

## WG7 Questions for Meetings 3 and 4

### 1. What are the pricing options for new value-added, unbundled services?

- What new services are likely in a NextGrid world?
- Which of those services would be subject to competitive forces not requiring regulated prices? Which ones would require regulated prices? How should those prices be set?

### 2. Will there be a shift from the utility providing a commodity to providing services?

If so, should there then be a shift from volumetric pricing (kWhs) to a different pricing structure?

### 3. Changing nature of utility rate structure

- Is the present volumetric rate structure for residential customers fitting in a NextGrid world?
- Are volumetric rates compatible with sound economic principles in a transformed electric industry?
- In the future, would volumetric rates aggravate cross-subsidies within the residential class given ongoing developments in the electric industry? For example, do volumetric rates, because of the increased diversity of residential customers in terms of their load profile and load factors, aggravate the overcharging of some customers at the benefit of other customers in the same customer class? What is the evidentiary basis for such a finding?
- What are volumetric rates' strengths and weaknesses in advancing regulatory objectives?
- What are alternatives to volumetric rates - for example, inclusion of a demand charge for distribution service, straight-fixed variable rate structure, nontrivial increase in the customer charge?
- How do these alternatives compare with volumetric rates in advancing regulatory and public-policy objectives? For example, how would they affect low-income customers relative to other customers? How would they balance economic efficiency and fairness in addressing how a utility should recover its system-wide fixed costs? How would they affect other regulatory and public policy objectives? How can this issue be tracked?
- How do these alternatives compare with each other? What advantages or disadvantages, for example, do demand charges have relative to fixed rates?

### 4. What is the appropriate role of time-varying rates (TVRs) in a NextGrid world?

- What does the empirical evidence show, both for Illinois and other jurisdictions, the effects of TVRs on customers, utilities and society? For example, does the evidence show that customers generally respond to varying prices across periods by modifying their consumption habits?
- What are the different types of TVRs (e.g., real-time pricing, time-of-use pricing) and how do they compare in advancing regulatory and public-policy objectives?
- Should TVRs be an opt-in, opt-out or mandatory option? Should the same option apply to all customers?
- How can TVRs enhance the value of smart technologies? Could the additional value constitute a material portion of the costs of the smart technologies charged to customers?
- Could TVRs also enhance the value of other technologies, like electric vehicles and energy storage?
- What problems could TVRs cause for certain customers? Would low-income households be vulnerable?
- What factors would have the greatest effect on increasing customer acceptance of TVRs? Would they include education and programmatic technology?
- What undue barriers are stifling the spread of TVRs in Illinois? How can these barriers be migrated or eliminated so as to best advance the public interest?
- Assuming that TVRs are mandatory, could those customers who prefer stable and predictable rates obtain them through hedging instruments available in the marketplace?

#### **5. Locational rates for delivery service**

- How are locational prices passed on to customers? What is granularity? Does it differ by customer class?
- Are there plans for increasing the granularity of energy prices in the future?
- How granular do distribution prices need to be?

#### **6. How should regulators determine the valuation of distributed energy resources (DER)? ( How do these relate to calculation of costs)**

- How can regulators ensure that DER customers using grid services pay their fair share of the costs of those services while still receiving fair compensation from the utility for the energy produced?
- What are the strengths and weaknesses of value of solar tariffs (VOST)? What have been their experiences in other jurisdictions?

- What are the merits of setting (1) standby rates for DER customers who purchase partial-requirements electric service from the utility and (2) PURPA-type (avoided cost) rates for electricity sold to the utility?
- What are the external benefits of DERs to full requirements customers and society?
- How should the benefits of DER that are difficult to quantify (i.e., benefits that preclude reasonably accurate estimation) be incorporated into the valuation of DER?
- Why should DER customers receive “extra compensation” for benefits to the utility and society (e.g., via net energy metering and VOST) when customers who invest in CHP and energy efficiency do not?

**7. How will distribution non-wire alternatives (NWA) be reflected in rates.**

- Should retail prices in areas in need of transmission/distribution upgrades for distribution services be the same as in areas that do not need upgrades?
- Does it make sense to pay more for customer provided services in areas in which non-transmission alternatives defer capital additions than where the provision of services do not defer capital spending.
- How should regulators address incentives and disincentives for utility pursuit of NWAs?

**8. Should there be separate rate classes for customers who have roof-top solar or electric vehicles?**

- How should rate classes be determined? What are factors that might be considered in making that decision?
- Do the load profiles of those customers differ substantially from other residential customers?
- Without separations, how can rate structures be fair to all residential customers and meet other regulatory objectives?
- Would time-varying pricing, for example, provide the correct price signals to EV customers without having to separate them from other residential customers?

**9. Should a separate rate structure for public charging stations (public electric vehicle supply equipment such as DCFC –direct current fast charge) be considered?**

**10. Should ratemaking for innovative technologies differ from other investments?**

- How does the adoption of innovative technologies affect the risk that utilities face?
- Should regulators recognize the any higher risk of innovative technologies in setting a rate of return?

- Are utilities discouraged from investing in innovative technologies because of a return-risk imbalance relative to other investments?

#### **11. Cost basis of rate design**

- What is the appropriate cost basis of rates – embedded vs. marginal vs. incremental vs other?
- When were the most recent embedded and marginal distribution cost studies prepared?
- Is there a need for new analytical techniques (i.e., cost studies) to support rate design?

#### **12. What types of pricing and revenue sharing schemes should be considered?**

#### **13. How do we get from here to the future?**