



EDISON ELECTRIC
INSTITUTE

NAPEE Mid-Atlantic Implementation Meeting

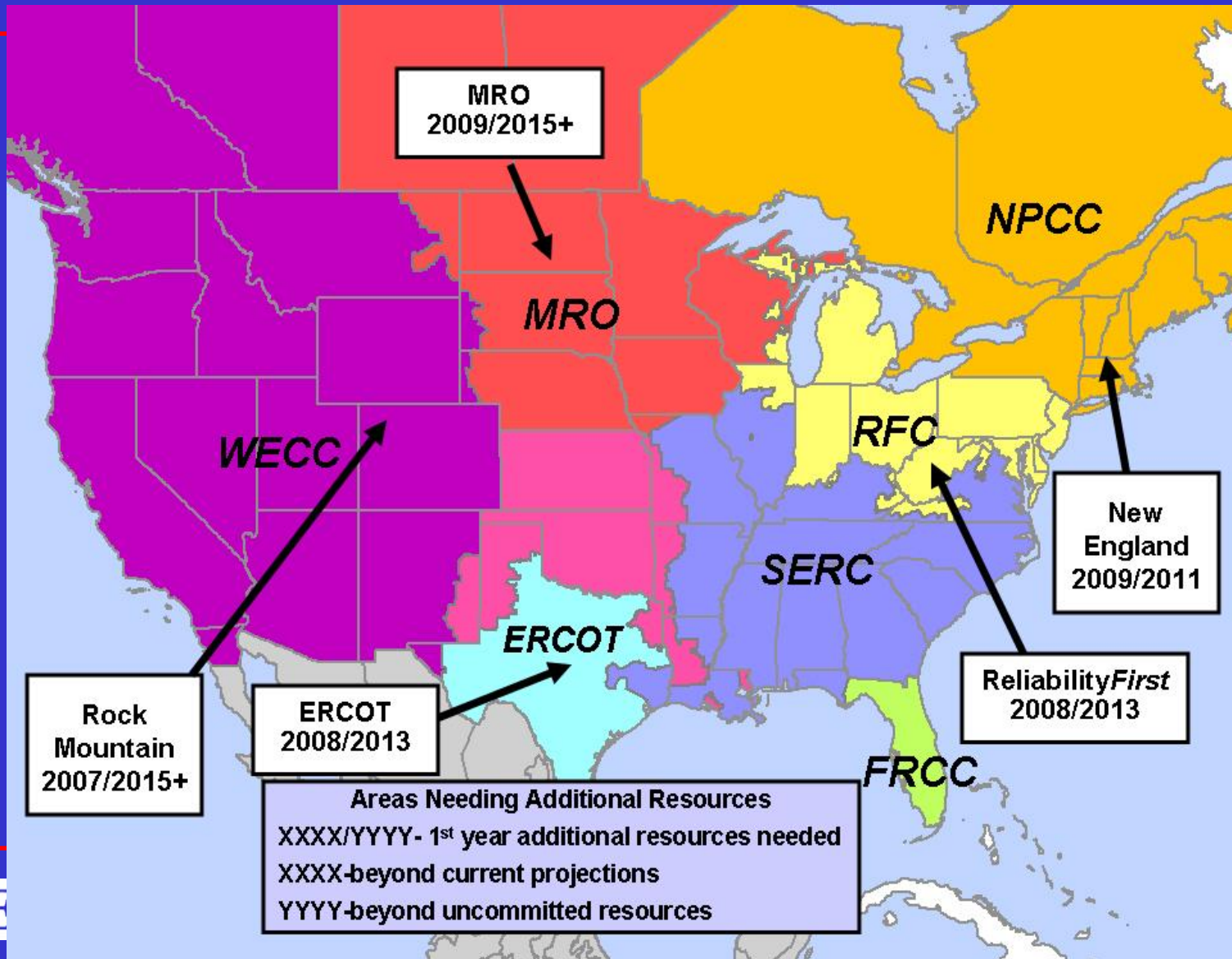
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The Need Is Urgent

- **Reliability** – reserve margins are thin, DR can help
- **Climate change** - concerns are growing, we need efficiency to slow growth
- **Rising rates** (+26% residential '99 to '06) - customers need tools to control costs, we need efficient rates to mitigate investment risk
- **Service quality** – customers need AMI & Dist-automation for upgraded service in the post-industrial economy

Reserve Margins Shrinking



Multiple Policies Are Needed

- Efficient rates – time differentiated rates, more customer choice
- **Advanced metering infrastructure** – prices and interval data to support demand response, automated DR too
- **New business models** – to let utilities make sustainable businesses delivering efficiency and demand response
- **New enabling regulatory policies** – to address DSM cost recovery, the throughput issue, incentives

One Size Fits All (Not!)

- We need to build consensus - utilities, regulators, customers

- Financial criteria:
 - Timely recovery of DSM costs
 - Keeping whole for fixed costs
 - Ability to make a margin

- Possible business models:
 - Conventional regulatory
 - Performance-based
 - Market-based
 - Green power

Bus. Models Must Be Sustainable

- Responding to climate change may take generations!
 - Utilities can't just do it because its politically correct
- Utilities must become less dependent on energy growth to drive financial performance
 - Solvent utilities are in the public interest, will remain so as we adapt to new challenges