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# **Recent Regulatory Developments in the U.S.: State and Regional Issues**



**Commissioner Fred Butler  
New Jersey Board of Public Utilities  
President, National Association of Regulatory Utility Commissioners**



**US/EU Regulatory Dialogue  
November 2008  
New Orleans, Louisiana**

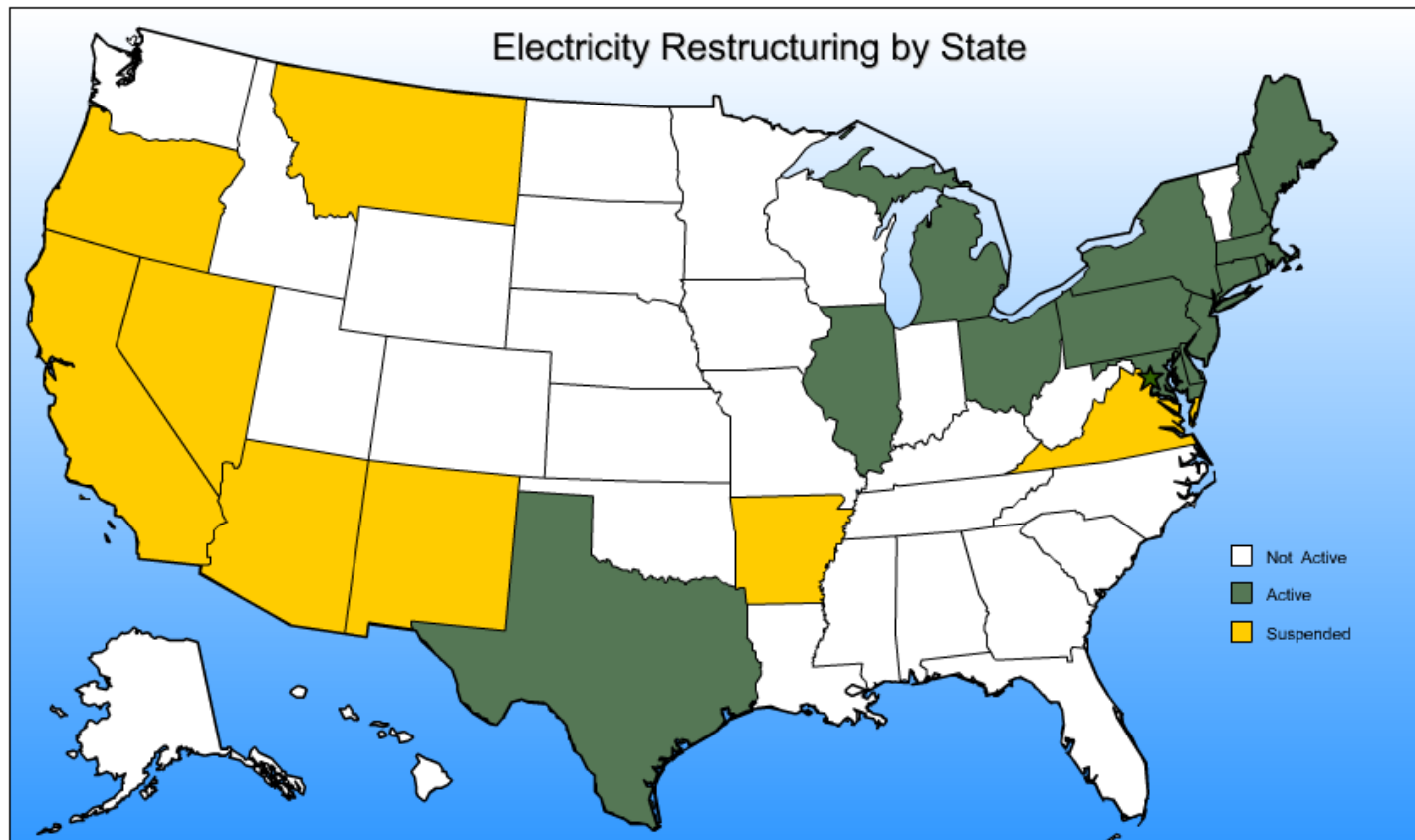


## **Overview: Factors Affecting Our Energy Sector**

- Some Factors Remain: Regulatory Models
- New Federal Legislation
- State / Federal Collaboration
- Economic Factors & Markets For Commodities
- Efficiency, Climate, and Infrastructure As Increasingly Powerful Factors
- State Activities



