

REGULATORY INNOVATION IN THE HEARTLAND



Electricity for the 21st Century 

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Research



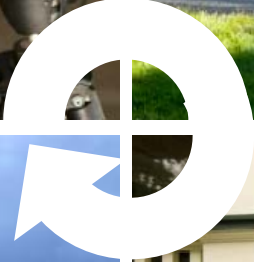
Programs



Policy



Financing





Research



Programs

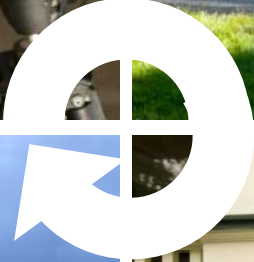


Policy



Financing

...practical innovation



• Assist Regulators & Utilities To Adapt



CEE Regulatory Innovation Initiative

- Focus on customers
- Encourage innovation and efficiency
- Integrate new and more effective technologies
- Provide new services and products, more quickly
- Manage disruption & costs

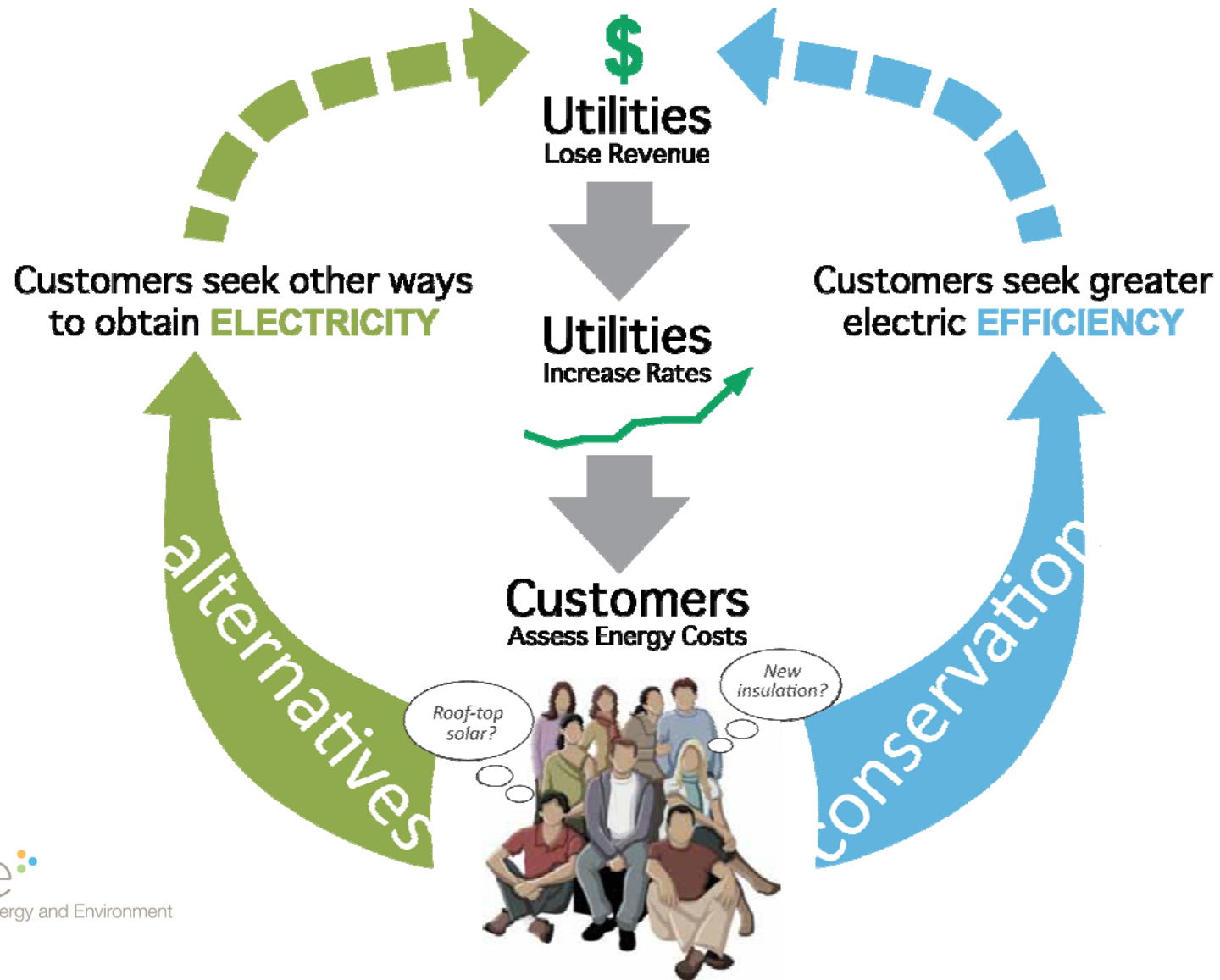
• Current Business Model

Designed to electrify the whole nation:

1. Centralized, Bulk Power
2. Exclusive Service Territories
3. Keep Rates Low by Encouraging Sales



Responding to Disruptive Challenges





Electricity for the **Twenty First** Century

A regulatory framework that that better aligns how utilities earn revenue with customer demands and public policy goals.



