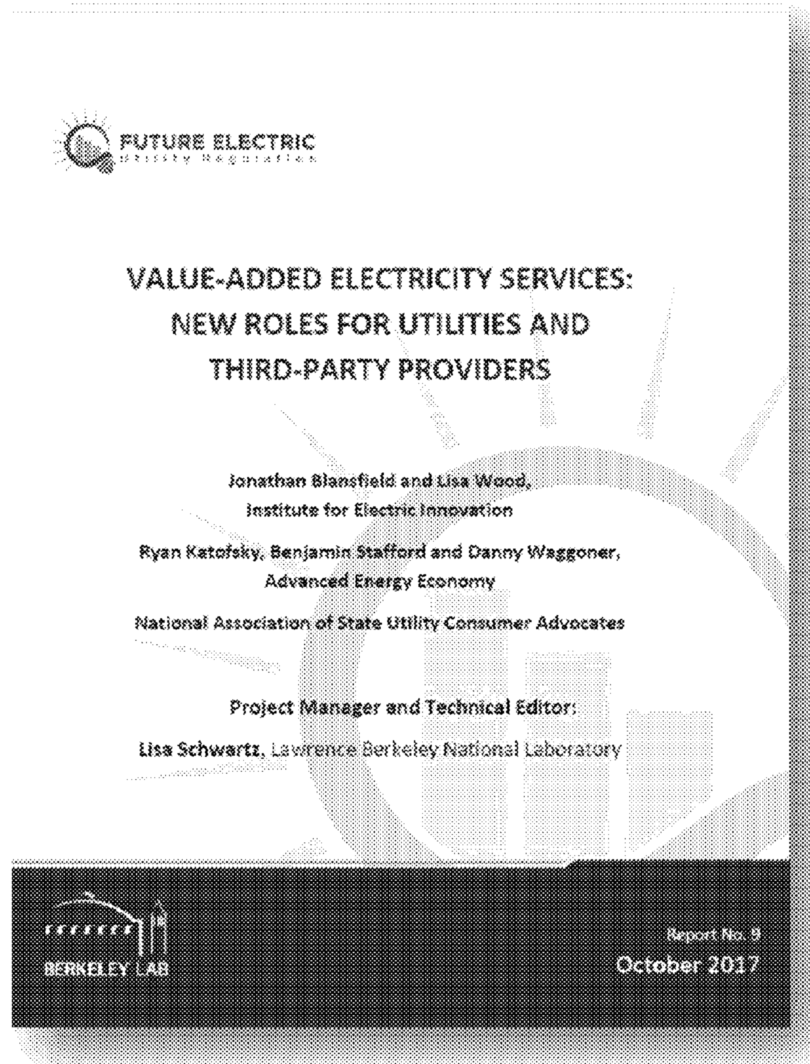
A paper that speaks to recent ETNO discussions

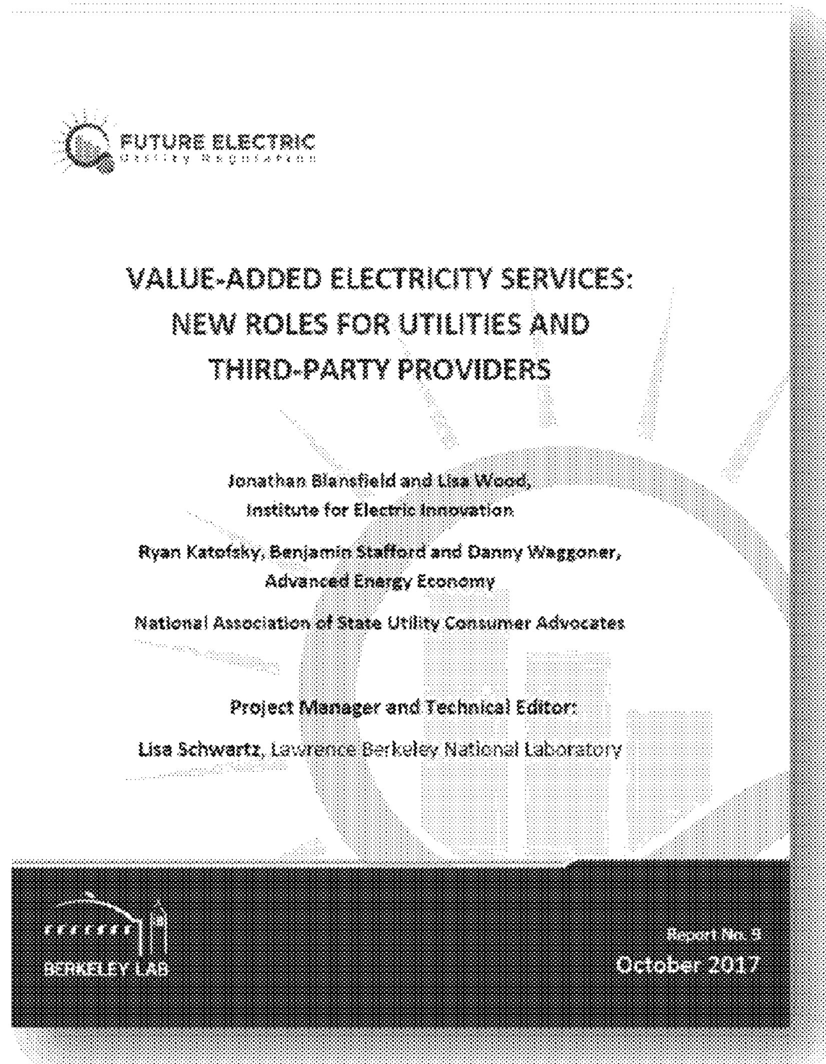
The ninth in a series of reports on utility regulation in a high-DER future (most of which have been previously reviewed by ETNO):