# Electric Utility Regulation Remains a Hybrid System at the Retail Level



Source: Energy Information Administration, status as of April 2008



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## Traditionally Structured States Operating in Vertically Integrated Markets

- State Regulators Use Cost-based, Average Price Methodologies – Southeast, Southwest, Northwest
- Integrated Resource Planning of All Aspects of Utility Operations – Generation, Transmission, Distribution, Load Management/Demand Response
- Some Regional Coordination – WECC; Southern States Energy Board



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## Restructured States Operating in Organized Markets –

- Retail Customer Choice Available, but Little Used
- State Regulators Manage Local Utility Access to Wholesale Markets for the Benefit of Retail “Standard Offer” Class
  - Northeast, MidAtlantic, MidWest
  - NJ Auction]
- Regional Coordination
  - [OPSI, OMS]



## Recent Developments (Since December 2007 EU/US Roundtable)

- Price Volatility in Natural Gas Commodity Prices
- Continued Upward Pressure on Electricity Prices
- Impact of Distress in Credit Markets on Capital Formation
- Economic Downturn -- State Commissions Prepare for Increased Stress on Consumers during Upcoming Winter
- Increased Funding for Low Income Home Energy Assistance Program (LIHEAP)



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## Recent Developments (Continued)

- Growing Recognition of Increased Supply and Infrastructure Needs
- DOE Files License Application with NRC for Yucca Mtn Nuclear Waste Repository
- Extension of Renewable Production Tax Credits
- Impact of Election on Administration and Congress – Prospect of Climate Legislation



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## New Congressional Legislation (EISA, December 2007)

“Energy Independence and Security Act” has significant implications for regulators:

- Establishes Program to Promote Investment in Smart Grid Technologies
  - Directs State Commissions to Analyze Investment and Information Policies Affecting Smart Grid Deployment
- Promotes State-level Energy Efficiency Initiatives for Gas and Electric Utilities
  - Directs State Commissions to Analyze Costs/Benefits of Integrated Resource Planning and Retail Rate Reform (Decoupling)
- Establishes Program to Promote Combined Heat and Power Facilities
  - Directs State Commissions to Analyze Benefits of Enhancing Grid Access for Power Produced from CHP Facilities
  - Directs DOE to Prepare Report on Benefits from Expansion of “Private Wires” Constructed to Distribute Power Separated from the Grid
- Directs FERC to Prepare National Action Plan for Demand Response





