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NEM points out potential flaws facing New York REV

Staff wants utilities to compete with ESCOs in DER market

In this issue

The National Energy Marketers Assn (NEM) is concerned that suggested rule changes in a New York PSC staff whitepaper filed in July would fail to effectively incent utilities to promote DER use among their customers, it said in comments posted today on the commission's website. The ratemaking rule changes would have DER-using customers pay for costs associated with the DER – instead of spreading the cost to all customers to reflect the benefits that DER products offer.

The ratemaking rule changes from the PSC staff were in the whitepaper titled "Ratemaking and Utility Business Models," (UMT, SGT's sister publication, July-29). The paper suggested reforms to ratemaking mechanism that NEM believes would leave utilities lacking the needed incentives to help ESCOs promote DER products and services, the filing said.

Staff wrote that "conventional rate treatment of utility capital and expenses is in conflict with a reformed energy vision of reliance on third-party cost contribution and a desired shift toward utilities focusing on greater productivity via operating expenses to grow their own earnings," NEM quoted.

The suggested reforms fall into three categories: utility business model reforms, ratemaking reforms and rate design reforms, it added. The paper introduced a number of new ratemaking concepts, said NEM, representing major energy retailers, ESCOs and energy buyers plus a host of related entities, many that are stakeholders in the DER world.

Achieving REV goals may take changing ratemaking mechanisms and models, NEM conceded. But what is unclear is whether the proposed model, under which ESCOs and other DER firms provide a new revenue stream to utilities in the form of a new market-based earnings mechanism, is appropriately targeted to achieving those goals.

The REV goals of increased system efficiency, reliability and security offer benefits to all consumers, whether they use DER products or not, NEM said. Therefore, levying the costs of REV primarily against DER customers and competitive entities would discourage, even penalize, these entities from participating on the distributed system provider (DSP) platform, it added.

Distribution utilities play a pivotal role in the REV, representing both the interface among individual customers and the interface between customers and the bulk power system, said a Dept of Public Service document we saw on the department's website. The utility as distributed system platform provider (DSPP) will actively coordinate customer activities so the utility's service area as a whole places more efficient demands on the bulk system, while reducing the need for expensive investments in the distribution system as well, the document added.

The PSC staff paper proposed utilities, acting as DSPs, be allowed to earn a revenue stream from the offering of platform services in the form of market-based earnings (MBEs), the NEM filing explained. MBEs would be earned as a function of market-based services provided by the utility, it added.

MBEs were given high importance in the staff paper because of the existing disincentive utilities have to cut capital requirements and thus lower associated returns to let competitive capital investments have access to and participate on the DSP platform, NEM said. The paper hypothesized that MBEs would encourage utilities to provide access to their systems for ESCOs and other DER providers.

Thus, the pivotal question is whether the MBEs received by the utilities would, in fact, be enough to overcome their biases against third-party capital investments participating on their delivery systems.

> **QUOTABLE:** Utility monopoly culture does not encourage innovation, which would be a prerequisite to identifying the market-based services ESCOs and other competitive entities would be funding through the MBE mechanism. Indeed, it is difficult to imagine that the utilities will transform to be nimble enough to function as an Amazon.com-like marketplace. Yet, that is exactly what the whitepaper presumes. Moreover, the MBE mechanism will not make the utilities indifferent to what they can and cannot rate base. – *National Energy Markets Assn in a filing at the New York PSC*

As a fundamental matter, the concept of the DSP "platform" should be clarified in greater detail so that stakeholders gain a better understanding of the basis upon which MBEs would be earned. For instance, it is entirely unclear what the utilities will actually be doing that differs so dramatically from what they are currently doing as distribution service providers, NEM said.

At this juncture, it is also unclear whether the "platform" is intended for end-use customers to find providers and products. It is also unclear whether and how the platform interacts with the grid, it added.

This could get complicated

It is unclear whether providers will be required to conduct all of their transactions through the platform. This is important, for example, in the case of selling products to pre-existing customers and whether that process will become unnecessarily complicated in the future DSP paradigm, NEM said.

Clarification should be given as to whether the platform will function to make it easier for ESCOs and other competitive entities to link with prospective customers. Finally, it must be made clear that the platform will not improperly serve as a vehicle for the utility to market its own services, it added.

Utilities should not be allowed to compete with ESCOs and other DER providers to offer behind-the-meter services, particularly not while they are simultaneously controlling the platform, NEM said.

Should IOUs sell services?

The whitepaper set forth a list of possible market-based services the utilities could do to earn MBEs such as customer origination via the online portal, data analysis, co-branding, transaction and/or platform access fees, optimization or scheduling services that add value to DER and advertising, NEM said. They could offer energy services financing, engineering services for micro-grids and enhanced power quality services, too, it added.

