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VT DPS Rate Design Initiative / Distributed Energy Resources Study

Stakeholder Engagement Meeting #4

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Some Challenges for Rate Design in 2020 – and after

- Revenue adequacy
- Climate change and public policy
- Economic efficiency
  - Productive efficiency in the short (operational) and long (investment) runs
- Significant new investment and regional costs looming in the near- and medium-terms
- Integration of renewables (both utility-scale and distributed)
  - Flexible load
- Electrification and new end-uses
  - New customer wants and needs

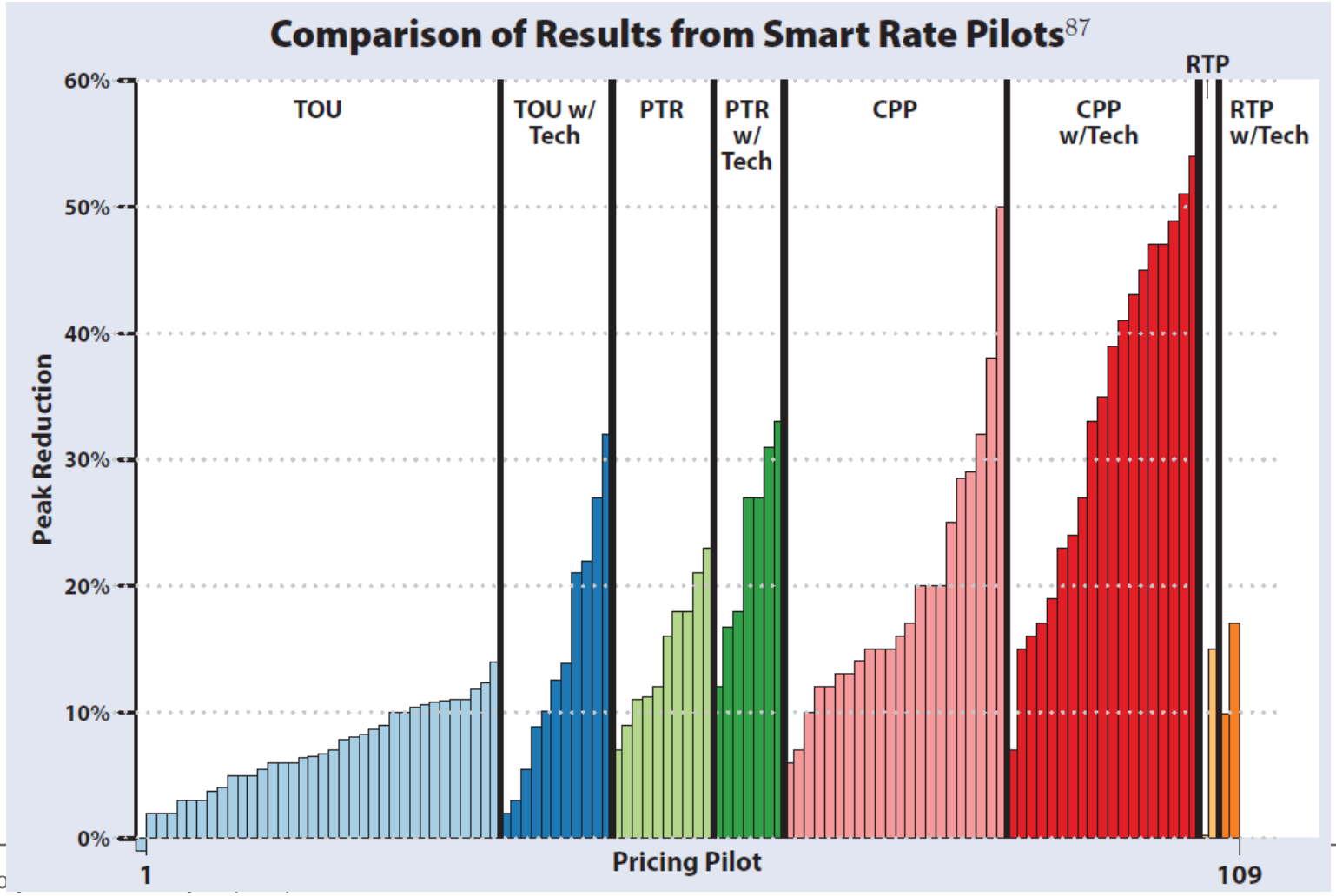
How do we maximize load's role in keeping costs down?

- What can rate design do to help minimize total societal cost of meeting current and future demand for energy service?
- Time: the critical dimension that relates cost to causation
  - Or, better yet, value to opportunity
- Rate design: revealing the value of consumption in time

Approach

- There’s no need to undo fifty years (or more) of practice
  - Good things can be done without disrupting everything
- Embedded cost allocation and traditional approaches to rate design are the tentpole on which new ideas, new rate elements can be hung
- What kinds of pricing will meet the challenges?

Prices and Times



Rates and Time-Varying Rate Elements

- Customer charges, energy charges, demand charges
- Time-of-use of rates
- Overlays, dynamic time-varying rates and targeted products
  - Critical peak prices
  - Critical peak rebates
  - Controlled loads
    - Extent of control: managing peaks (system, local) or more (e.g., flexibility for managing a more variable system)
    - What's the deal? What do customers get for ceding control to the utility or third-party?
      - Rate discounts? Subscription rates? Penalties (critical peak prices) for overrides?
      - Open access for third parties?

Is there a “there” there?

- What is the value of price-responsive load?
  - How can load be reshaped to maximize benefits (to customers, to the system, and with respect public policy) and minimize costs?
- Question to ask about any idea:
  - “Compared to what?”

About RAP

The Regulatory Assistance Project (RAP)® is an independent, non-partisan, non-governmental organization dedicated to accelerating the transition to a clean, reliable, and efficient energy future.

Learn more about our work at raponline.org

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