

Distributed Energy Resources

Regulatory and Rate Making Considerations

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Agenda

- Overview of Regulation – Period of Transition
- Why a manual on DER Rate Design and Compensation?
- Different regulatory models/frameworks
- Questions for regulators
- Major considerations influencing regulation
- What's next?

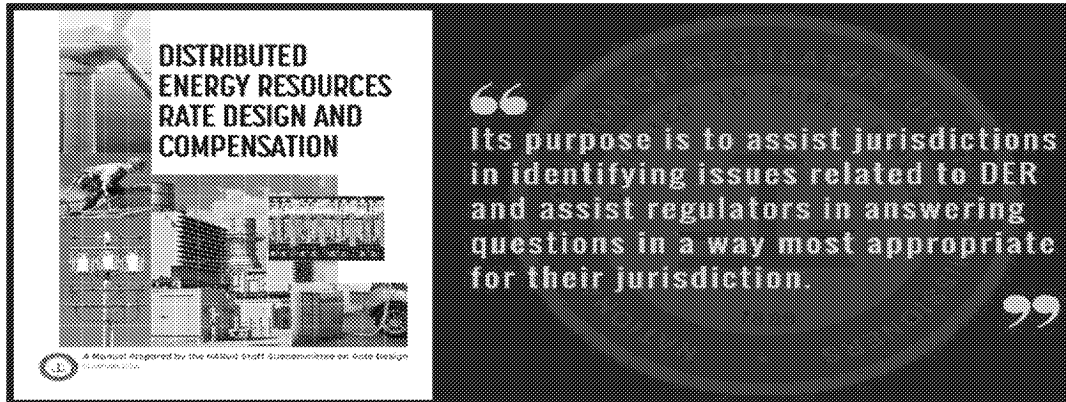
Electric Utility Industry in Transition

- Driven in part by resource options and technological innovation
 - Shale Gas
 - Wind
 - Solar PV
 - CHP
 - Storage
 - Microgrids
 - Demand Response
 - Etc...
- Economics
- Environmental policy
- Regulation needs to keep up with changing industry

Why a Manual?

- NARUC drafts manuals from time to time
- Assist states on topics of major importance
 - Electric utility cost allocation
 - Natural gas rate design
 - Water system of accounts
- Lays out variety of options and considerations
- Describes a “How To” framework for working through options
- Does not prescribe solutions; designed to help states wade through these issues and develop solutions appropriate to their state or jurisdiction
- Authored by State PUC staff

DER Manual



Different Regulatory Models/Frameworks

- Overarching Themes:

- How does a utility recover its approved revenue requirement?
- How are costs allocated?
- How are benefits and values identified and determined?
- How can technology be used to plan, integrate, and monitor the changing nature of the grid?
- What are fixed costs?
- How can adoption rates be used to better plan for and meet this evolution?

Different Regulatory Models/Frameworks

- Rate Design – The process of translating the revenue requirement of a utility into the prices paid by customers
- Traditional – Cost of Service
 - Rate based, rate of return regulation
- Flat Rates
- Block Rates
- Time of Use rates
- Three Part Rate
 - Fixed Charge
 - Volumetric Rate
 - Demand Charge

Questions for Regulators

- Assessing current situation
- Understanding the grid
- What data is needed?
- What technology is in place? – What technology is needed?
- Does DER avoid utility infrastructure costs?
- How does DER affect distribution system planning?

Major Considerations

- Revenue Erosion
- Cost Recovery
- Cost Shifting
- Technological and Physical Issues
- Benefits
- Ownership and Control

What's Next?

- Manual will be updated as needed
- Each Commission must decide:
 - Holding proceedings on policies
 - Distribution planning
 - Utility compensation
 - Business models
 - Data access

Thank you!

DER Manual can be found at: <https://www.naruc.org/rate-design/>