

Resolution on Standby Rates for Partial Requirements Customers

Whereas the National Association of Regulatory Utility Commissioners (“NARUC”) and its members have long focused on energy efficiency, electric system reliability and resiliency, and reduction of greenhouse gas emissions;

Whereas combined heat and power (“CHP”) can be a cost-effective way to produce two or more forms of useful energy from a single fuel source, often including both thermal energy and electricity;

Whereas waste heat to power (“WHP”) is the process of capturing heat discarded by an existing process and using that heat to generate power with no additional fuel, combustion or emissions;

Whereas CHP and WHP are forms of distributed generation that can provide benefits for consumers and to U.S. businesses in the form of reduced energy costs, reduced risk of electric grid disruption and enhanced energy reliability, stability, and resilience in the face of uncertain electricity prices and major disruptive events;

Whereas CHP and WHP can provide benefits for the nation by lowering the need for other, less efficient sources of new electric generation capacity, avoiding transmission and distribution costs, creating markets for domestic energy sources, developing and maintaining employment opportunities for skilled labor, optimizing the use of our nation’s abundant supply of natural gas, and reducing emissions;

Whereas CHP can provide services in a microgrid in ways that can help enable better use of other clean energy sources;

Whereas federal law recognizes these benefits by affording Qualifying Facility status to CHP and WHP systems and the executive branch in 2012 established a national goal of increasing CHP deployment by approximately 50% by 2020;

Whereas in 2008 NARUC passed a resolution explicitly urging commissions to “consider the adoption of regulatory policies that protect consumers while addressing barriers to increased use of CHP related to standby rate design;”

Whereas in 2012 NARUC passed a resolution encouraging State public service commissions to evaluate opportunities for CHP, encourage cost effective investment in CHP, and evaluate regulatory mechanisms to best deploy these technologies;

Whereas in 2013 NARUC passed a resolution supporting the inclusion of WHP technologies in State and federal clean energy policies and programs;

Whereas despite these resolutions and the widespread recognition of these benefits, the technical and economic potential for CHP and WHP far exceeds their deployment;

Whereas many utility companies have “standby” rates for customers taking “partial-requirements service” that may be confusing, might not be based on cost-of-service principles, and may fail to account for the benefits that these systems offer to the grid;

Whereas the NARUC Distributed Energy Resources Rate Design and Compensation manual provides that standby rates should reflect actual system costs and clarifies that charges should not discourage investment in CHP by potential customers;

Whereas encouraging or requiring CHP or WHP hosts to schedule maintenance during off-peak times and distinguishing between scheduled and unscheduled outages can reduce utility system demand and costs;

Whereas the rates for partial requirements service should be as simple, transparent, and consistent as practical; *now therefore be it*

Resolved that the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its 2019 Winter Meeting in Washington, D.C., supports further discussion relating to the setting of standby rates for partial requirements customers that affect market entry and continued competitiveness of distributed generation; encourages regulators to consider whether the cost of standby rates discourages further deployment of CHP and WHP, and could harm CHP and WHP facility competitiveness; and encourages Commissioners to assure that standby rates for partial requirements customers acknowledge that: (a) effectively coordinating CHP and WHP with grid system operations reduces demand and costs; and (b) CHP and WHP have the potential to improve system reliability and resiliency.

*Sponsored by the Committee on Energy Resources and the Environment
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