

Proposed MADRI Policy Statement in Support of Mid-Atlantic DER Initiatives

Steering Committee Draft
May 30, 2006

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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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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.

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.

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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.

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N.B. Using Reviewing Toolbar, toggle between “Final” and “Final Showing Markup” to see changes between April 25 Draft and Steering Committee Draft.