# RPS IN RESTRUCTURED STATES

NV Energy Choice Task Force

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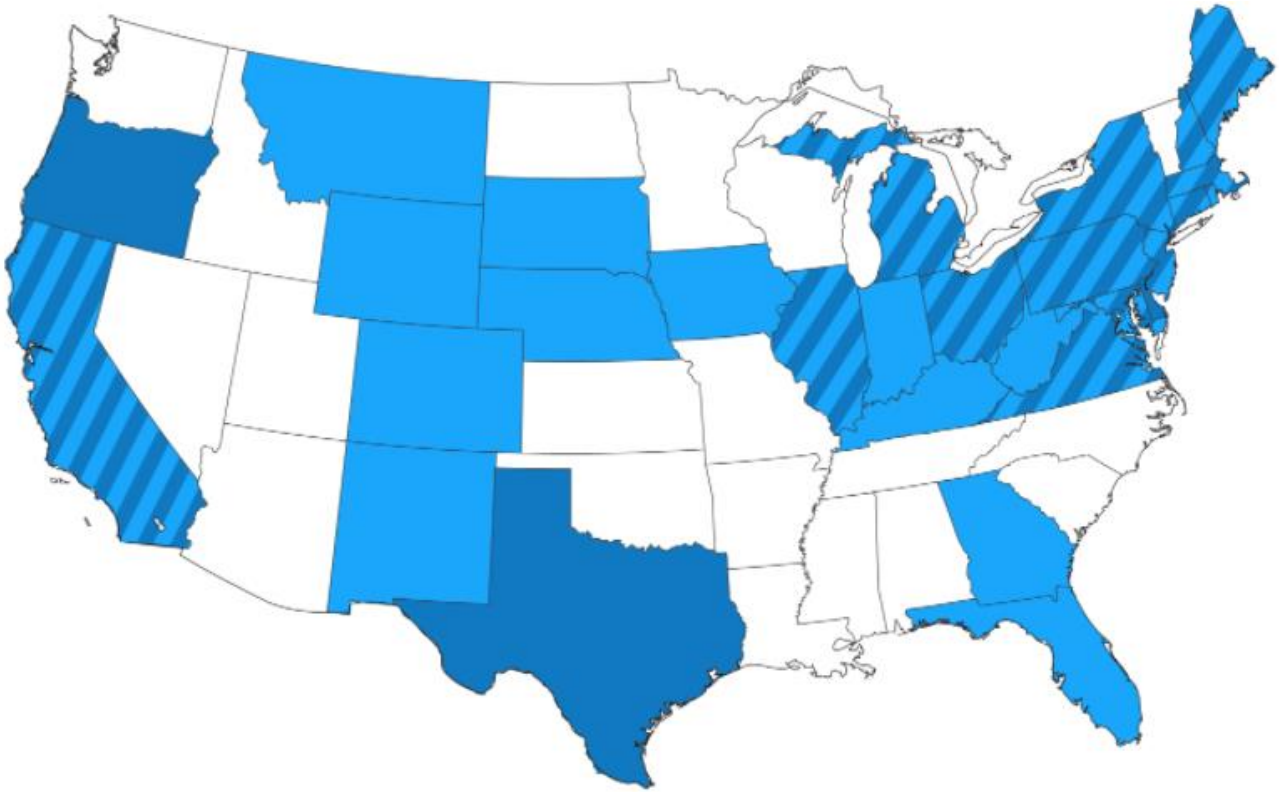
# Key decisions to be made

- How to handle stranded assets?
  - Income approach – determining market value of the asset (New England)
  - Full recovery of generation and regulatory costs (Ohio)
  - What's the date of stranded cost calculation?
- Does the state join an RTO?
- **How does an RPS come into play?**
- **How does the state encourage forward contracting?**

