



Agenda Item VI (Energy)
Meeting Date: 01-10-18



Energy Choice

A New Energy Policy for Nevada

Nevadans for Affordable Clean Energy Choices

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2016 Election and the Process

- In 2016, ECI received 72.36% of the vote (783,185 yes votes)
- As a constitutional amendment, ECI must be placed on the 2018 General Election Ballot.
 - *If it passes a second time, it becomes law*
- Over 800 Nevada businesses have publicly expressed support for ECI



What is Energy Choice?

Energy Choice Initiative (“ECI”) eliminates the electric monopoly in Nevada, opening the way for competition, innovation, and lower costs. ECI does **not** mandate what the new market will look like; rather, it imposes upon the legislature the responsibility to ensure meaningful choice, freedom to compete, and customer protection.

- Freedom to **Choose**
- Freedom to **Innovate**
- Freedom to **Compete**



ECI

Establishes a New Energy Policy

POLICY:

The People of the State of Nevada declare that it is the policy of this State that electricity markets be open and competitive so that all electricity customers are afforded meaningful choices among different providers, and that economic and regulatory burdens be minimized in order to promote competition and choices in the electric energy market. This Act shall be liberally construed to achieve this purpose.



ECI

Establishes a New Energy Policy

- Markets for electricity shall be ***Open and Competitive***
- Customers shall be afforded ***Meaningful Choices***
- Regulation and economic burdens shall be ***Minimized***
- Regulation shall promote ***Competition***



ECI

Creates New Rights for Nevadans

Effective upon the dates set forth in subsection 3, every person, business, association of persons or businesses, state agency, political subdivision of the State of Nevada, or any other entity in Nevada has the right to choose the provider of its electric utility service, including, but not limited to, selecting providers from a competitive retail electric market, or by producing electricity for themselves or in association with others, and shall not be forced to purchase energy from one provider. Nothing herein shall be construed as limiting such persons' or entities' rights to sell, trade or otherwise dispose of electricity.



ECI

Creates New Rights for Nevadans

- A right to **choose** among electric providers
- A right to **access** a competitive market
- A right to **self-generate**
- A right to join with others to **cooperatively produce** electricity



ECI

Creates New Mandate for the Legislature

Not later than July 1, 2023, the Legislature shall provide by law for provisions consistent with this Act to establish an open, competitive retail electric energy market, to ensure that protections are established that entitle customers to safe, reliable, and competitively priced electricity, including, but not limited to, provisions that reduce costs to customers, protect against service disconnections and unfair practices, and prohibit the grant of monopolies and exclusive franchises for the generation of electricity. The Legislature need not provide for the deregulation of transmission or distribution of electricity in order to establish a competitive market consistent with this Act.



ECI

Creates New Mandate for the Legislature

- A duty to establish open competitive markets no later than 7/1/2023
- A duty to provide for safe, reliable, and competitively priced energy
- A duty to set up customer protections
- A duty to prohibit monopolies and exclusive generation franchises
- An implied duty to create *meaningful* choices
- Competitive Markets may be phased in, or adopted at one time



Today's Monopoly

- Today, utilities within the state hold a certificate of public necessity and convenience (“CPCN”), which grants them the exclusive right to sell electricity within the borders of the CPCN.
- It is illegal for any other person to sell the electric commodity within a certificated area, and customers are “captive.”
- Customers must pay an approved rate for prescribed services. Rates are generally based on the cost of the electrical system, as well as the cost to generate the electric commodity, plus a profit margin for the utility share-holders.



Open and Competitive - What will change?

- Energy Choice requires that the market to sell electricity in any part of the State will be open to any qualified retail electric provider (“REP”), but the Legislature will set rules and standards for REPs to protect consumers.
- Customers will not be captive, but will be able to choose from whom they will acquire the electric commodity.
- Rates and terms will be set by the market, not by a single utility’s costs.
- Multiple companies will offer plans of varying lengths and at the best prices possible to increase market share. In other states, options are available that allow customers to choose the plan that is right for them: fully renewable, lowest average price, flexible terms, or Free Nights and Weekends, to name a few.
- The Public Utilities Commission of Nevada will no longer regulate and establish prices and terms of service for the electric commodity, but will oversee the markets to ensure customers are protected and market power is not abused.



Meaningful Choices

Without a working market and meaningful choice, lower costs cannot be produced through competition.

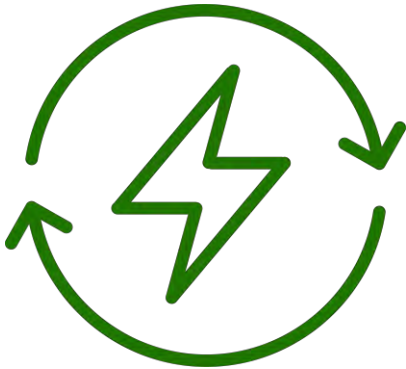
- While ECI does not mandate a specific market design, it does require that the path chosen by the Legislature result in meaningful choices for Nevadans.
- A retail market that does not function properly to allow true competition does not provide meaningful choices.
- A market in which the incumbent utility is able to leverage its control of assets in the State to undercut competition does not provide meaningful choice.
- A retail market will not function efficiently unless retail electric providers have access to wholesale markets and transmission.



