

# OVERVIEW OF THE e21 INITIATIVE

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Great Plains Institute

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# PRESENTATION OVERVIEW

1. About GPI
2. Why the utility regulatory framework must evolve.
3. Overview of e21 Initiative.



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# GPI's MISSION

To transform the way we  
**produce, distribute, and**  
**consume energy** to be  
both **economically and**  
**environmentally**  
**sustainable.**



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# WHAT DO WE DO?

1. Develop better energy policy via consensus.
2. Catalyze new energy technologies, practices & programs.
3. Provide reliable analysis, reports & decision tools.



[dreamstime.com](http://dreamstime.com)



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# GPI'S CONSENSUS-BASED APPROACH TO SOLVING ENERGY PROBLEMS

**Virtuous Cycle  
of “Energy  
Diplomacy“**

**CONVENE**

*Gather key energy stakeholders with diverse views.*

**INFORM**

*Use transparent research and analysis to inform decisions and recommendations.*

**AGREE**

*Develop solutions through consensus.*

**ACT**

*Continue to work with these partners to change policy and speed technology adoption and practice innovation.*



# WHY THE UTILITY REGULATORY FRAMEWORK MUST EVOLVE.



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# THAT WAS THEN; THIS IS NOW

## Goals of regulation over past 100+ years:

- 1) Electrify the country.
- 2) Provide universal access to reliable and affordable electricity.

### TODAY:

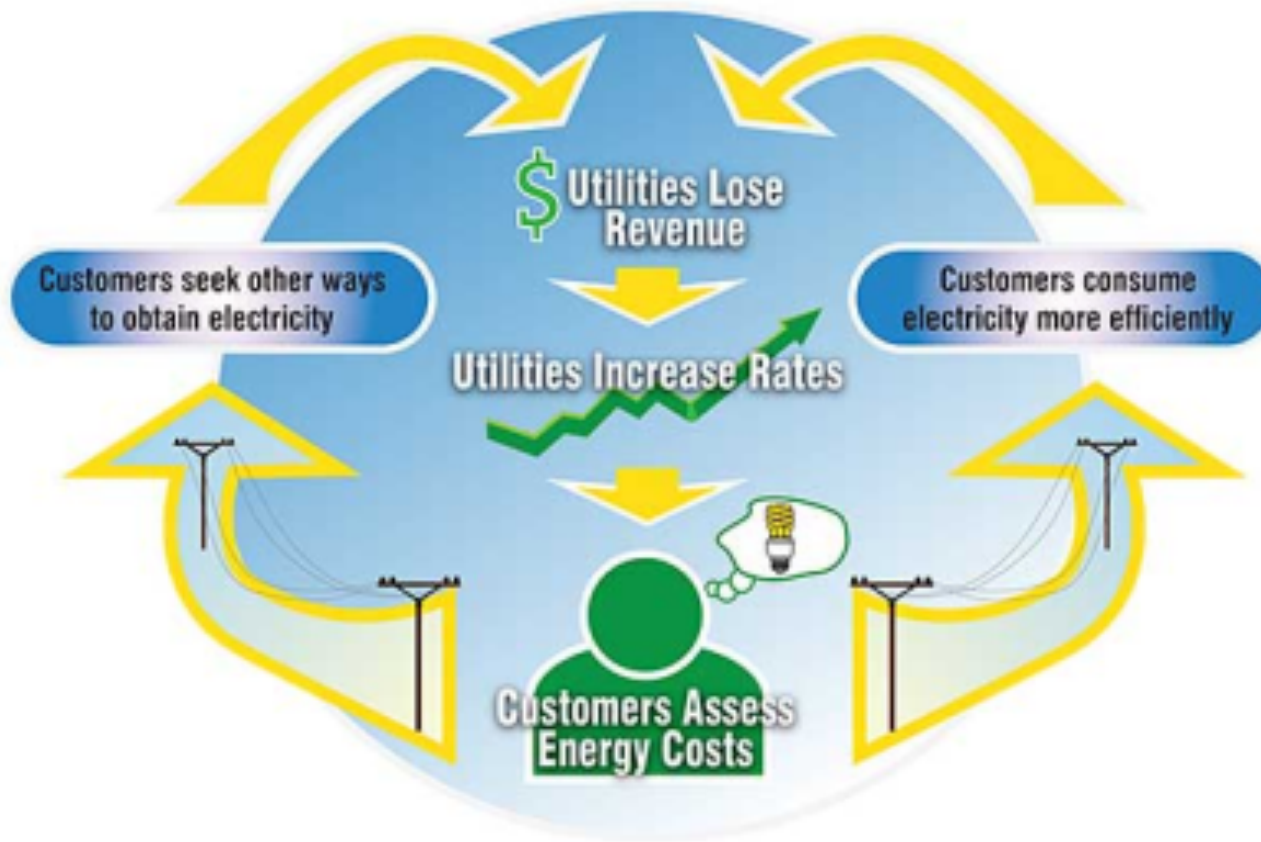
“Today’s regulatory framework is keeping us locked into the 20th century.”

