

Everybody Be Careful and Everybody Will Be OK

February 18, 2016

Once upon a time (actually, it was the late 90's) there was a wicked witch of the west named Enron. As befitting a witch, Enron flew into the Northeast and tried to cast a spell on the inhabitants and their rulers. The spell would have had those people believe that there were abundant free treats to be had (and I am not talking about candy and popcorn), with part of it to be eaten by Enron and part by them. But as with most things purported to be free, this one was an illusion. The only way the treats could be created was by taking them from someone else. That someone else was the utility, who the witch cast as evil, unkind, and unworthy of what it had invested in and owned. The utilities asked for fair treatment, and for their investments not to be stranded, but as that did not appear to be in favor, they had no choice but to fight.

And there was a war...

When the war ended, the witch had melted and the utilities were still in place, although they were changed. They had fewer castles, but still had their roads, bridges, and other infrastructure. However, the terms of the peace treaty were such that the one key thing at the heart of the war - competition and lower prices - were included in the treaty but delayed. In other words, there were unintended consequences.

Today the spell of free treats may be in the air again.

As I have argued everywhere I can, the future of electricity will be a distributed one, and DER will flourish. But there is an aspect of this distributed vision that must be recognized if the transition to this future is to happen peacefully and on a timely basis. Not only will resources, and at some points markets, be distributed, but many of the assets will be on the customer side of the meter. Moreover, they may be controlled by the customer and not necessarily available to (or even known by or visible to) grid managers and operators at times.

And infrastructure becomes all the more important - especially at the distribution level, where once again utilities are seeing stranded investment scenarios where they get hurt. This seems to be leading to a new war, where the battles are fought over customer charges, fixed charges, value of solar tariffs, and demand charges that utilities are deploying to try to protect cost recovery.

That all sounds logical, and maybe anyone would easily leap to the same course of action if they were in a utility's shoes. But there is more to it.

While I am sympathetic to their situation, no one tries harder than me to tell utilities that they have no choice but to change their business models and welcome new technologies and options. While the Enron-led restructuring of the 90's really had nothing to do with technology, this restructuring has everything to do with it.

Technology cannot be held back, and because of that, the transformation of the electricity sector cannot be held back.

If a utility today does not recognize that they have to change, and does nothing other than to pull up the drawbridge and throw fixed charge alligators in the moat, then it should not expect any sympathy.

But if DER advocates (e.g. roof-top solar, storage, etc.) think that the utility system can change overnight and that utilities don't deserve fair treatment in this transition, they are not thinking or being constructive either.

There is likely no one-size-fits-all approach to take, but the key is to make the discussion a cost-based one, and not to get the cart before the horse by first focusing on charges.

I think a DER-based future will be wonderful, with treats for utilities, non-utilities and customers alike based on all of the efficiencies and savings that can be wrung out of the present system. But everyone has to play fair and not try to screw someone else. We can really all get along on this one if we try.