

September 26, 2019

# Establishing Subscription Rates in the Public Interest

NV PUC Alternative Ratemaking Workshop

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Principal



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# Agenda

- Choose Principles for Assessing Tariffs with a Subscription element
- A Tariff that Aligns with Principles: EdF
- Competitive Provider Offerings: Texas
- Examples that Violate key principles
- Summary and Key Questions for Regulators

# 1

# General Goals of Rate Design



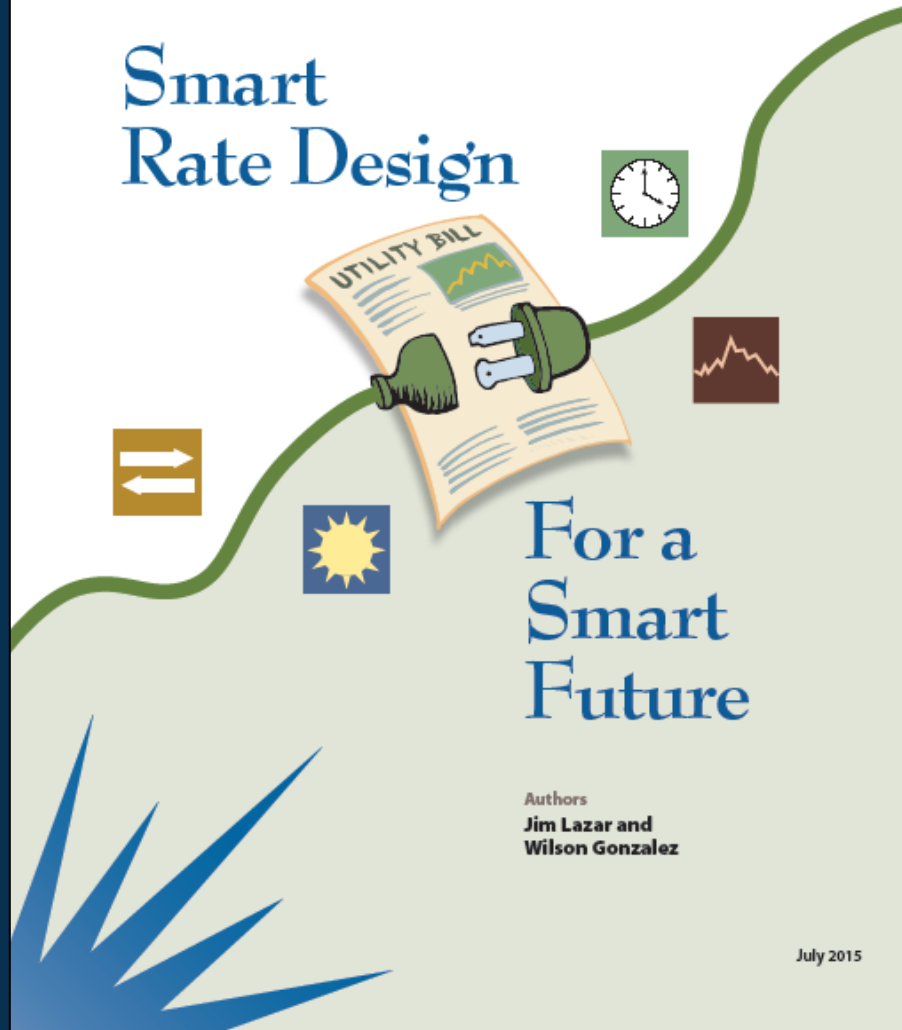
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# General Goals of Rate Design

- Efficient forward-looking price signals
- Recovery of revenue requirement
- Equitable intra-class cost allocation
- Customer understanding and acceptance
- Achievement of public policy goals

**Within Overarching Frame of Imposing Pricing Discipline -  
Equivalent to Competitive Markets**

# Smart Rate Design



## For a Smart Future

Authors  
**Jim Lazar and  
Wilson Gonzalez**

July 2015

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## EdF Blue Tariff



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# Electricite de France

- Three Rates
  - Bleu (apartments and small homes)
  - Heures (homes with electric water heaters)
  - Tempo (large homes)
- All have subscription for the connected load.