Today, the questions are –  
“How do we keep it clean?  
How do I get custom solutions [for customers] from it?”

-- ComEd CEO,  
Anne Pramaggiore



# DISRUPTIVE TRENDS TO THE 100+ YEAR-OLD UTILITY MODEL



“Disruptive Challenges: Financial Implications and Strategic Responses to a Changing Retail Electric Business,” Edison Electric Institute, January 2013.



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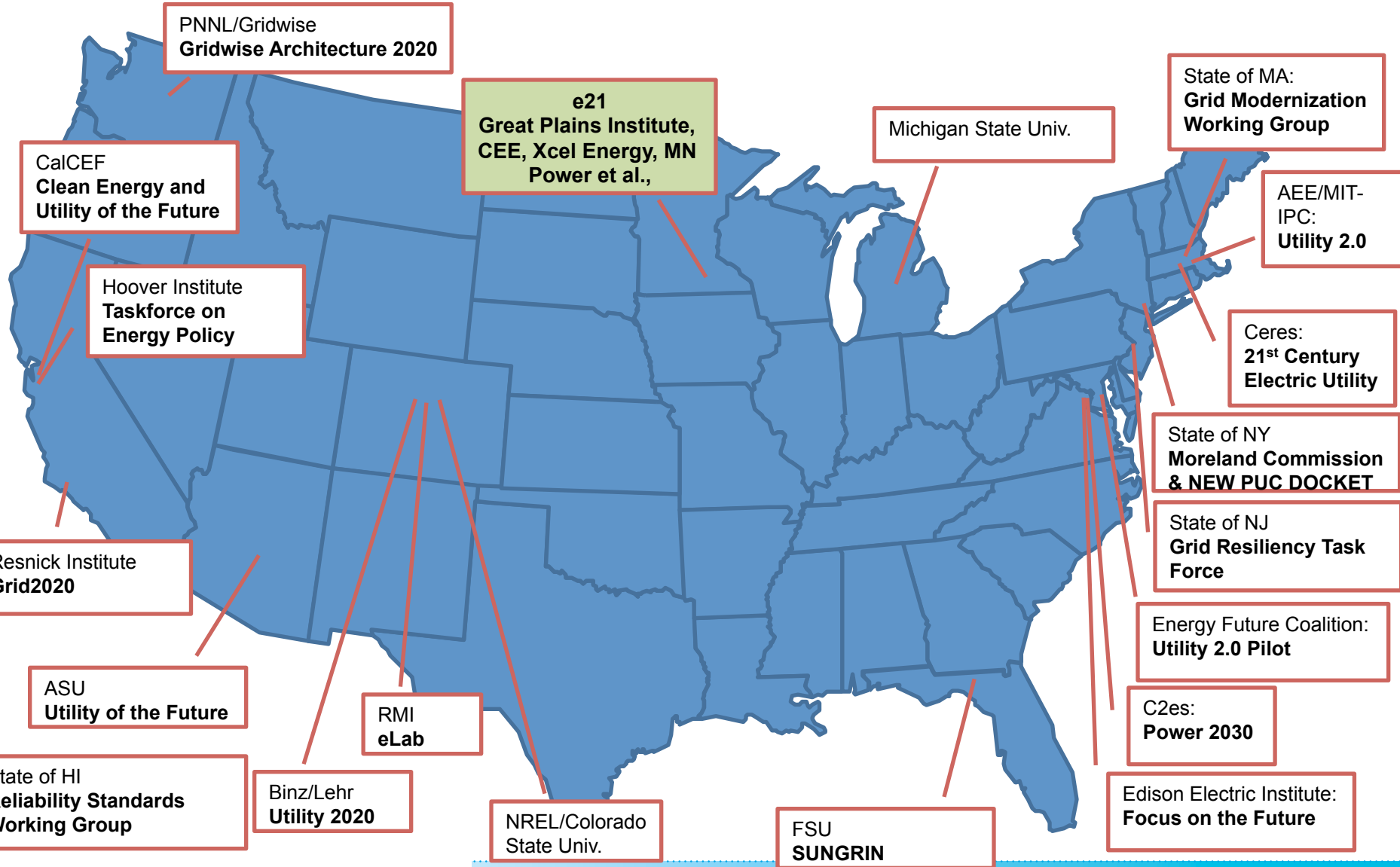