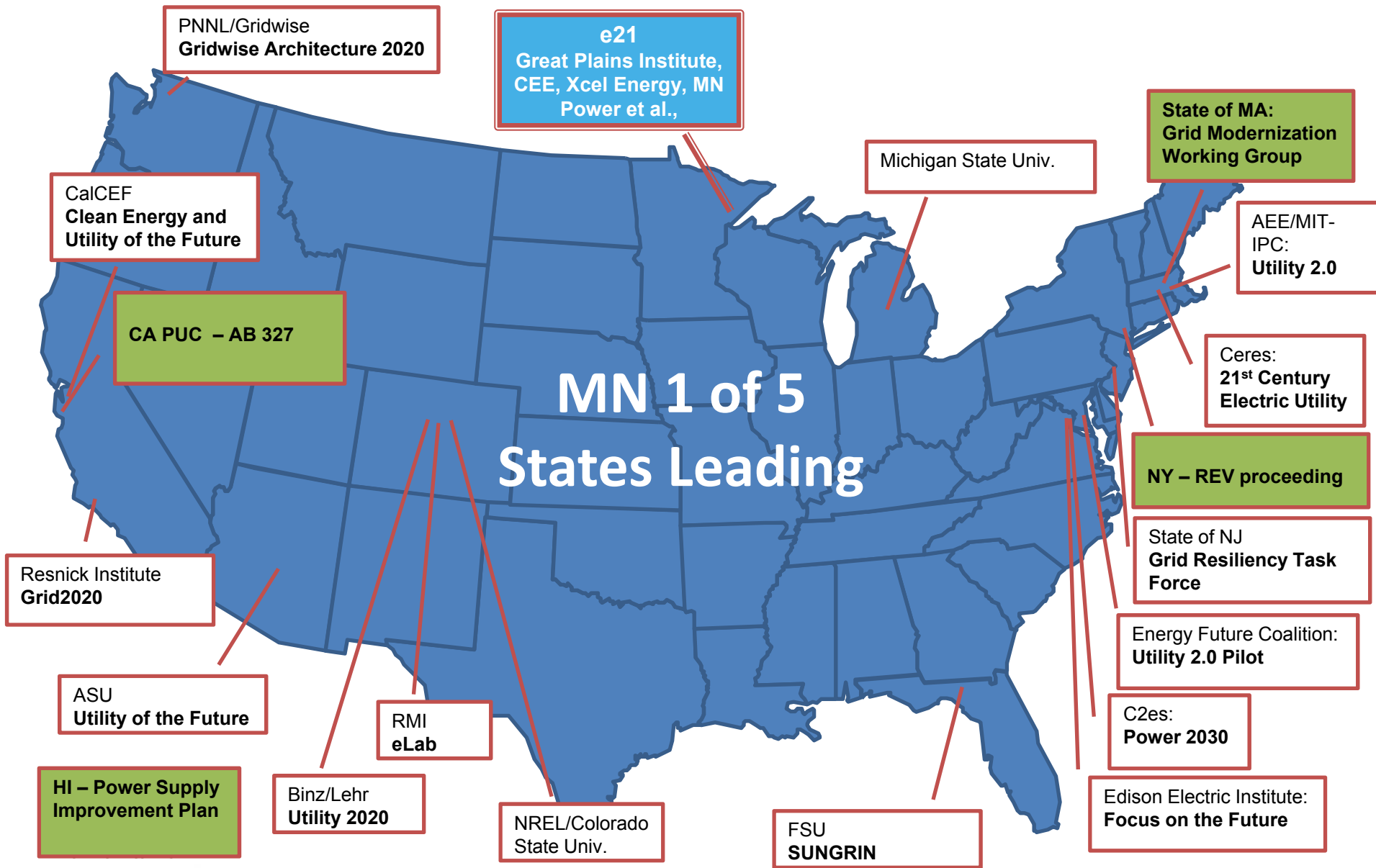
Project Team



**GREAT PLAINS
INSTITUTE**

Better Energy. Better World.





Utility Business Model Initiatives

MN e21		NY REV
Stakeholders	Drivers	Regulators
Consensus	Outcomes	Commission Order
Fully Regulated	Regulatory Model	Deregulated
Average Rates	Rates relative to US Average	High Rates