# Bleu: Apartments / Small Homes

<b>Contract power-rating (kVA)</b>	<b>Monthly subscription incl. tax (Euros)</b>	<b>Price per kWh incl. tax (Euros)</b>	<b>Incremental Cost / kVA</b>
<b>3</b>	€ 7.66	€ 0.145	
<b>6</b>	€ 9.21	€ 0.145	€ 0.52
<b>9</b>	€ 10.86	€ 0.147	€ 0.55
<b>12</b>	€ 12.58	€ 0.147	€ 0.57
<b>15</b>	€ 14.24	€ 0.147	€ 0.55
<b>18</b>	€ 15.96	€ 0.147	€ 0.57

**Effective Customer Charge: € 6.11**



# Heures: Single Family Homes with Electric Water Heaters

<b>Contract power-rating (kVA)</b>	<b>Monthly subscription incl. tax (Euros)</b>	<b>Peak hours incl. tax per kWh (Euros)</b>	<b>Off-Peak hours incl. tax per kWh (Euros)</b>	<b>Incremental Cost / kVA</b>
<b>6</b>	€ 10.30	€ 0.158	€ 0.123	
<b>9</b>	€ 12.61	€ 0.158	€ 0.123	€ 0.77
<b>12</b>	€ 14.77	€ 0.158	€ 0.123	€ 0.72
<b>15</b>	€ 16.78	€ 0.158	€ 0.123	€ 0.67
<b>18</b>	€ 18.64	€ 0.158	€ 0.123	€ 0.62
<b>24</b>	€ 22.89	€ 0.158	€ 0.123	€ 0.71
<b>30</b>	€ 24.96	€ 0.158	€ 0.123	€ 0.35
<b>36</b>	€ 28.13	€ 0.158	€ 0.123	€ 0.53

**Effective Customer Charge: € 5.68**

# Tempo: Critical Peak Pricing for Large Homes

Contract power-rating (kVA)	Monthly subscription incl. tax (Euros)		Energy Charges	Off-Peak	On-Peak	Incremental Cost / kVA
9	€ 12.33		Blue Days	€ 0.111	€ 0.133	
12	€ 14.41					€ 0.69
15	€ 15.30		Blue Days	€ 0.126	€ 0.156	€ 0.30
18	€ 16.74					€ 0.48
30	€ 23.89		Blue Days	€ 0.133	€ 0.541	€ 0.60
36	€ 27.38					€ 0.58

**Effective Customer Charge: € 6.09**

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# Tempo: Critical Peak Pricing for Large Homes



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# EdF Rates: Summary

- Small effective customer charge for billing and collection
- Small per kVA subscription charge (demand charge) for connected load
- Choice of flat, TOU, or Critical Peak energy pricing

# 3 Retail Offerings in Restructured Jurisdictions



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# Actual Residential Offering in Texas

- \$54 per month base charge
- Zero cents per kWh up to 1,000 kWh
- 20 cents per kWh over 1,000 kWh
- Three-year commitment with \$300 early termination fee

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# Actual Residential Offering in Texas

- Retail supplier pays all wholesale energy costs and regulated delivery costs
- Risk is on supplier for consumption up to 1,000 kWh and theoretically includes incentives for customer control
- Strong efficiency incentive for customer over 1,000 kWh

# 4

## Concerns with a default "Netflix" Like Subscription Model Tariff



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# “Netflix” Subscription Model

- Who turns off the lightbulbs?
- If subscription counterparty is the regulated utility, is risk mitigated by option to file rate case?
- How does a regulator monitor other products offered in subscription and are other products rate-based?
- Will low-income customers be locked into a second-rate product?

# 5 Summary



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# Summary Points on Subscription Tariffs

- Subscription element of a proposed tariff needs to be evaluated carefully
- Some subscription tariffs hide price signals and will discourage conservation and discourage efficient DER use and EV charging choices
- Competitive provider subscription tariffs are fundamentally different from utility provided ones

# About RAP

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