Electricity Currents

A Survey of Current Industry News and Developments

Utility Business, Not as Usual

For utility executives who were making New Year Resolutions a few weeks ago, 2015 promised to bring in more grief in the form of **lower demand growth**, **rising retail tariffs**, and more competition from *prosumers*, who are consuming *less* due to **energy efficiency** gains, while producing *more* through small-scale **distributed generation** options. Utility executives, therefore, may decide to fight off the rapid uptake of solar PVs, or failing that, to join the competition in assisting more consumers to become *prosumers* – as a number of utilities have belatedly decided to do (see related article in this section).

For regulators, the challenge is how best to regulate, if regulate at all, as the stodgy, predictable, and boring industry moves through a literal renaissance, as further described by developments in **New York** (adjacent article) – which are being closely watched by other regulators facing similar issues across the U.S. and overseas.

For **prosumers**, however, the future is full of new and exciting opportunities that *empower*s them to do things

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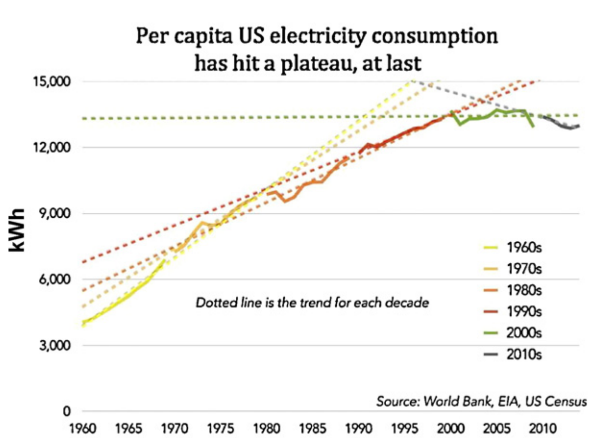
Not a Pretty Picture if Your Business Model Is Based on Demand Growth



Source: Institue for Local Self-Reliance (ILSR)

In Electricity Currents This Month:

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New York State Edges Cautiously Into the Future

The **New York Public Service Commission** (NYPSC) has embarked on its difficult journey towards a different future for the electric power sector, with significant implications for all stakeholders including incumbent players, new entrants, customers as well as its own future role in regulating the power sector. Its initial **Order Instituting Proceeding** was announced in April 2014 to explore a different future for the industry, called **reforming the energy vision** or REV, and was greeted with a mixture of excitement, bewilderment, amusement and skepticism by various parties – some of whom stand to gain from the proposed changes in regulations while others fear loss of profitable existing monopoly services they have enjoyed for decades.

The motivation for REV should not come as a surprise to readers of this section of *The Electricity Journal*. Its maverick Chairwoman **Adurey Zibelman**, with the full backing of New York Governor **Andrew Cuomo**, who is painfully aware that retail tariffs in the Empire State are among the highest in the U.S., described her objectives in the following way (emphasis added): ''This initiative will lead to *regulatory changes* that promote more **efficient use of energy**, deeper penetration of **renewable energy** resources such as wind and solar, wider deployment of **'distributed' energy resources**, such as **microgrids**, **on-site power supplies**, and **storage**. It will also promote greater use of **advanced energy management** products to **enhance demand elasticity** and efficiencies. These changes, in turn, will empower customers by allowing them more choice in how they manage and consume electric energy.''

Following several busy months of deliberations and hearings, and working with several working groups and soliciting extensive input from 260 interveners, the Commission staff released a proposal in late August 2014 laying out its recommendations for how the Commission could proceed.

The 82 page straw proposal is a challenging read, as it covers the technical, legal, regulatory, and policy implications of the ambitious changes that could be unleashed should the Commission formally adopt all the changes proposed by the staff. Not only would these changes have an impact on New York, but they could potentially serve as a blueprint for other states facing similar issues.

While ambitious compared to typical regulatory reforms of the past, some observers – this editor included – are not convinced that the NYPSC staff has gone far enough in allowing the new market realities to play their full role within the rigid confines of the traditional rate-of-return utility regulation that still prevails in nearly all states and is certainly applicable to existing distribution networks.

Having said this, it is clearly a step in the right direction, which will inevitably lead to other regulatory and policy changes in the coming years. New York regulators, in other words, have opened the proverbial can of worms, and there is no turning back – they will have to confront a myriad of new issues and challenges as the stakeholders respond to the initial salvo.

Gov. **Cuomo** appears to be engaged. His office issued a press release on Dec. 12, 2014, announced that the new initiative will allow the economy to grow while protecting the environment, via a mix of doubling the **net energy metering** cap to 6 percent, development of **local energy resources**, **demonstration projects**, **demand response programs**, and **community choice aggregation**.

Whether the staff's straw proposal goes far enough and fast enough can be debated. But New York's decision has received rave reviews from the environmental community as well as the solar lobby. **Jackson Morris** of the **Natural Resources Defense Council** (NRDC), an environmental advocacy group, said the Commission's steps ''. . . will make it easier for all New Yorkers to benefit from clean, pollution-free solar power by easing restrictions on rooftop solar power systems.''

Rhone Resch, CEO of the **Solar Energy Industries Association** (SEIA), said, ''Gov. Cuomo and PSC deserve a lot of credit for being forward-looking and for understanding the importance of market certainty.'' **Peter Olmsted** of **Vote Solar**, a pro-solar organization, declared that ''Strong policy leadership is combining with business innovation to fundamentally transform NY's energy landscape for the better.''

What, in fact, has NYPSC done to generate all this commotion? The staff of NYPSC recommends that the commissioners formally adopt their straw proposals, focusing on **track one** issues – namely a discussion of the issues and suggestions for addressing them. **Track two** issues, focused on ratemaking reforms, are to follow later in 2015 and are probably even more interesting and important.