



# UTILITY REGULATORY CONSIDERATIONS

Dr. Laura Nelson, Governor's Energy Advisor

Public Utilities Energy, Technology Interim  
Committee

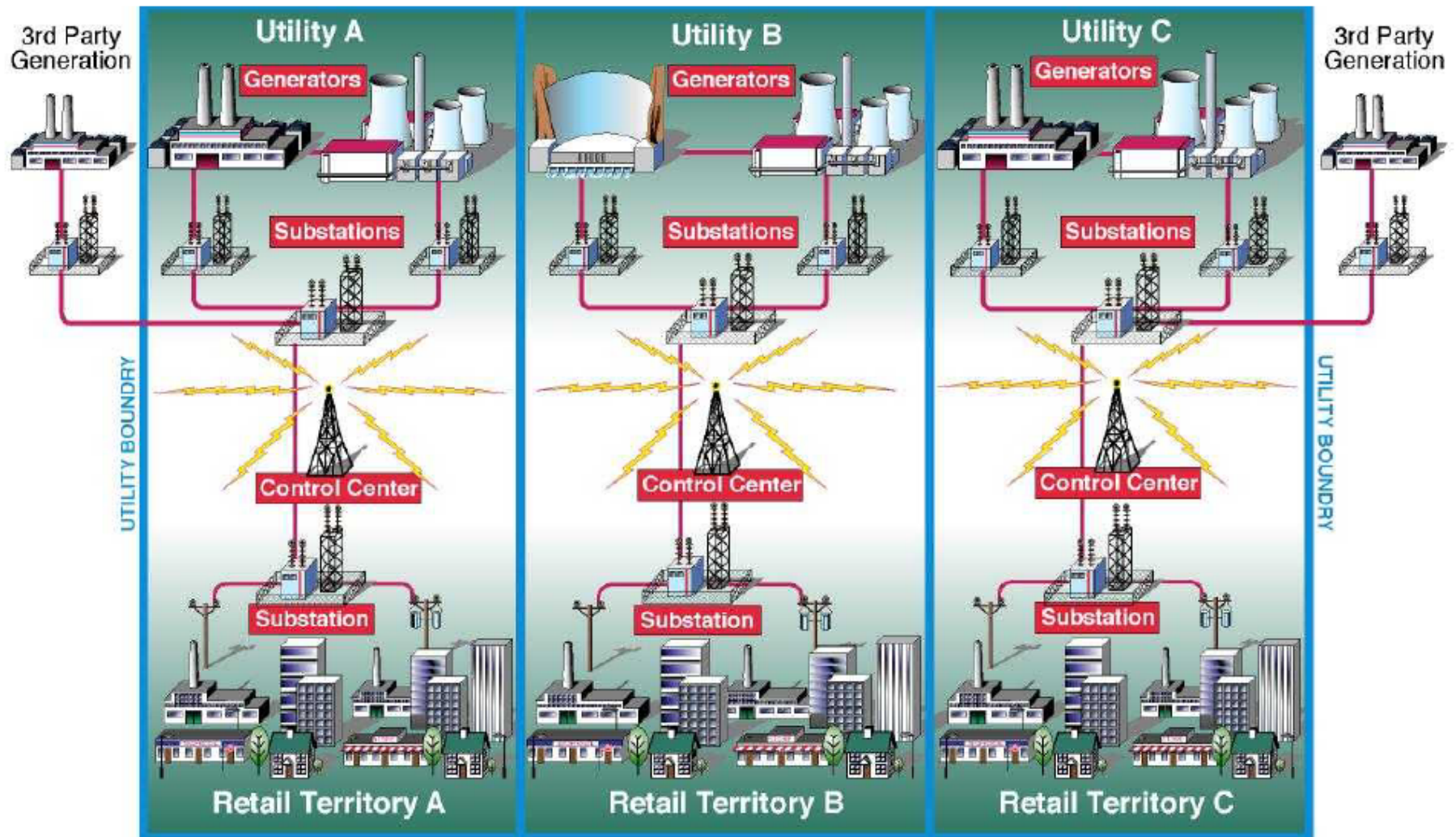
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# Regulation in Electricity Markets



- Regulation occurred historically to prevent excessive rent payments to large, privately held monopoly utilities
- The utility was considered a “natural” monopoly (large capital investments coupled with large economies of scale)
- The electric utility model evolved as a vertically integrated entity providing generation, transmission and distribution

