

Transformation of the Electric Power Industry: Value of Regulatory Impact Assessments

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What is Regulatory Impact Assessment (RIA)?

- RIA is a tool for analysis of policy
- Design, implementation, and monitoring of regulatory systems
- Methodology for assessing –
 - Actual consequences of existing regulations
 - Possible consequences of proposed regulations
- Consideration of costs and benefits
- Potential or actual impacts on economic, social, and environmental aspects
- Regulatory reform intends to move to better regulation



Challenges in the Electric Utility Industry

- In the U.S., electric industry restructured since the late 1990s
- Wholesale generation is deregulated
- Nearly 40% of population are in states with choice of retail electricity suppliers
- New entities are now active in the electric utility sector - e.g., financial service companies, retail electric suppliers, affiliates of energy holding companies
- Restructuring led to more work for regulators, - e.g., monitoring wholesale energy market, licensing of suppliers with or without generating assets



Newer Issues for the Electric Utility Industry

- Since wholesale generation is deregulated, market decides what to build
- Need for capacity to meet growth
- Climate change and its issues
- Renewable and distributed energy resources may be the answer, but many are intermittent
- Technological improvements
- Newer sources of energy, e.g., shale gas
- Economic versus environmental regulations
- Access to investment funding is highly competitive



RIA as a Tool to Meet New Challenges

- Examine the need for new/revised regulations to adapt to the changing utility model
- Test to see if the new/revised regulations will meet the needs in the short- and long-term future
- Use stakeholder process to have transparency in developing new/revised regulations
- Include other government agencies and non-traditional entities to harmonize the new/revised regulations and make them consistent
- The new/revised regulations should be proportional to the challenge: one size does not fit all



Examples of Where RIA Can be Used

Examples where RIA can be used to formulate policies to meet the following scenarios :

- 1) Energy efficiency and demand management has led to lower energy use = lower revenues for an utility = average rates increase to keep up with service quality
- 2) Customers with distributed energy resources = changes the dynamics and energy flow in the grid = change in value of the customers' participation from "buyer" to "buyer and seller" of electric service
- 3) Introduction of renewable energy resources = who pays costs to enhance/adapt grid; how to encourage portfolio mix absent a portfolio requirement and economics (price/rate) is the prime factor for regulatory decisions
- 4) Resource and grid decisions are long-term (25-30 years) but finance and political decisions are short term (2-5 years); how to reconcile these?



In conclusion...

- RIA is a tool in the regulatory toolbox
- Recognize that each situation is different
- But basic concept of transparency and inclusiveness in RIA is important

Thank you for your attention and participation
Questions?