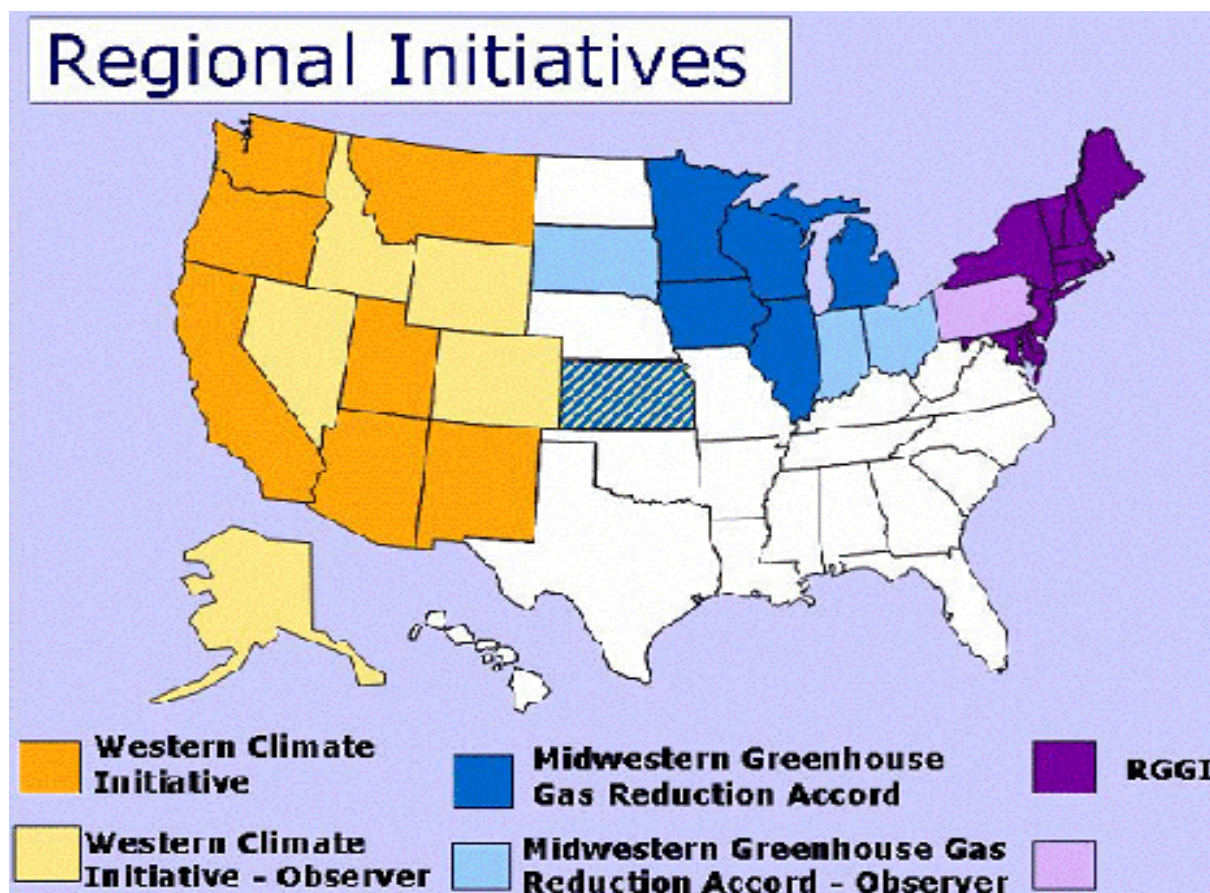
## FERC / NARUC Collaboratives

- NARUC and FERC Have Established Three “Collaborative Dialogues” on Issues of Common Concern
  - Demand Response – Focus on Coordinating Implementation of DR between Wholesale (FERC-regulated) and Retail (State-regulated) Markets
  - Competitive Procurement – Focus on Options for States to Regulate Procurement of Power Supplies by Load Serving Entities from Competitive Wholesale Markets
  - Smart Grid – Focus on Coordination of State and FERC Policies to Promote/Regulate Investment in Smart Grid Technologies