# DRIVERS OF CHANGE IN THE ELECTRICITY SECTOR

1. Acceleration of efficiency (energy intensity dropping 2%/yr.)
2. Consumer demand for more “Distributed Energy Resources” including Energy Storage & Microgrids
3. More cities interested in charting their energy future
4. District energy systems
5. Smart Grid
6. Electrification of Transportation
7. New EPA regulations, including on GHGs under Section 111d of Clean Air Act
8. Demand Response & 3<sup>rd</sup>-party aggregation of same
9. Combined heat & power / waste heat recovery
10. Increasingly inter-state nature of utilities



# U.S. REGULATORY REFORM & UTILITY 2.0 EFFORTS



# e21—DEVELOPING A 21<sup>st</sup> CENTURY REGULATORY FRAMEWORK IN MN



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*That better aligns how utilities earn revenue with customer demands & public policy goals.*



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# WHO IS INVOLVED?



# TIMELINE OF THE e21 PROCESS

1. Launched in February, 2014.
2. Monthly full-group meetings at least through February 2015, with sub-groups working on discrete issues.
3. Initial recommendations for statutory & regulatory reform by December 2014.
4. Communicate results & collaborate on implementation in 2015.



# OVERVIEW OF THE e21 PROCESS

1. Develop shared understanding of the “current state.”
2. Develop plausible scenarios (stories) about what COULD happen in the future.
3. Use scenarios to I.D. ACTIONS that look robust under ANY future, & meet e21 principles.
4. Develop recommendations for statutory & regulatory reform.
5. Communicate results & collaborate on implementation.



# e21's CONSENSUS GUIDING PRINCIPLES

1. Align an economically viable utility model with state and federal public policy goals.
2. Provide universal access to electricity services, including affordable services to low-income customers.
3. Provide for just, reasonable, and competitive rates.
4. Consistent with 2 and 3, align payments to and by participants on the system with the costs and benefits they impose on and provide to the system.
5. Enable the delivery of services and choices that customers value, and compensate utilities, customers and service providers for the full range of services they provide.