1. *Electric Industry Structure and Regulatory Responses in a High Distributed Energy Resources Future* (November 2015)
2. *Distribution Systems in a High Distributed Energy Resources Future: Planning, Market Design, Operation and Oversight* (October 2015)
3. *Performance-Based Regulation in a High Distributed Energy Resources Future* (January 2016)
4. *Distribution System Pricing With Distributed Energy Resources* (May 2016)
5. *Recovery of Utility Fixed Costs: Utility, Consumer, Environmental and Economist Perspectives* (June 2016)
6. *The Future of Electricity Resource Planning* (September 2016)
7. *The Future of Centrally-Organized Wholesale Electricity Markets* (March 2017)
8. Regulatory *Regulatory Incentives and Disincentives for Utility Investments in Grid Modernization* (May 2017)



Timely questions….

- "**What new value-added services does grid modernization enable, and what are the appropriate roles for utilities and third-party service providers?**"
- **"What policy and regulatory changes may be needed in the face of increasing competition for electricity services from third-party providers?"**


FUTURE ELECTRIC
Utility Regulation

VALUE-ADDED ELECTRICITY SERVICES:
NEW ROLES FOR UTILITIES AND
THIRD-PARTY PROVIDERS

Jonathan Blansfield and Lisa Wood,
Institute for Electric Innovation

Ryan Katofsky, Benjamin Stafford and Danny Waggoner,
Advanced Energy Economy

National Association of State Utility Consumer Advocates

Project Manager and Technical Editor:
Lisa Schwartz, Lawrence Berkeley National Laboratory

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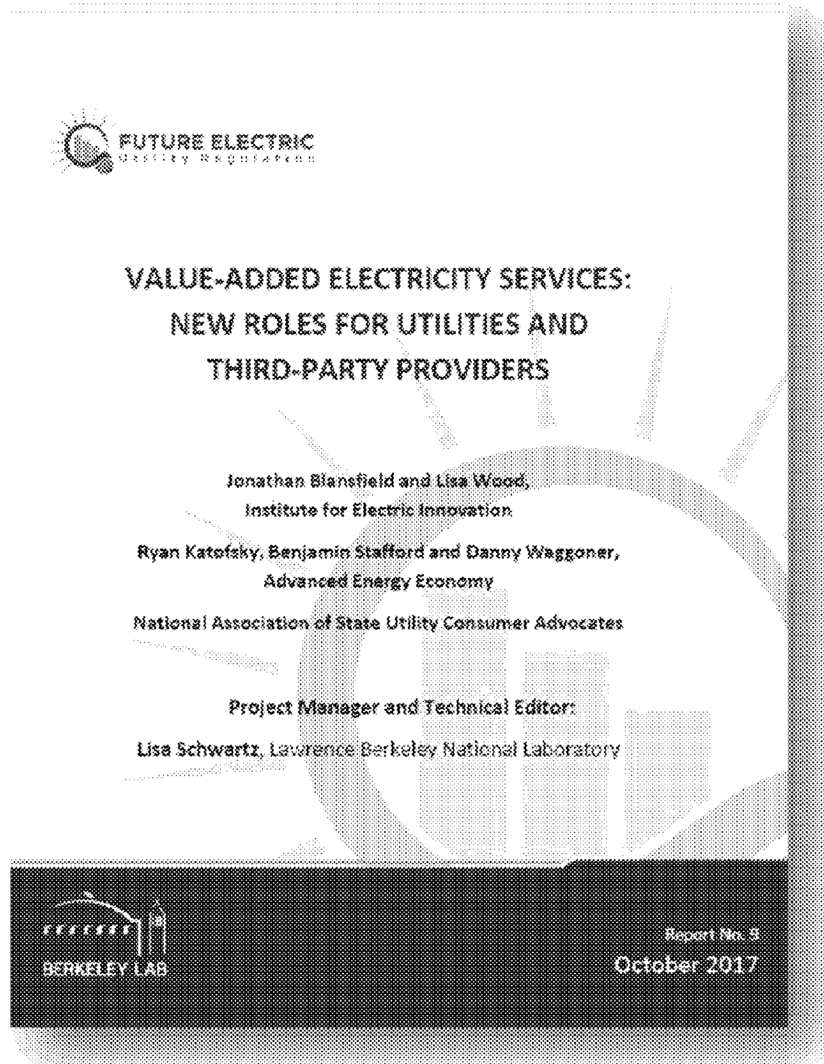
Timely questions (cont'd):