“Winter is Coming” Preparation	Urgency of Action	Urgent Response to Sandy and deferred maintenance
Primarily Utilities	Public Policy Outcomes	Primarily Markets

Broad Stakeholder Involvement





e21 Initiative Phase I Report

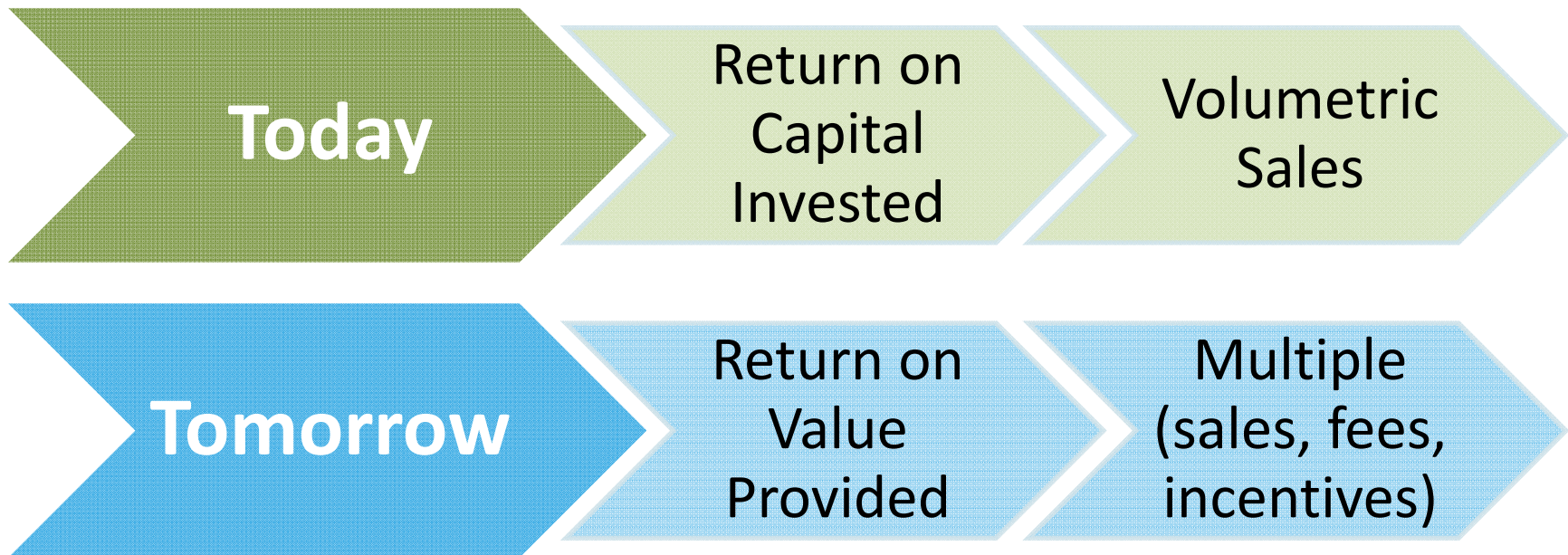
Dec 2014

After a year's
worth of effort...





