PSC’s Reforming the Energy Vision Proceeding is about:

- Empowering customers to better manage energy...
- ...through animating markets for distributed energy resources...
- ...in order to drive toward higher efficiency, lower environmental impacts and increased affordability.
REV’s regulatory process is a component of Gov. Andrew M. Cuomo’s overall strategic energy plan; part of a broader transformational program in NY
REV’s first major order was adopted on February 26, 2015, deciding policy, launching important implementation activities and setting the stage for rate issues.
Unprecedented interest, engagement, and strong stakeholder support has helped shape REV

- **295** stakeholder parties
- **2** technical conferences
- **7** working groups
- **1,800** comments
- **750** town hall meeting participants in 8 cities
REV’s Track One Order: Overview
Business-as-usual is no longer an acceptable option for New Yorkers

**CHALLENGES:**
- Aging infrastructure
- Poor system efficiency
- Flat load growth
- Climate change

**OPPORTUNITIES:**
- Rapidly falling technology costs
- Rise of the digital economy and new capabilities from IT
- Proliferation of new business models to create customer value

*Historical regulatory approach and utility business models are not well adapted to address challenges and capture opportunities.*
“Utilities, and this Commission, could respond to [the challenges facing the industry] by clinging to the traditional business model for as long as possible, relying on protective tariffs, regulatory delay, and other defenses against innovation.

Alternatively, we can identify and build regulatory, utility, and market models that create new value for consumers and support market entrants and this new form of intermodal competition—in other words, embrace the changes that are shaking the traditional system and turn them to New York’s economic and environmental advantage.

We decisively take the latter approach.”

—REV Regulatory Policy Order
In the face of these trends, NYS has set out several policy objectives for the future of NY’s electricity system

- Enhanced customer knowledge and tools to support bill management
- Market animation and leverage of customer contributions
- System wide efficiency
- Fuel and resource diversity
- System reliability and resiliency
- Reduction of carbon emissions
REV sets out the State’s vision of a transformed electricity system that will meet these policy objectives

- Reorient the electric industry and the ratemaking paradigm toward a customer-centered approach that harnesses technology and markets.

- Use distributed energy resources as a primary tool in the planning and operation of electric distribution systems, to achieve optimal system efficiencies, secure universal, affordable service, and enable the development of a resilient, climate-friendly energy system.
The Feb. 26 order addresses 4 foundational building blocks:

1. Establishing the Distributed System Platform (DSP)
2. Engaging customers
3. Animating the market
4. Meeting environmental objectives
REV’s Track One Order: Details
1. Establishing the DSP:

<table>
<thead>
<tr>
<th>DSP</th>
<th>DSP Responsibilities</th>
<th>DSP Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Intelligent network platform</td>
<td>• Integrated system planning</td>
<td>• Utilities will be the DSP providers</td>
</tr>
<tr>
<td>• Obligation and incentive to support DER</td>
<td>• Grid operations</td>
<td>• Represents an expansion of existing obligation</td>
</tr>
<tr>
<td>• DER providers as customers and partners</td>
<td>• Market operations, structure &amp; products</td>
<td>• Will be supported through Track 2 business model changes</td>
</tr>
<tr>
<td>• Fair, open, and transparent transactive markets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DSP Provider**

- Utilities will be the DSP providers
- Represents an expansion of existing obligation
- Will be supported through Track 2 business model changes
2. Engaging Customers:

- Create a vibrant digital marketplace (e.g. Amazon for power products and services) to inform and encourage transactions
- Support low- and moderate-income customers
- Ease interconnection
- Increase the informational value of customer bills
- Implement key customer protections
3. Animating the Market:
Goal: create market confidence and build the DER asset base in the near-term

<table>
<thead>
<tr>
<th>System Data</th>
<th>Market Power</th>
<th>Early Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• DSIPs will provide system planning information</td>
<td>• Utilities cannot own DERs except in very limited cases</td>
<td>• Demand response tariffs</td>
</tr>
<tr>
<td>• DSP will provide system data at granularity and timeliness appropriate for market</td>
<td>• Consider functional separation</td>
<td>• Demonstration projects</td>
</tr>
<tr>
<td>• Utilities can charge fees for value-added data analysis</td>
<td>• PSC monitoring &amp; recourse</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Create market oversight committee</td>
<td></td>
</tr>
</tbody>
</table>
4. Meeting Environmental Objectives:

- Energy efficiency
  - 2015 targets are a minimum for 2016
  - Increased flexibility and responsibility for utilities
  - Focus on market transformation curve
  - REV best practices guide to be created

- Large-scale renewable energy
  - New REV track (LSR track) to create options paper by June 1
REV Roadmap
The Track 1 Order represents one step on a transition path to REV:

<table>
<thead>
<tr>
<th>Initial implementation steps</th>
<th>Demonstrate progress, build market confidence, answer questions needed to move forward</th>
<th>Underway</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility DSIP plans</td>
<td>Identify needed investments, strategies, and action plans to build the DSP market and underlying infrastructure</td>
<td>Due Jan 16</td>
</tr>
<tr>
<td>Track 2</td>
<td>Translate the REV vision into specific business model, incentive rate-making and rate design strategies with public involvement</td>
<td>Staff straw proposal July 1, 2015</td>
</tr>
</tbody>
</table>
Initial implementation steps are underway:

- Demand response tariff offerings
- Demonstration projects
- Market Design and Platform Technology working groups
- Benefit cost assessment framework development
REV’s Track Two: Ratemaking Reforms and Key Issues
Track Two REV Objective

Recognize that the expanding deployment of DER calls for new business and revenue models to provide growth opportunities through enabling and responding to the forces of technology and market innovation.
New Revenue Model
(Conceptual Illustration)

**Current**
- Return Of and Return On Traditional Operating Expenses

**Future**
- Return Of and Return On Traditional Rate Base
- Data Analysis and Interconnect Fees
- Customer Portal and Transaction Fees
- Earnings Impact Mechanisms
- Unbundled Value Added Services
- Return Of and On Non-Traditional REV Investments

**Delivery Customers**
- TBD

**Platform Customers**
- Delivery Customers
THANK YOU
IBM Event Connect Poll
The typical utility devotes what percentage of its annual revenues to product development and R&D?

Please select one of the following options:

- 0 to 2%
- 2 to 5%
- 5 to 10%
- Greater than 10%

Vote »
IBM Event Connect Poll
Companies, such as IBM and GE, devote what percentage of annual revenues to product development and R&D?

Please select one of the following options:

0 to 2%
2 to 5%
5 to 10%
Greater than 10%

Vote »
IBM Event Connect Poll
The typical utility will not invest in new services and product development until a regulatory body allows it to happen.

Please select one of the following options:

- Yes
- No

Vote »