## Structure of the Traditional Utility



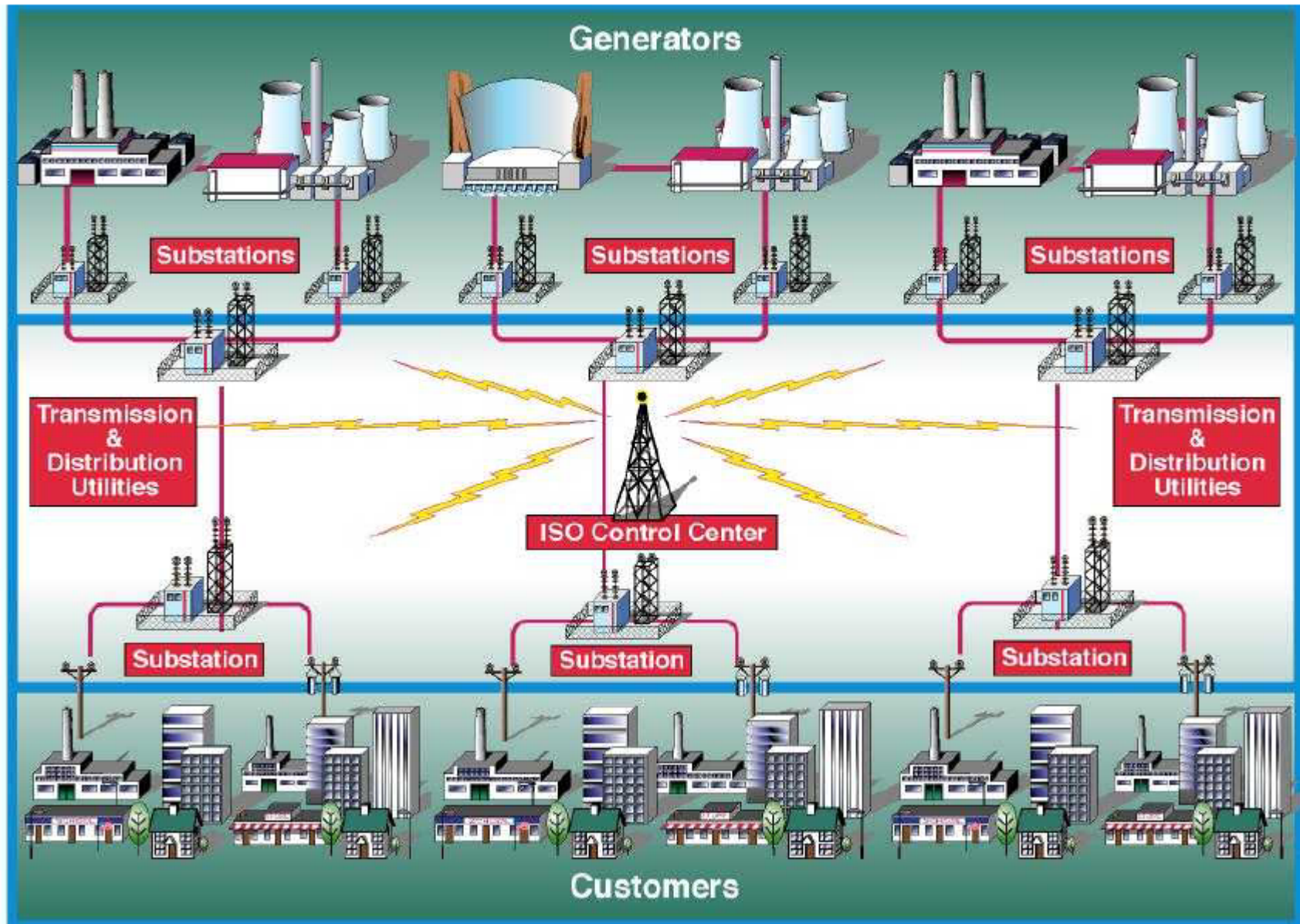
From: PNNL *A Primer on Electric Industry Restructuring* (2002)

# Deregulation



- In deregulated markets utilities are required to divest of ownership in generation and transmission, and are only responsible for:
  - Distribution, operations, and maintenance from the interconnection at the grid to the meter;
  - Billing the ratepayer; and
  - Acting as Provider of Last resort (POLR)
- Deregulated markets feature grid operators that administer wholesale markets to ensure reliability on the grid and prevent blackouts. Multiple retail suppliers (or load serving entities, known as LSEs) buy generation and sell electricity to end-users.