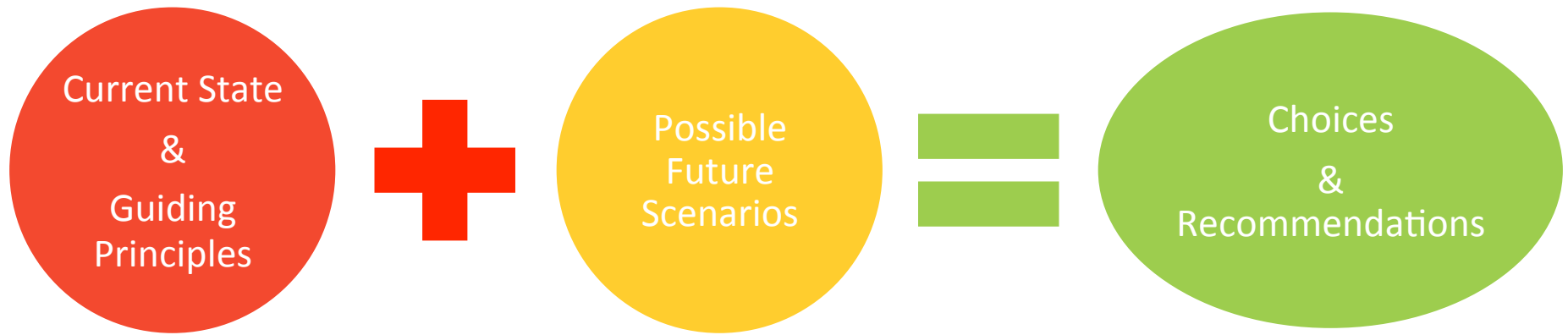
# e21's CONSENSUS GUIDING PRINCIPLES

6. Allow for timely and predictable recovery of utilities' fixed costs that are not necessarily dependent on commodity sales.
7. Encourage and enable electricity users to take advantage of all cost-effective energy efficiency and other demand-side management opportunities.
8. Facilitate innovation, implementation of new technologies, and delivery of new energy services.
9. Assure system reliability, and enhance resilience and security, while addressing customer privacy concerns.
10. Foster investment that optimizes economic and operational efficiency of the system.