Utility Business Model Shift





Regulatory Framework Shift

Cost

- Did we pay the right amount for what we got?



Value

- What do we want and how do we pay for it?

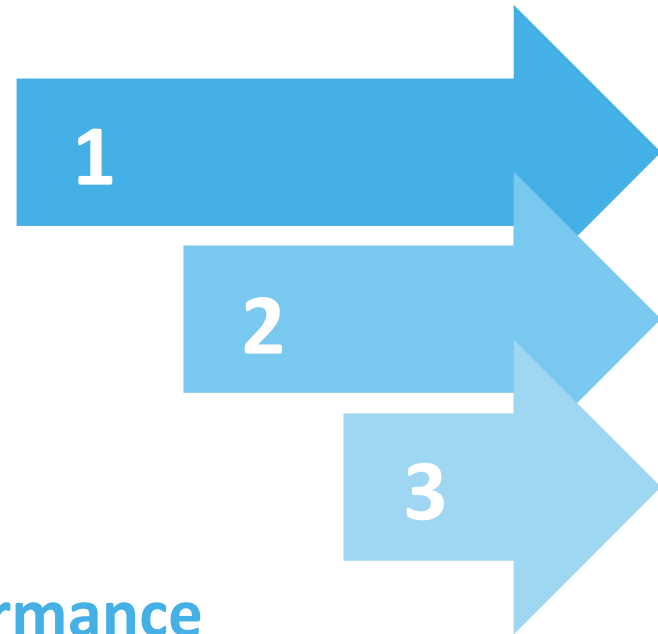
Customer-Centric Regulatory Framework

BEFORE

- “Build More, Sell More”
- Few customer choices

AFTER

- Revenue tied to performance
- More customer options





Resource Planning to Integrated System Planning



Build on current process for identifying resource needs to:

- Reduce costs and improve system efficiency
- Better align planning decisions with rates
- Distribution planning for growth in distributed energy resources



Resource Planning to Integrated System Planning

New Utility Revenue Model

Multi-year Business Plan that aligns revenue recovery with...

- Public Policy
- System Needs
- Customer Demands
- Utility performance



Resource Planning to Integrated System Planning

New Utility Revenue Model

New Customer Rates and Services

MORE CHOICES

- Ability to choose generation type and to manage energy use
- Rates reflect value of DER and the Grid
- Fair and just allocation of costs



Since Phase I ...

- e21-Related Legislation
 - Performance based multi-year plan authorization
 - Distribution Planning requirement
- Regulatory
 - MN PUC to initiate distribution planning process in Fall 2015
 - MN PUC ordered 6 months review of alternative rate design to encourage energy efficiency or peak demand reduction
- E21 Phase II Planning
 - RMI eLab Accelerator
 - Focus on System Planning, Performance Metrics, Rate Alternatives



From *Blueprint* to “Building the House”

Broader & deeper outreach,
esp. regulatory staff

- e21 roll-out events & regular communication w/regulators, esp. staff.
- Organize general educational/training on Performance-Based Reg.

Integrated System Planning

- Host dialogue on how current IRP process works (Pros & Cons).
- Changes & additions needed (e.g., how to incorporate distribution plans).

Performance Metrics w/in
New Revenue Model

- Summarize current incentives/disincentives + existing performance reqs.
- Develop Guiding Principles + I.D. best practices for performance metrics.

Rate / Pricing Reform

- Catalogue innovate rates in MN and elsewhere (e.g., Time of Use, VOS).
- I.D. & prioritize challenges + goals/principles for rate reform.

Grid Modernization

- Clearly outline how distribution planning is done now.
- SWOT of current distribution planning process to inform PUC process.

• What Does e21 Mean for Efficiency?

- Utility still the primary implementer of state energy policy
- Efficiency remains the preferred energy resource
- Utility becomes more agnostic as to energy sales
- Efficiency as a potential profit-center
- Efficiency as Gateway to Customer





Innovation Requires Risk

CEE Regulatory Innovation Initiative





THANK
you!

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