# State Responses to Climate Change

- Implementation of Regional Cap-and-Trade Programs

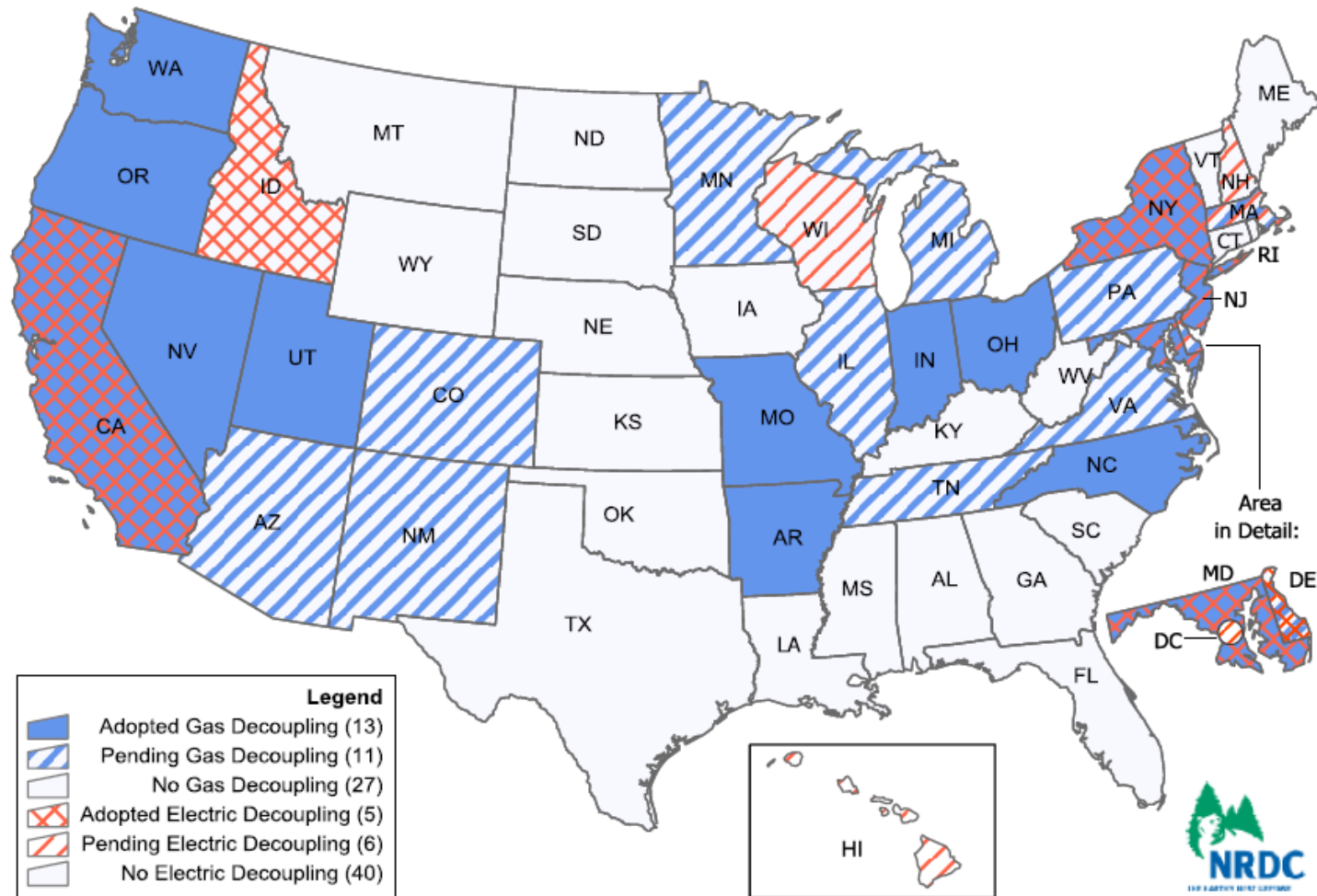


Source: Pew Center on Global Climate Change



# Efficiency Approaches

- Enhanced Commitment to Energy Efficiency – NJ, CA, NC;
- Commitment to Pursue National Action Plan for Energy Efficiency (NAPEE);
- Rate Reform-Decoupling

