

## **Background Information**

### **Purposes of Title I – Retail Regulatory Policies for Electric Utilities**

- 1) Conservation of energy supplied by electric utilities;
- 2) The optimization of efficiency of use of facilities and resources by electric utilities; and
- 3) Equitable rates to electric consumers.

### **Applicability**

Retail Regulatory Policies for Electric Utilities applies to each electric utility in any calendar year, and to each proceeding relating to each electric utility in such year, if the total sales of electric energy by such utility for purposes other than resale exceeded 500 million kilowatt-hours during any calendar. These requirements do not apply to wholesale sales such that operations or proceedings of the electric utility relate to sales of electric energy for purpose of resale.

### **Energy Policy Act of 2005**

In July, 2005 the U.S. House of Representatives and Senate passed the Energy Policy Act of 2005 (EPAAct) which was signed into law by President Bush on August 8, 2005. Among other things the EPAAct adds five new standards to PURPA section 111(d) for state commissions and un-regulated utilities to consider as follows:

#### **Section 1251**

- 1) Standard 11 -- Net Metering: Each electric utility shall make available upon request net metering service to any electric consumer that the electric utility serves. For purposes of this paragraph, the term “net metering service” means service to an electric consumer under which electric energy generated by that electric consumer from an eligible on-site generating facility and delivered to the local distribution facilities may be used to offset electric energy provided by the electric utility to the electric consumer during the applicable billing period.
- 2) Standard 12 -- Fuel Sources: Each electric utility shall develop a plan to minimize dependence on one fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.
- 3) Standard 13 -- Fossil Fuel Generation Efficiency: Each electric utility shall develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation.

#### **Section 1252**

- 4) Standard 14 – Smart Metering - Time based metering and communications: Not later than 18 months after the date of enactment each electric utility shall offer each of its customer classes, and provide individual customers upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility’s cost of generating and purchasing electricity at the wholesale level. The

time-based rate schedule shall enable the electric consumer to manage energy use and cost through advanced metering and communications technology.

The types of time-based rate schedules that may be offered under the schedule referred to above include, among others –

- a) time-of-use pricing whereby electricity prices are set for a specific time period on an advance or forward basis, typically not changing more often than twice a year, based on the utility's cost of generating and/or purchasing such electricity at the wholesale level for the benefit of the consumer. Prices paid for energy consumed during these periods shall be pre-established and known to consumers in advance of such consumption, allowing them to vary their demand and usage in response to such prices and manage their energy costs by shifting usage to a lower cost period or reducing their consumption overall;
  - b) critical peak pricing whereby time-of-use prices are in effect except for certain peak days, when prices may reflect the costs of generating and/or purchasing electricity at the wholesale level and when consumers may receive additional discounts for reducing peak period energy consumption;
  - c) real-time pricing whereby electricity prices are set for a specific time period on an advanced or forward basis, reflecting the utility's cost of generating and/or purchasing electricity at the wholesale level, and may change as often as hourly; and
  - d) credits for consumers with large loads who enter into pre-established peak load reduction agreements that reduce a utility's planned capacity obligations.
- 5) Standard 15 – Interconnection: Each electric utility shall make available, upon request, interconnection service to any electric consumer that the electric utility serves. For purposes of this paragraph, “interconnection service” means service to an electric consumer under which an on-site generating facility on the consumer's premises shall be connected to the local distribution facilities. Interconnection services shall be offered based upon the standards developed by the Institute of Electronics Engineers.

**Special Note on Time-Based Metering and Communication**

In making the determination with respect to the standard on time-based metering and communication each state regulatory authority must conduct an investigation and issue a decision whether or not it is appropriate for electric utilities to provide and install time-based meters and communications devices for each of their customers which enable such customers to participate in time-based pricing rate schedules and other demand response programs.