## Structure of the Deregulated Electric Supply System

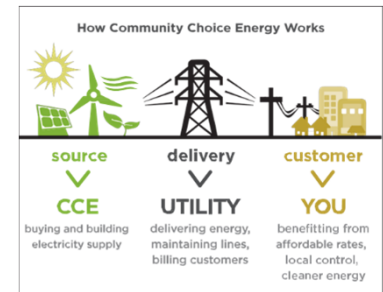


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# Consumer Choice: Status and Opportunities



- Community Choice Aggregation (CCA)
  - In other states, but not in Utah
- Municipal renewable requirements
  - Salt Lake City, Park City, and others
- Corporate renewable requirements
  - e.g., data centers
- Distributed generation and storage
  - Possibly with electric vehicles

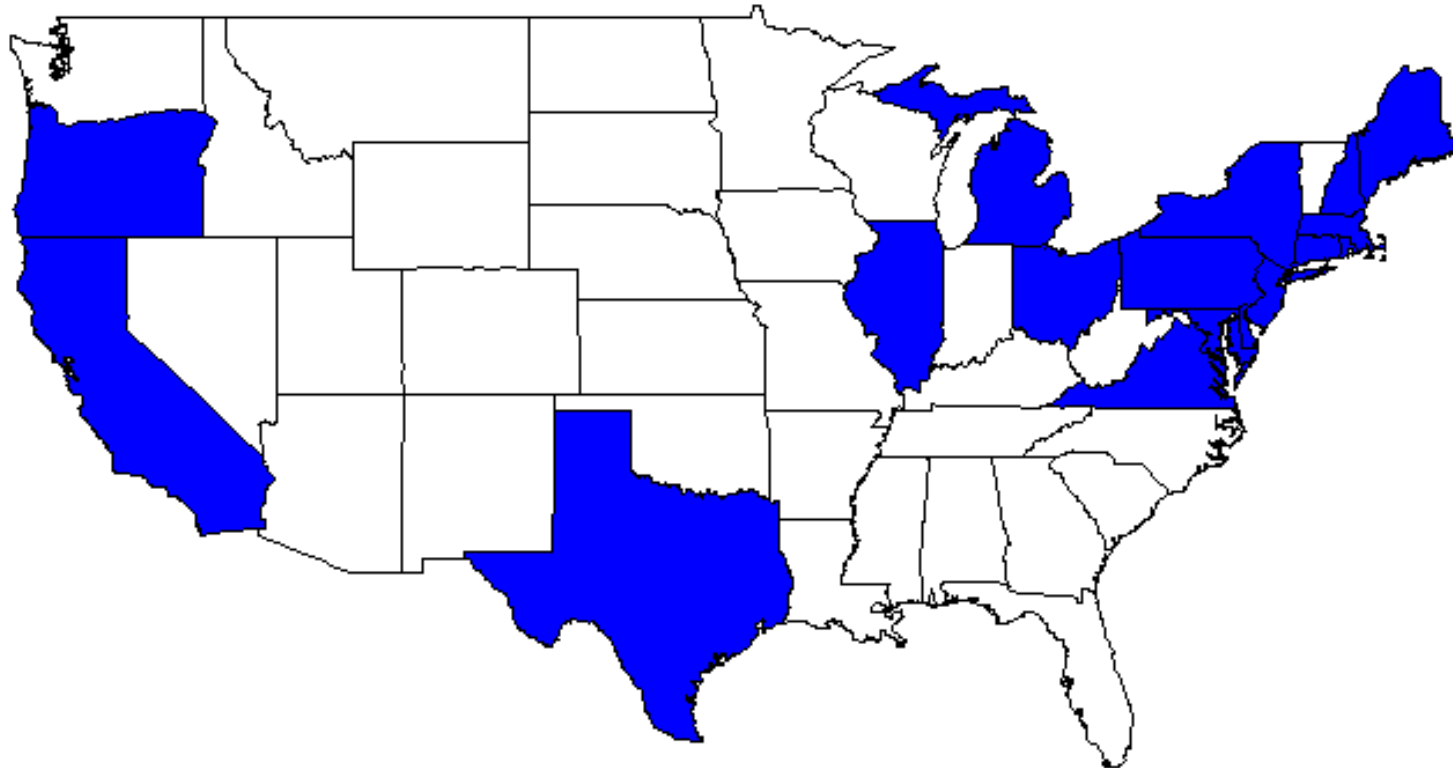


# Challenges and Issues



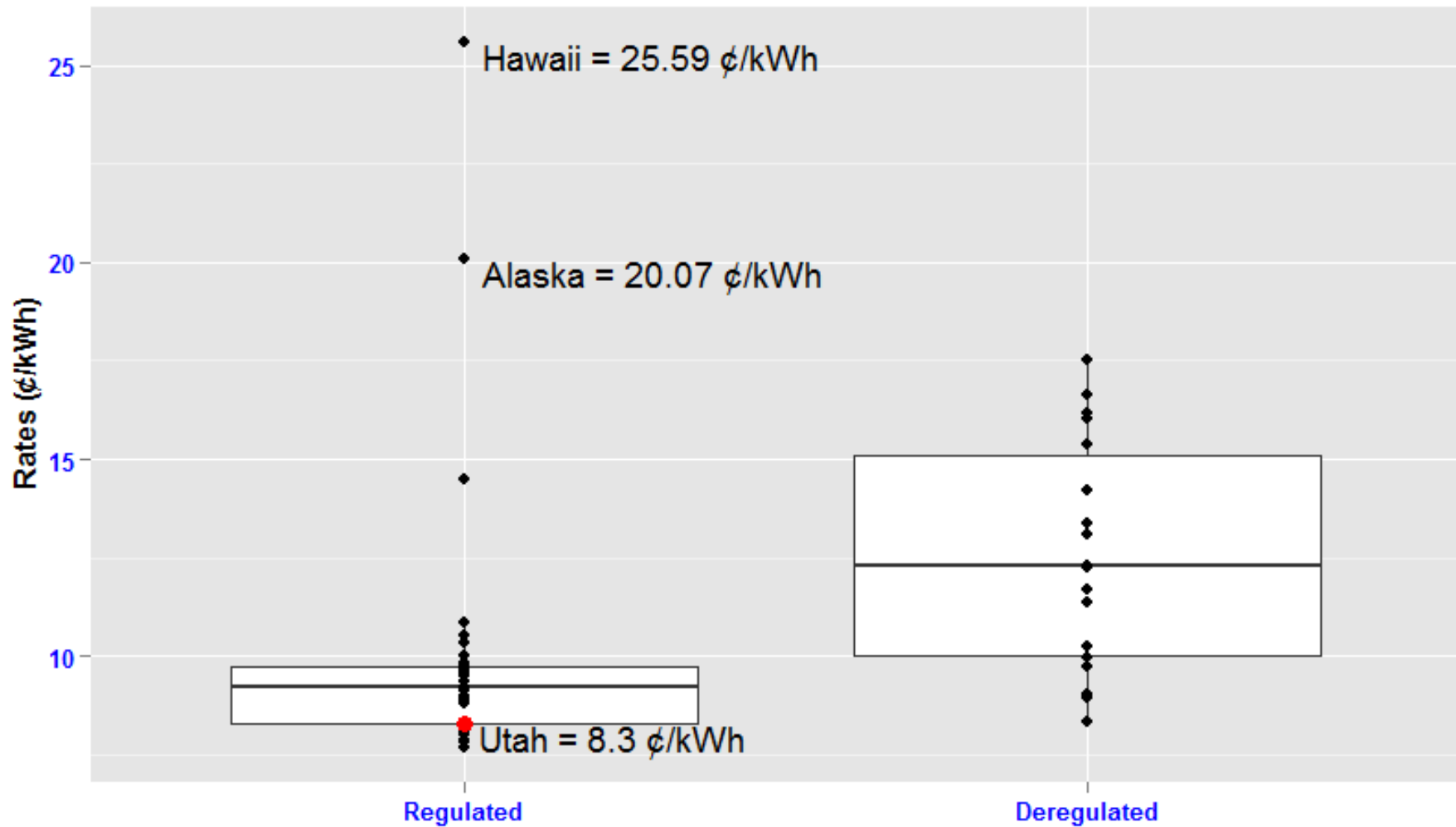
- Exponential residential net metering growth
  - Docket currently before PSC
- Community aggregation and municipilization impacts on “traditional model”
- Key considerations for deregulation:
  - Stranded cost
  - Rates (bridge between wholesale retail rates)
  - Which services require “natural monopoly?”
  - Benefits to customers beyond price
  - Differences and fairness across customer classes
  - Ensuring competitiveness

# Deregulated Electricity States





# Retail Electricity Rates in Regulated and Deregulated States



# Addressing Change



- Rates:
  - Time-of-use
    - Can assist customers with making effective consumption decisions, including DG and EV options
  - New Tariffs (schedule 32 and 34)
    - Building options for off-site renewable generation for larger customers\*
- Performance as part of rate making options
  - Rewards utility for “performance”
  - Can allow for more competition while protecting key utility services
  - Is supported in Utah statute\*\*



# QUESTIONS ?

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