But NEM believes most of the services listed are most appropriately viewed as competitive services that should be rendered by competitive entities. The utility should act as the facilitator of these services to be rendered by a third party to consumers, NEM said.

And that would require the utility to act as a facilitator in the timely provision of data to competitive entities, it added.

Space-Time Insight teams with Omnetric for better OMS

Situational intelligence firm Space-Time Insight teamed up with Omnetric Group, a joint venture between Siemens and Accenture, to deliver better outage management systems (OMS) to utilities in North America, Space-Time told the press yesterday. The two firms can help utilities achieve better awareness, improved assessment and better preparedness for power outages through predictive analytics and continuous process improvement, it added.

Space-Time quoted a calculation from the Consortium for Electric Infrastructure to Support a Digital Society that the US economy loses $104-164 billion/year from unplanned power outages – even with utilities that have an OMS under normal operating and external conditions.

Omnetric offers integrated smart grid solutions for greater grid reliability and efficiency, Space-Time said. Its OMS uses evolving data sources and applications such as social media mining and smart grid analytics – with analytics with core systems such as traditional OMS, distribution management systems (DMS) and automated DMS. Integration of those systems offers added abilities, letting utilities leapfrog the limitations of existing systems, it added.

Space-Time adds its outage intelligence solution and intuitive visualizations to that mix, letting utilities identify potential outages ahead of time, the firm said. It can predict storm impacts by analyzing weather data, network models and historical feeder performance to compute the likelihood of a specific feeder failing, Space-Time said.

Utilities can visualize current and forecasted outage impacts spatially, over time and from a network perspective, it added.

New USDA loans include $108 million for smart grid

Agriculture Secretary Tom Vilsack announced nearly $2.3 billion in loans to build and improve rural electric infrastructure in 31 states, the USDA told the press last week. USDA is awarding loans to 77 utilities and cooperatives including $108 million for smart grid, $41 million for renewable energy improvements and $9 million for storm damage repairs, it added.

The loans will help build or improve 12,000 miles of transmission and distribution lines.

“Improving our rural electric utility systems will help us continue to provide reliable and affordable electricity to rural customers,” Vilsack said. “By financing these improvements, USDA helps increase efficiencies, reduce carbon emissions and improve the quality of life in rural areas.”

The funding is being provided through USDA Rural Development’s Electric Program, which makes loans and loan guarantees to non-profit and cooperative associations, public bodies and other utilities, primarily for electric distribution in rural areas.

Midwest Energy Cooperative in Michigan serves over 35,000 customers in Michigan, Indiana and Ohio and will receive $59 million to improve service to its customers including $33 million to finance smart grid technologies, USDA said, touting the benefits smart grid offers.

ADS reports lessons learned from SDG&E microgrid project

The Assn for Demand Response & Smart Grid (ADS) released a new case study on how San Diego Gas & Electric’s (SDG&E) Borrego Springs microgrid was designed, approved and implemented as a utility-owned microgrid, it told the press Friday. The study looked at how the stakeholders had to learn, adapt and change along the way, ADS said.

The narrative-style report covered the sixth in an ADS series of studies going behind the scenes to examine the goals, reasoning and processes used to design and evaluate program and project offerings and tools, it added. The report can be downloaded free of charge from the ADS website.

“This case study highlights how numerous state and federal stakeholders collaborated to create a utility-owned microgrid project that now provides a remote town with much greater electricity reliability,” said ADS CEO

Dan Delurey in prepared remarks. “This project demonstrates that utilities can alter their existing business models and work with communities to come up with solutions that are beneficial for all of the parties involved.”

SDG&E’s project was picked for the study because it has innovative approaches and for its applicability to jurisdictions for utilities of any size or governance structure. The case study was funded by the DOE Office of Electricity Delivery & Energy Reliability and offers lessons learned by SDG&E over the course of the project.

2 stories in 30 seconds

House committee hears cybersecurity testimony: The House Committee on Science, Space & Technology Subcommittee on Energy and Subcommittee on Research held a hearing on cybersecurity for power systems last week with testimony from representatives of the EPRI, FirstEnergy, the Government Accountability Office and the Dept of Homeland Security’s Idaho National Lab. A video of the hearing is available as are the statements from the speakers.

FPL wins reliability award, credits AMI: Florida Power & Light (FPL) was named the winner of the 2015 ReliabilityOne National Reliability Excellence Award from PA Consulting Group, an international firm that analyzes electric utility performance across the US, FPL told the press Friday. This was the 15th annual award. Since 2006, FPL invested over $2 billion to strengthen its system including 4.8 million smart meters and over 12,000 other intelligent devices to reduce power outages and give customers unprecedented information to manage their energy use. Reliability improved about 20% in the last five years, FPL said.

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