- **"What policy and regulatory approaches best balance promoting innovation with consumer protection?"**
- **"Should utilities directly compete with competitive providers of new value-added services or provide new platforms and procurement mechanisms to enable third-party services? "**



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A compilation of 3 differing viewpoints

1. **Institute for Electric Innovation (IEI):** "*The Edison Foundation Institute for Electric Innovation focuses on advancing the adoption and application of new technologies that will strengthen and transform the power grid.*"
2. **Advanced Energy Economy (AEE):** "*AEE is an organization of businesses using policy advocacy, analysis, and education to bring about a prosperous economy based on secure, clean, affordable energy.*"
3. **National Association of State Utility Consumer Advocates (NASUCA):** "NASUCA's members are designated by the laws of their respective jurisdictions to represent the interests of utility consumers before state and federal regulators and in the courts"

Quotes taken from the websites of each organization, accessed on May 3, 2018

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A compilation of 3 differing viewpoints

- In this paper, each organization was invited to provide their perspective on key questions regarding the role of the utility, third parties and the nature of competition between them.
- The three essays show a common dividing line that has run through previous literature reviewed by ETNO.
- Despite the differences of opinion however, some common areas of policy focus ran through each essay.

Quotes taken from the websites of each organization, accessed on May 3, 2018

On the question of LDC participation in Value-Added Services:

The Edison Foundation INSTITUTE for ELECTRIC INNOVATION

"Electric companies, third-party providers and electric companies in partnership with other companies all have important roles to play in developing and deploying these services. Today's challenge is to ensure that the correct rules and regulations are in place to **provide the greatest value for customers** and to create a **level playing** field for all market participants."

ADVANCED ENERGY ECONOMY

"…we are broadly supportive of the utility role evolving to that of a **platform provider and operator,** where the platform is comprised of the physical grid and an increasingly transactive marketplace."

NASUCA

"Basic electricity is not a value-added service."

"Ultimately, the question comes down to what value-added product or service offering, offered by which entity — the utility or third-party provider — best benefits the consumer and provides maximum benefit to the public."

Source: "Lawrence Berkeley National Laboratories, "Value-Added Electricity Services: New Roles for Utilities and Third-Party Providers". Release Date: October, 2017 Pages 20, 31, 55 and 75

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Key recommendations- IEI

- "Rules to facilitate third-party engagement and a level playing field for all providers
- Accurate and transparent price signals that separately price three distinct services: (1) energy grid, (2) electricity supply and (3) value-added services
- Ensure consumers access to value-added services, set a performance floor, reinforce consumer protections, promote innovation and minimize barriers to entry for providers"

Source: "Lawrence Berkeley National Laboratories, "Value-Added Electricity Services: New Roles for Utilities and Third-Party Providers". Release Date: October, 2017 Page 3.

Key recommendations- AEE

- "Rules to maintain strong competition to spur innovation
- Financial incentives for utilities to facilitate collaboration with third-party providers and to give utilities more options for revenue and earnings as they evolve away from a traditional business model based largely on capital investment
- Pricing for any value-added services offered by regulated utilities should account for use of resources that customers pay for under basic service, and ensure the utility does not subsidize value-added services or earn outsized profits on them"

Source: "Lawrence Berkeley National Laboratories, "Value-Added Electricity Services: New Roles for Utilities and Third-Party Providers". Release Date: October, 2017 Page 3.