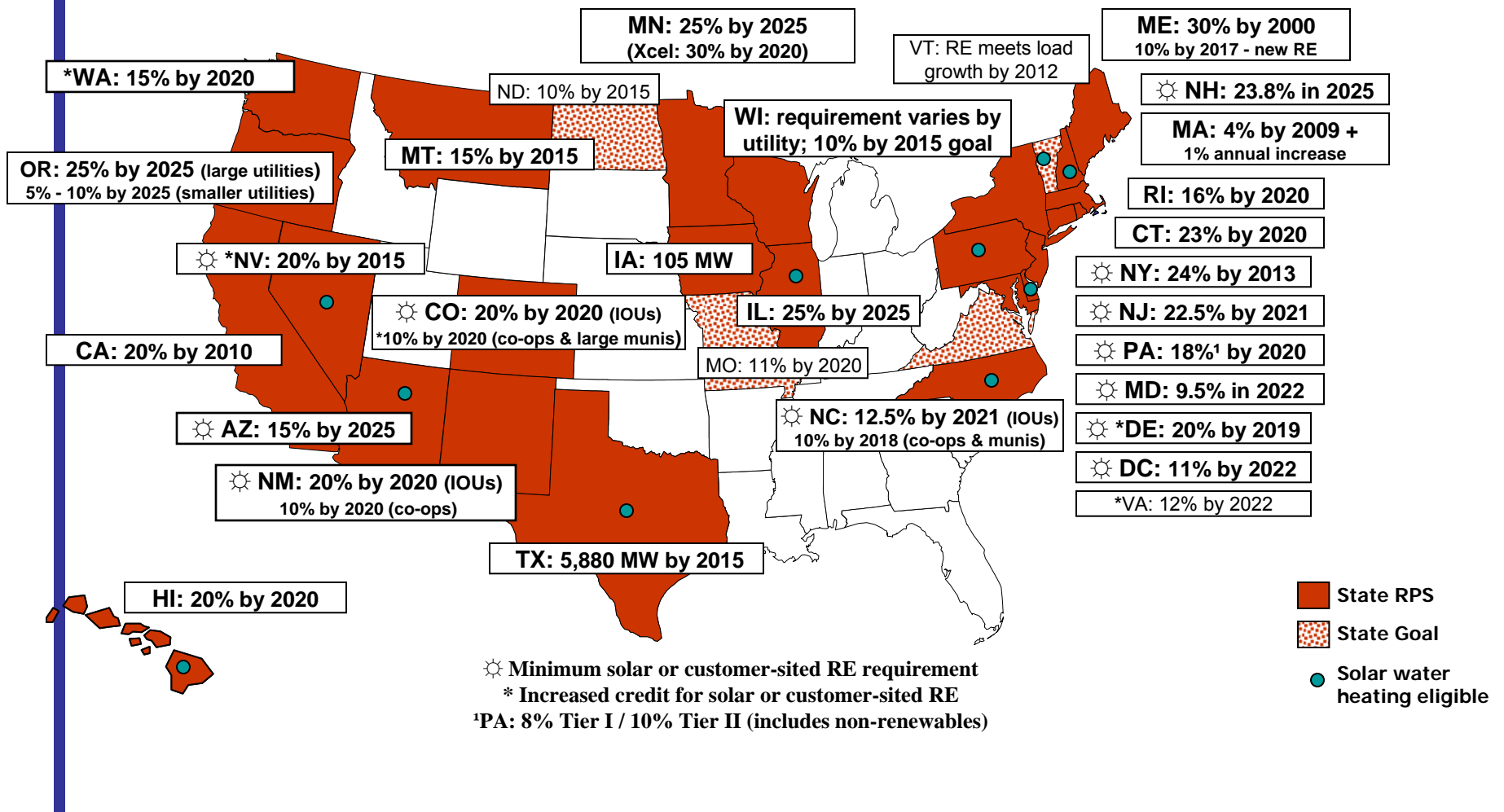


# North Carolina Solar Center

DSIRE: [www.dsireusa.org](http://www.dsireusa.org)

March 2008

## Renewables Portfolio Standards





## Conclusions

- The State of the World Economy and the 2008 Election is Likely to Transform US Energy and Regulatory Policy
- We Look Forward to the World Forum on Energy Regulation IV in Athens in October 2009 to Assess the Scope and Pace of the Transformation