# RPS was instituted as a reaction to deregulation



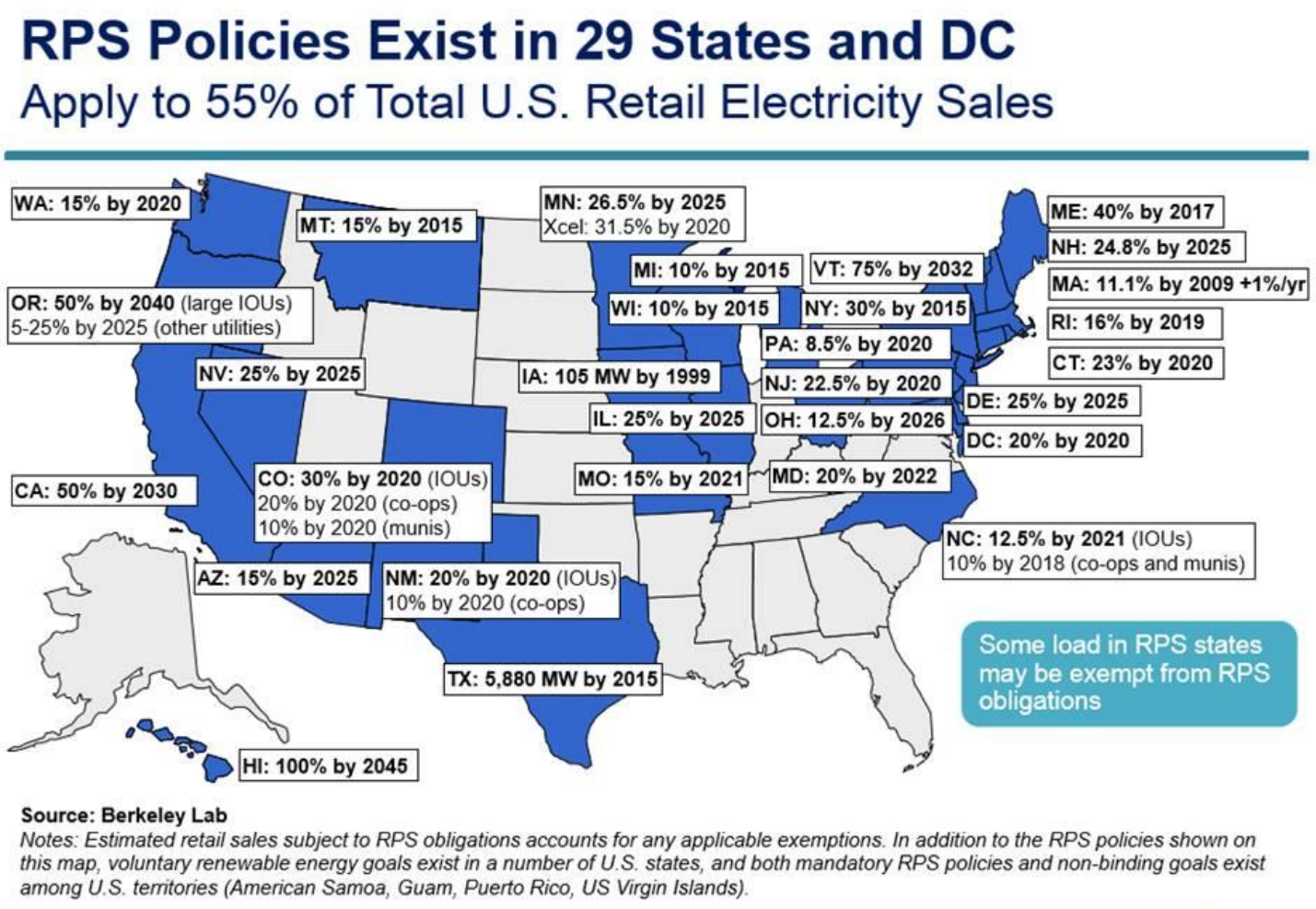

Source: https://www.electricchoice.com/map-deregulated-energy-markets/

# Restructuring either provided savings to consumers or had little visible impact

- Although rate increases were seen after restructuring, most of that increase was due to rising natural gas prices.
  - Massachusetts' retail customers saved $1.7 billion during the first three years of restructuring.
  - Connecticut's 2011 review of deregulation found that in 1998 (the year Connecticut passed its deregulation legislation) the unweighted average rate in the 14 deregulated states was 3¢ per kilowatt-hour (kwh) above the average in the other 35 states covered in this analysis. Since then, the difference has remained between 2¢ and 4¢ per kwh and was 3¢ per kwh for the first four months of 2011.

Source: http://www.mass.gov/eea/docs/doer/electric-deregulation/mm3.pdf; https://www.cga.ct.gov/2011/rpt/2011-R-0274.htm

# RPS was often instituted alongside deregulation




More than half of U.S. electricity sales happen in a market with an RPS, LBNL reports. *LBNL 2016 RPS update*

# Retail rates are unlikely to be impacted due to RPS

- Lawrence Berkeley National Labs recently published a review of RPS rate impacts. Some of its conclusions include:
  - Retail electricity rates have, on a national basis, been flat for roughly a decade
  - **States endowed with high-quality wind and/or solar resources have, in some cases, likely witnessed rate decreases**
  - State RPS policies have generally increased rates, but the estimated magnitude of historical and forecasted rate impacts span a wide range

Source: https://emp.lbl.gov/sites/all/files/lbnl-1007261.pdf; http://www.mass.gov/eea/docs/doer/electric-deregulation/mm3.pdf

# Having an open market doesn't guarantee clean energy in the state

- Although purchasers have the option to choose renewable energy, it's important to set up a system that makes that choice easy and accessible to all consumers.
- Potential option: The POLR should provide a standard offer of 100% clean energy?
- An RPS also guarantees clean energy production and provides a hedge against future federal environmental regulations and reduce future stranded assets.
- Nevada's cities and counties should consider aggregate purchasing for RE power (esp. those that used NV Energy's green tariff).

# How to encourage developers to bring projects into Nevada in 5 years leading up

- Solar developers definitely want to be a part of the market
  - Permitting hurdles – BLM owns most of the land that would be best for solar production
- Provide a centralized purchasing authority to offer an option beyond a REC-purchase-only RPS to provide certainty
- A predictable increase in demand through greater adoption of PEVs and EVSE infrastructure

# Potential policy proposal for easing into restructuring

- Arizona explored restructuring in 2012 and approved a short-term test pilot.
  - **Nevada might consider a test pilot just for commercial and industrial class prior to the full 2023 move to deregulation.** This pilot could be instituted via legislation after the 2018 ballot initiative.
- Moving from a cost-of-service ratemaking to a market-based ratemaking process could lead the PUC to open up new dockets to explore how to incorporate DER into the grid.

# Questions?

Maria Robinson
Associate Director, Energy Policy and Analysis
mrobinson@aee.net
570-239-5743