NYS Public Service Commission Standby Delivery Rates Electricity

Doug Lutzy

CHP in New York State

Two Years Later

NYSERDA Second Biennial Conference

June 24 – 25, 2004

Standby Rate History

- **Pre-2000 -** NIMO Rule 12 , exemptions, standard delivery rates
- **January 10, 2000** – Commission Order Instituting Generic Proceeding
- **October 26, 2001 -** Commission issues Generic Standby Rate Order
- **November 28, 2001 –** Niagara Mohawk files initial standby tariff

- **2002**
  - Jan-April – parties negotiate NIMO Standby Joint Proposal
  - April-August – other utilities file initial standby tariffs

- **July 1, 2002** – NIMO standby tariff effective (replacing Rule 12)

- **2003**
  - Jan-Apr – Con Edison, O&R, NYSEG and RG&E and other parties develop standby rate Joint Proposals (JP)
  - July – Commission approves JPs, with modifications, for Con Edison, O&R, NYSEG and RG&E
  - September – Central Hudson submits Standby JP
  - November – Standby compliance tariffs filed by other utilities
  - December – Commission approves Cent Hudson standby JP

Standby Rate History (continued)

- **2004**
  - February 1 - Con Edison, O&R, NYSEG and RG&E standby compliance tariffs effective.
  - March – Central Hudson files compliance standby tariff
  - *July 1 – Central Hudson (the final utility) tariff becomes effective*
- **NIMO Distinction**
  - More limited exemptions
    - **No exemption for 1MW or smaller CHP installations qualifying under other utility standby tariffs**
    - **Lost revenue caps on other exemptions**

Industry and Rate Restructuring

(background)

- Utilities sell their generation assets
  - **satisfy customers' continuing commodity service competitive wholesale market purchases**
  - **delivery and customer services remain regulated**
- Separation of Bundled Utility Service Rates
  - **delivery and customer service**
  - **commodity service rates**
- Standby rates reflect delivery and customer costs
  - **exclude commodity service costs**

Time Differentiated Pricing

(delivery service)

- Standby Rate
  - **<u>As-used on-peak daily demand</u> billing element for interval metered customers larger than 50 kW assesses incremental costs of deliveries made on-peak.**
    - Produces additional incentive to run generator and displace utility on-peak energy deliveries.
    - Reinforces higher on-peak grid commodity prices.

Time Differentiated Pricing

(commodity service)

- Standard Commodity Rates
  - **Customer commodity bills based on average monthly (class load-weighted) market values**
- Standby Rates Commodity Option
  - **Hourly load-integrated market commodity pricing for interval metered standby customers**
    - commodity service bill directly reflects cost consequences of customer's individual behavior (not class average)
    - on site generators have better information upon which to chose between buying energy from the grid and generating it themselves

Time Differentiated Pricing

(re-bundled service)

- Minimize Customer Energy (kWh) Costs
  - Look at all-in grid delivered on-peak electricity prices versus cost per kWh of producing on-site
  - Produce energy on-site only when it's less expensive than delivered market energy prices
    - **Provides frequent off-peak opportunities (weekday evenings, all-day weekends and holidays) to schedule minor CHP unit maintenance activities**
      - enhances on-site unit availability to operate during most expensive on-peak hours
      - optimizes integrated use of utility grid and customer on-site DG/CHP facilities

Other Operational Considerations

- Special C&I DG Gas Transportation Rates
  - **Rates made permanent June 11, 2004**
- Interruptible Gas Rates