



RAP

Energy solutions
for a changing world

Combined Heat and Power: Panacea or Pandora's Box?

Issues in Utility Regulation

Presented by Lisa Schwartz

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Potential Regulatory Barriers

Exit fees

Standby rates



15 MW gas turbine generator set at Michigan State Univ., Solar Turbines Inc.

Potential Regulatory Solutions

- Exempt, at least until utility's load drops below a specified level
- Daily as-used demand charge for shared facilities – no ratchet
- Self-supplied reserves
- Supplemental and maintenance power at regular tariff rate (with advance notice)

Potential Regulatory Barriers

PURPA avoided costs

Access to grid and retail markets

Potential Regulatory Solutions

- Review cost basis
- Increase system size eligible for standard rates and agreements
- Guidelines, dispute resolution process for larger systems
- Allow CHP owners to use grid to deliver energy to other retail customers

Potential Regulatory Barriers

Interconnection

Resource planning and procurement

Utility business case

Potential Regulatory Solutions

- Transparent and uniform technical standards, procedures and agreements for all system sizes
- Require evaluation on par w/other resources
- Consider T&D benefits
- Decoupling
- Opportunity for utility to invest, earn return

For More Information

- *Interconnection of Distributed Generation to Utility Systems: Recommendations for Technical Requirements, Procedures and Agreements and Emerging Issues*, prepared by Paul Sheaffer for Regulatory Assistance Project, September 2011, www.raonline.org/document/download/id/4572
- *Standby Rates for Customer-Sited Resources: Issues, Considerations and the Elements of Model Tariffs*, prepared by Regulatory Assistance Project and ICF International for U.S. EPA, December 2009, http://www.epa.gov/chp/documents/standby_rates.pdf
- *Rate Structures for Customers With Onsite Generation: Practice and Innovation*, prepared by Synapse Energy Economics and Regulatory Assistance Project for National Renewable Energy Laboratory, December 2005, <http://www.synapse-energy.com/Downloads/SynapseReport.2005-12.NREL.Rate-Structures-for-Customers-with-Onsite-Generation.04-39.pdf>
- Carolyn Elefant, *Reviving PURPA's Purpose: The Limits of Existing State Avoided Cost Ratemaking Methodologies in Supporting Alternative Energy Development and a Proposed Path for Reform*, October 2011, http://www.cleanenergy.org/images/files/Elefant_Reviving_PURPA_Avoided_Costs_2011.pdf
- Regulatory Assistance Project, *Revenue Regulation and Decoupling: A Guide to Theory and Application*, June 2011, http://raonline.org/docs/RAP_RevenueRegulationandDecoupling_2011_04_30.pdf
- U.S. EPA State Policy Resources, <http://www.epa.gov/chp/state-policy/index.html>

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 and natural gas sectors. 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

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