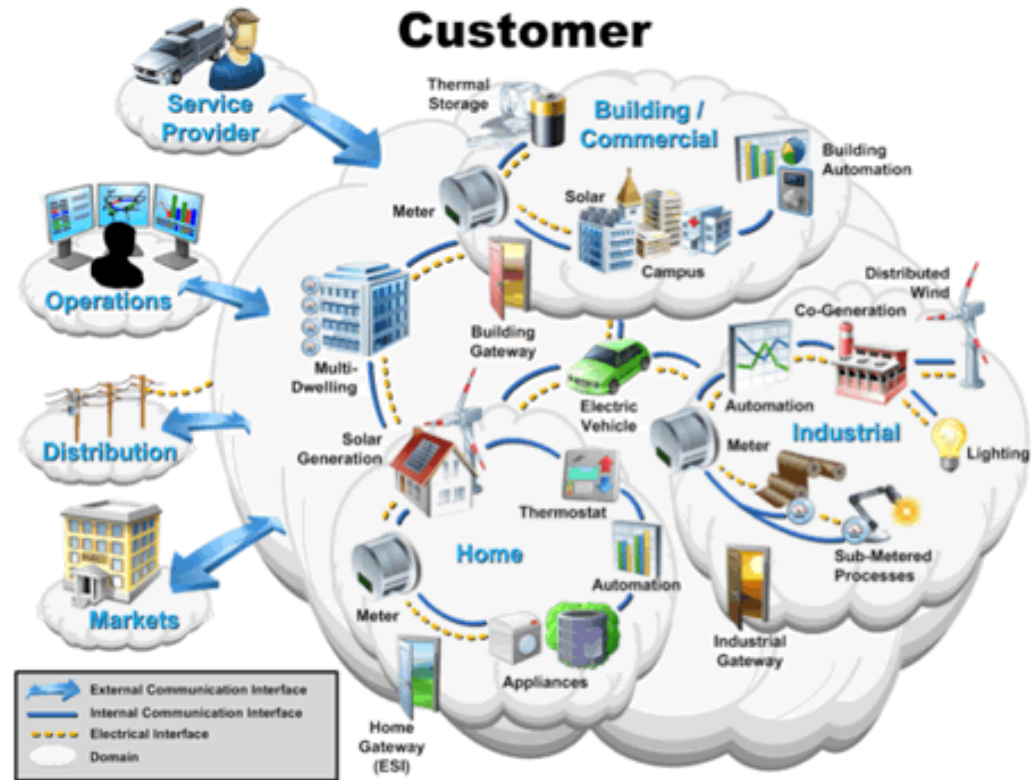


# HOW WE GOT WHERE WE ARE



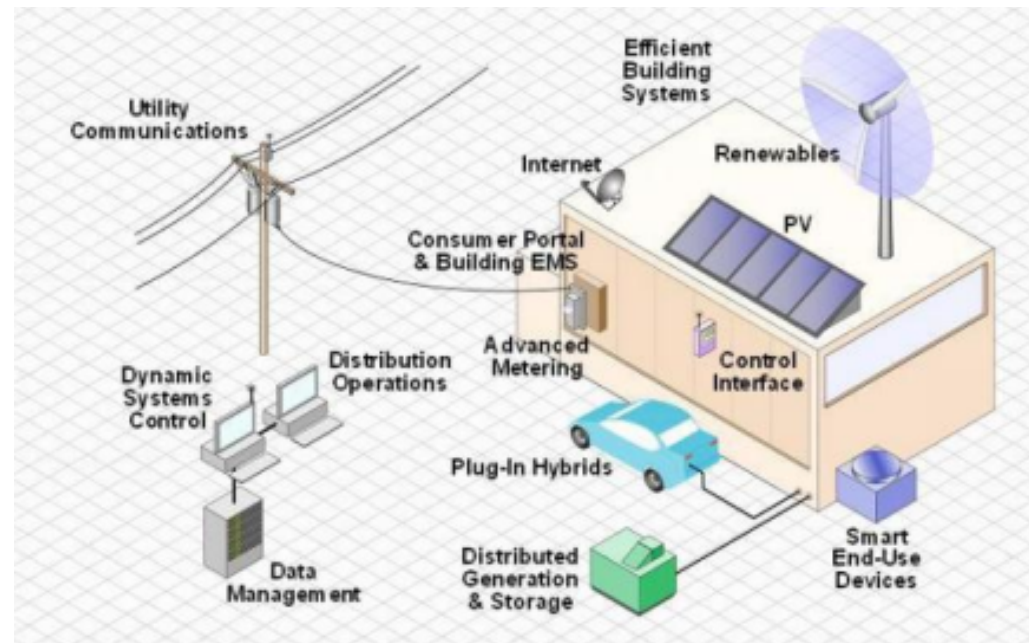
# TYPES OF QUESTIONS e21 WILL ATTEMPT TO ANSWER

1. What are customers' evolving energy service needs? And how do they differ by customer class?
2. What outcomes should utilities deliver? And how should they be compensated for delivering them?



# TYPES OF QUESTIONS e21 WILL ATTEMPT TO ANSWER

3. How can the regulatory framework encourage cost-effective energy efficiency and innovation?
4. How should utilities recover the fixed costs of maintaining the grid?



# TYPES OF QUESTIONS e21 WILL ATTEMPT TO ANSWER

5. How does DER rely on the electric grid? And how should DER pay for those grid services?
6. What benefits could DER provide the grid that now go uncompensated?
7. How can MN ensure that costs are not unreasonably shifted?



# AIMING FOR TWO HIGH-LEVEL OUTCOMES

1. Consensus on the overall “arc” and trajectory of how the regulatory framework must evolve.
2. Specific changes that place MN on that trajectory.



# SPECIFIC e21 DELIVERABLES

1. Specific recommendations for reforming MN statutes.
2. Recommendations for evolving current regulatory system.
3. Specific options for changing utility business model.
4. Any changes needed at the federal level.
5. Summary of lessons learned that may be relevant to other states and utilities.
6. Identification of possible “pilot projects” as vehicle for implementation.



# WHERE FROM HERE?

- Further develop and refine e21's recommendations.
- Explore with the Citizens League how to leverage the strength of our respective efforts. Could include:
  - “Test Driving” draft recommendations with key interests in advance of bringing them forward.
  - Co-hosting public meetings to share what both efforts have concluded.



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**Citizens  
League**

*Common ground. Common good.*



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# THANK YOU!

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