Establishing Subscription Rates in the Public Interest

NV PUC Alternative Ratemaking Workshop

Carl Linvill
Principal
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
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
2 EdF Blue Tariff
Electricité 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.
<table>
<thead>
<tr>
<th>Contract power-rating (kVA)</th>
<th>Monthly subscription incl. tax (Euros)</th>
<th>Price per kWh incl. tax (Euros)</th>
<th>Incremental Cost / kVA</th>
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Effective Customer Charge: € 6.11
# Heures: Single Family Homes with Electric Water Heaters

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<th>Contract power-rating (kVA)</th>
<th>Monthly subscription incl. tax (Euros)</th>
<th>Peak hours incl. tax per kWh (Euros)</th>
<th>Off-Peak hours incl. tax per kWh (Euros)</th>
<th>Incremental Cost / kVA</th>
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**Effective Customer Charge:** € 5.68
### Tempo: Critical Peak Pricing for Large Homes

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<th>Contract power-rating (kVA)</th>
<th>Monthly subscription incl. tax (Euros)</th>
<th>Energy Charges</th>
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<th>On-Peak</th>
<th>Incremental Cost / kVA</th>
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**Effective Customer Charge:** € 6.09
Tempo: Critical Peak Pricing for Large Homes
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
Retail Offerings in Restructured Jurisdictions
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
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
“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
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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