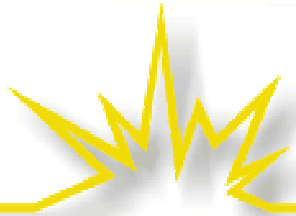


# Distributed Energy Policy Statement for MADRI

MADRI Workshop

June 5, 2006



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1. Distributed Energy Resources (DER) can provide benefits to electric customers through increased system reliability, mitigation of wholesale energy prices and other wholesale market risks, improved power quality, improved air quality, reduced line losses and avoided wires investments. Many DR options can also provide direct benefits to customers in that they are provided with new tools and means to better manage their electricity usage and bills. Achieving these long term benefits is a valid goal of regulatory policy. DER options may also benefit customers through new tools to better manage electricity usage and bills. DER projects may also stimulate local economic development. DER includes targeted energy efficiency, demand response, storage resources, and distributed generation technologies.

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2. Within the broad context of laws and regulations that affect DER (including but not limited to economic, environmental, land-use, building codes, safety and security), state utility policy makers and regulators should consider changes to encourage cost effective DER programs including:

- removing market barriers;
  - developing appropriate regulatory treatment;
  - establishing DER program goals;
  - providing DER program incentives;
  - reducing utility disincentives to accommodating DER;
- and
- testing solutions at a pilot scale.

3. State utility policymakers and regulators may consider special studies and pilot programs to evaluate the costs and benefits of DER technologies such as metering and communications infrastructure that enable dynamic retail pricing regimes. These enhancements would allow more customers to see and respond to market prices. Those DER investments that provide a net long-term benefit to distribution system ratepayers should be implemented or encouraged. A portion of such long-term benefits may be used to enhance the economics of installing DER through special tariffs.

4. In keeping with normal regulatory practice, authorized utility expenses and investments that facilitate DER products and services by any vendor should be treated as other utility costs and afforded cost recovery and an opportunity to earn a reasonable rate of return on investment.



# Issues/Changes Not Included in the Policy Statement

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- Benefit/cost details
- How to compensate customers for system value of DER
- Methods to achieve DER goals, like EEPS
- Value of long term contracts
- Utility-side DER
- Appeal to larger group of state officials
- Recognition of slow development pace
- How to deal with customer costs of projects with no system benefits



# What Next?

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- Steering Committee will discuss the statement and related issues
- Steering Committee will do what it does
- States can use this work as guidance