

New York's Reforming the Energy Vision

Richard Sedano

February 19, 2015

Introducing RAP and Rich

- RAP is a non-profit organization providing technical and educational assistance to government officials on energy and environmental issues. RAP staff have extensive utility regulatory experience. RAP technical assistance to states is supported by US DOE, US EPA and foundations.
 - Richard Sedano directs RAP's US Program. He was commissioner of the Vermont Department of Public Service from 1991-2001 and is an engineer.

The REV Vision

- A grid with an emphasis on customer resources
 - With dispatched resources
 - Aligned with public priorities
 - Systematically innovative
- What does it take to get one of those?

Reforming the Energy Vision

Value

Markets

Performance

Rates

Cost

Planning

Enable Public Policy, Notably:
energy-environment nexus, protect vulnerable customers

Smart Grid Value: Improved...

- **Reliability**
 - Outage frequency, duration
- **Operations**
 - System efficiency, power flows
- **Resilience**
 - Enable consumers to specify superior service
- **Services**
 - Create new products, enable new business

Markets

- **Reveal Value**

- Efficient operating choices by utilities and by consumers
 - Efficient use of assets (utility and customer)
- Motivate efficient investment that follows value
 - Avoid misplaced and over investment
- Distribution System Platform
 - Enabling markets (products, services reach customers)
 - Data where it matters
 - Market Design and Platform Technology working group

Distribution Planning

- Reveal value to drive efficient investment
 - Utility and customer side investment
- Target opportunities
- More sophisticated than capital budget-driven process of today
 - New methods and process
 - Comparable investigation underway in California

Performance

- Motivated by public interest outcomes
- Mapped to utility functions and outputs
- Drive utility strategy and investment to succeed against the metrics
- Smart grid investment likely to service performance

Rate Design and Ratemaking

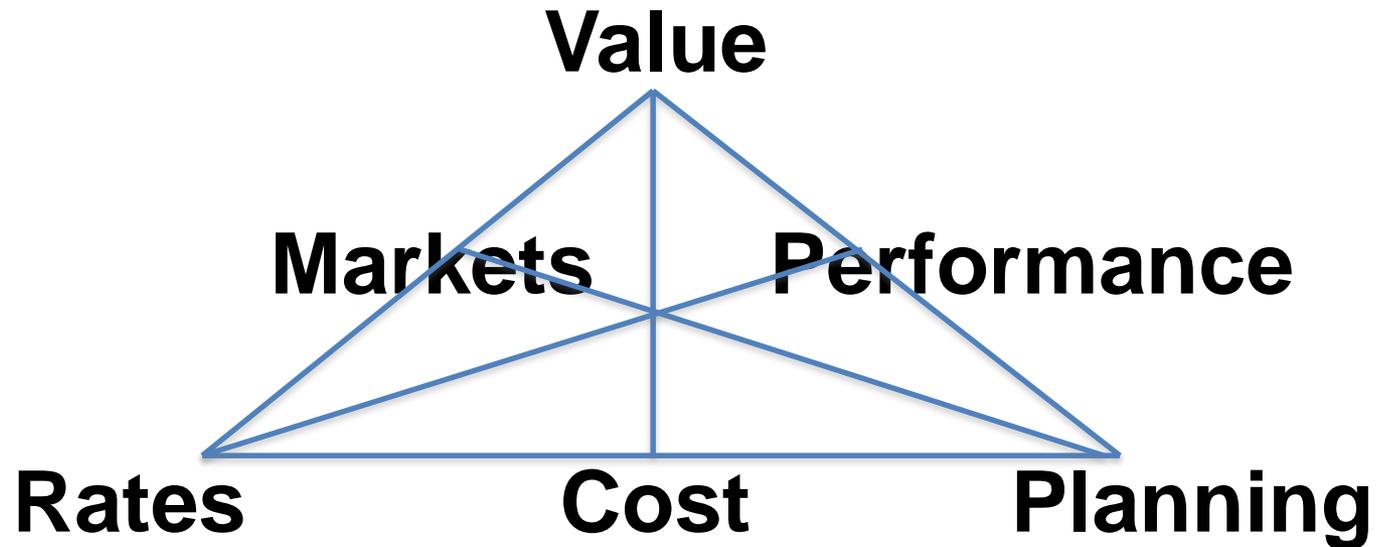
- Degree of reform to be determined
 - Limitations
 - Part of bill affected by regulation
 - Mass market customer limits
 - Likely to change: partial service rates to find value in two way services
 - Looking to RIIO for inspiration
 - More efficient process
 - Focus on outputs

Cost

- REV highly motivated by cost control
- Smart grid investments must follow value
- Will AMI be deployed ubiquitously?
 - May depend on a value-based business case
 - May to service-driven
 - May be foundational to REV success



Reforming the Energy Vision



Enable Public Policy, Notably:
energy-environment nexus, protect vulnerable customers

Brooklyn-Queens Project

- A trial of the vision
- Change course from traditional response to reliability challenge
 - Build \$1.2B sub or Reduce sustained load for years
 - Innovation needed
 - Utility side response: find 52 MW locally
 - Regulatory response: 10 year amortization of expenses
 - Remove bias between opex and capex

About RAP

The Regulatory Assistance Project (RAP) is a global, non-profit team of experts that focuses on the long-term economic and environmental sustainability of the power sector. RAP has deep expertise in regulatory and market policies that:

- Promote economic efficiency
- Protect the environment
- Ensure system reliability
- Allocate system benefits fairly among all consumers

Learn more about RAP at www.raponline.org

rsedano@raponline.org



The Regulatory Assistance Project

Beijing, China • Berlin, Germany • Brussels, Belgium • **Montpelier, Vermont USA** • New Delhi, India
50 State Street, Suite 3 • Montpelier, VT 05602 • phone: +1 802-223-8199 • fax: +1 802-223-8172

www.raponline.org