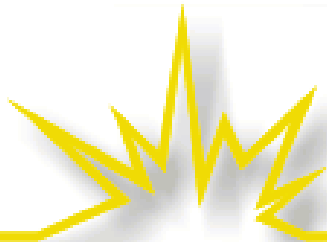


Distributed Resource Distribution Credits

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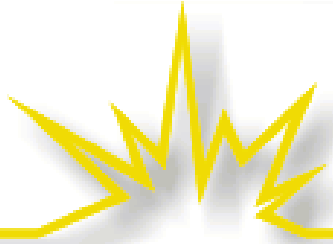
Distribution Costs

- Distribution costs vary greatly
 - Marginal costs range from 0 to 20 cents per kWh
- High cost areas can be urban or rural
- Approximately 5% of a distribution system is "high cost" at any time



Pricing

- Geographically deaveraging prices is probably not the answer
- Prices would range from 0 to 20 cents per kWh
- Neighbors would see widely different prices
- equity and other customer acceptance issues would be large



Distribution Credits

- Offering distribution credits can send the same price signals with much less risk
- Credits can focus on customer and vendor actions
- Credits can be limited to "qualifying DR"
- Can use standard payments and/or bidding



Qualifying DR

- Types
- Operating and performance standards
- Installation time and milestones
- Min/Max amounts
- Duration



Next Steps

- Encourage the development of pilot programs