Toward a Value and Services Model

- Commodity sales and asset growth are focus of traditional regulatory model
- Products and services should be the focus: what do customers want?
- How do we design a regulatory system that pays for putting the customer at the center?

Adapted from LBNL
Which of the following best describes your regulatory environment?

- **Present Day**
  - Traditional cost-of-service regulation: 29%
  - Cost-of-service regulation with a mix of performance-based regulation: 28%
  - Predominantly performance-based regulation: 4%
  - Oversight by an elected board or government: 12%

- **10 Years in the Future**
  - Traditional cost-of-service regulation: 12%
  - Cost-of-service regulation with a mix of performance-based regulation: 35%
  - Predominantly performance-based regulation: 40%
  - Oversight by an elected board or government: 34%

Source: Utility Dive

In your opinion, what is the most appropriate utility regulatory model in the 21st century?

- **42%** Cost-of-service regulation with a mix of performance-based regulation
- **28%** Predominantly performance-based regulation
- **17%** Oversight by an elected board or government
- **8%** Traditional cost-of-service regulation
- **5%** Other

Source: Utility Dive
# Models that support more customer empowerment

<table>
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<tr>
<th>Decoupling + PIMs</th>
<th>Rate-base/ROE model</th>
<th>Platform Provider</th>
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<td>Utilities innovate within DSM programs, which evolve to more integrated, comprehensive programs with increased emphasis on time and location. Earn cost recovery, lost revenue and significant performance incentives, especially when traditional investments are deferred or obviated.</td>
<td>Utilities own and operate certain DER as assets, add to rate base, earn rate of return. Some argue that speed of DER deployment and consistent application of standards both increase with utility ownership. Makes investments in DER equal to or perhaps even better than other investments for utilities.</td>
<td>Utilities become a platform for innovation—very much the vision of NY REV. Third parties provide innovative services; utilities earn incentives as these services increase. Utilities maintain the grid—the platform—for all customers, reliably, safely, and cost effectively.</td>
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Which states are innovating?
(A few examples)

“The future is already here—it's just not very evenly distributed.”
– William Gibson

NOTE: This is not intended to be a comprehensive list but rather some examples of regulatory innovation.
Thank You

Read more at www.clearesult.com/insights

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