AEE recommendations regarding affiliates of regulated utilities:

- "Unregulated affiliates should be prohibited from using the regulated utility name and resources.
- Access to the utility's customer and operational data should be available to all competitive service providers under the same terms.
- Joint marketing and advertising by the utility and its affiliate should be prohibited, unless this option is available to any third party under the same terms.
- Personnel practices should preclude actions that could convey an unfair market advantage (e.g., revolving door transfers of personnel between regulated and unregulated affiliates).
- Regulators should have the ability to audit the financial and accounting records of the unregulated affiliate if and when compliance concerns arise."

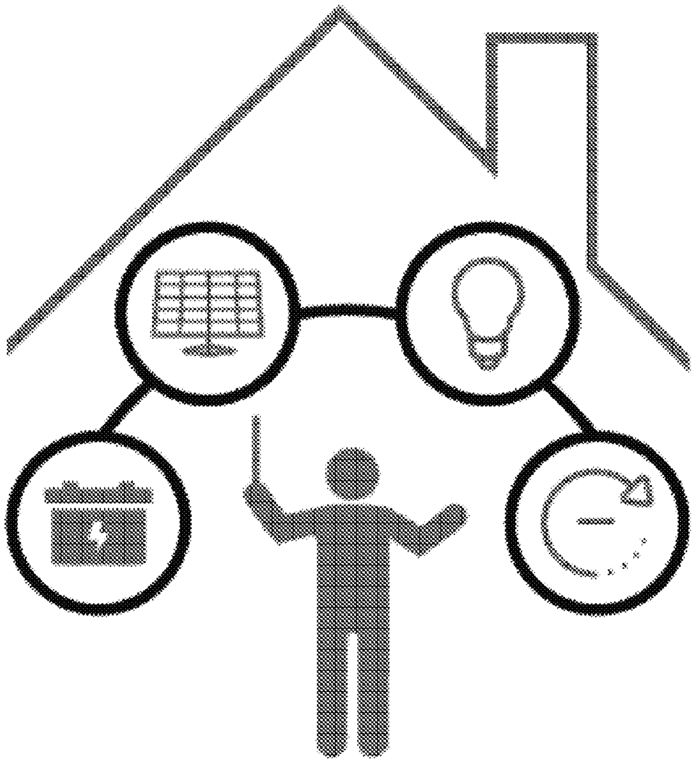
Source: "Lawrence Berkeley National Laboratories, "Value-Added Electricity Services: New Roles for Utilities and Third-Party Providers". Release Date: October, 2017 Page 39 and 40

Key recommendations - NASUCA

- "Marketing flexibility or other allowances for utilities to help keep consumers connected to the grid and contributing to fixed costs
- Strong, transparent codes of conduct and transaction rules for nonregulated utility affiliates
- Third-party access to consumer data, with privacy protections
- Consumer protections for new offerings, including the prohibition of unfair, false, misleading or deceptive advertising or marketing practices.
- Uniform industry standards for the marketplace which promote equitable treatment and safety of consumers
- Effective and fair competition for services whenever applicable"

Source: "Lawrence Berkeley National Laboratories, "Value-Added Electricity Services: New Roles for Utilities and Third-Party Providers". Release Date: October, 2017 Page 3.

IEI arguments for utility participation: "Utility as the conductor"



1. "Electric Companies Are Well Positioned to Grow the Market for Value-Added Services"
2. "Electric Companies Will Expand Customer Access to Value-Added Services"
3. "Electric Companies Can Build Visibility into the Energy Grid and Extract the Most Value from Value-Added Services"
4. "Electric Company Participation Yields More Competition and Lowers Costs to Customers"

AEE arguments for utility companies to become platform providers

- "Rooftop solar, as well as the rapidly evolving market for community solar, both exhibit characteristics of well-functioning competitive markets."
- "As companies of all types continue to explore what the changing electricity system means for them and how their businesses will evolve, **we are most concerned that regulated utilities and competitive suppliers are not competing head to head to provide value-added services, but instead are working more collaboratively to meet the needs of customers.**"

"[T]he policy preference should always be to build an infrastructure to leverage competitive markets wherever possible, including competitive procurements for the supply of DER solutions, even if owned by the utility."

Source: "Lawrence Berkeley National Laboratories, "Value-Added Electricity Services: New Roles for Utilities and Third-Party Providers". Release Date: October, 2017 Page 35

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