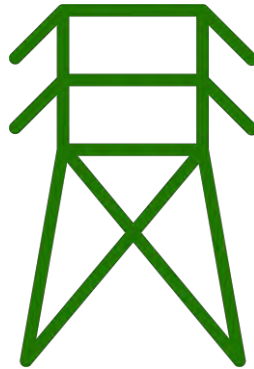
How it Works

The electric industry is comprised of three distinct functions. These can be controlled by a single company (e.g. NV Energy) that has a monopoly. This structure is called “Vertical Integration”.

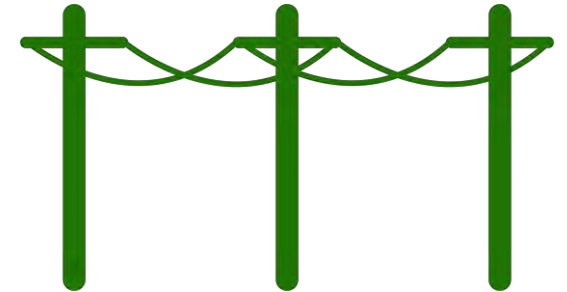
Generation



Transmission



Distribution



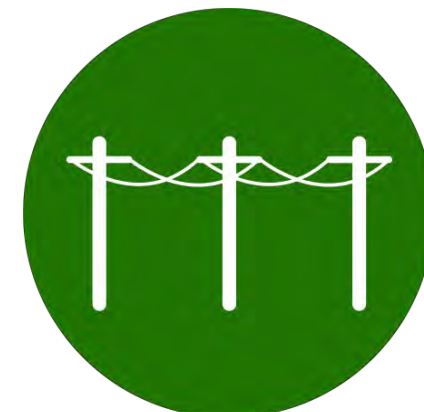


In many circumstances, including retail choice, these functions are now served by separate, independent companies that each serve a specialized function – a “GEN CO,” a “TRANS CO,” and a “DIS CO.”

Generation

Transmission

Distribution



GEN CO

TRANS CO

DIS CO

ECI mandates that every Nevadan have **“the right to choose the provider of its electric utility service.”** The Legislature must provide for competitive retail markets. In addition, a customer **“shall not be forced to purchase energy from one provider.”** In other words, there may be no monopoly by a GEN CO.



As a result, under Energy Choice, the generation and marketing of electricity to retail customers will no longer be carried out by an arm of the local utility. Rather, REPs will generate power or purchase low cost power at wholesale and compete to market the commodity to retail end users.

Generation



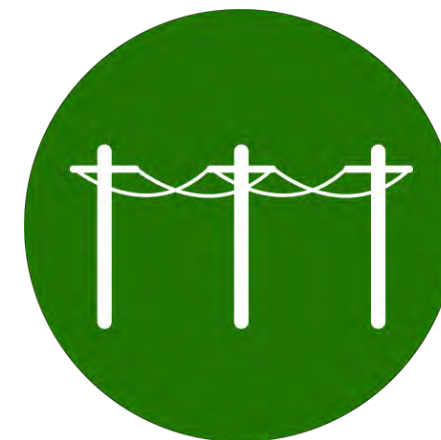
**COMPETITIVE
RETAIL ENERGY
PROVIDERS**

Transmission



TRANS CO

Distribution



DIS CO

The ECI requires a reliable supply of energy. Typically, one REP is designated as the provider of last resort ("POLR"). The POLR must stand by to deliver energy to any person who does not choose a REP, or in an emergency, if a REP is unable to deliver. In return, a POLR may charge a Commission-approved fee for these services that is generally higher than market rates. The DIS CO should not be the POLR.



ECI mandates that Nevadans shall have the right to choose among, at a minimum, three options for acquiring electricity: **“selecting providers from a competitive retail electric market, or by producing electricity for themselves or in association with others”**



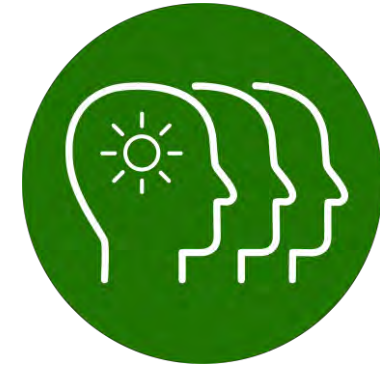
**Competitive retail market
that provides meaningful
choice**

e.g., a liquid, functioning
market in which GEN COS
and retail electric providers
enjoy true competition



Self Generation

Rooftop solar, privately
owned generation



In Association with Others

Community solar projects,
cooperative or neighborhood
investments in distributed
generation





Transmission and Distribution

ECl contains no affirmative obligation regarding how Transmission and Distribution functions must be offered. The Act states that **“the Legislature need not provide for the deregulation of transmission or distribution.”** However, the legislature may restructure these functions to the extent necessary to encourage a successful retail electricity market.

Generation



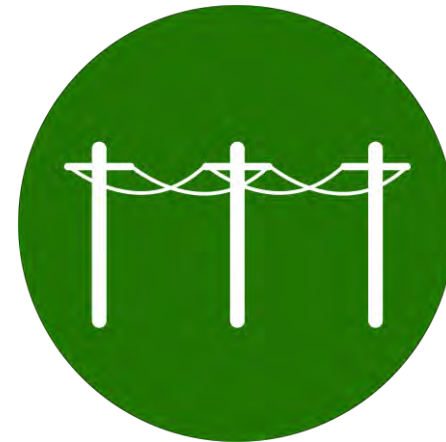
GEN CO

Transmission



TRANS CO

Distribution



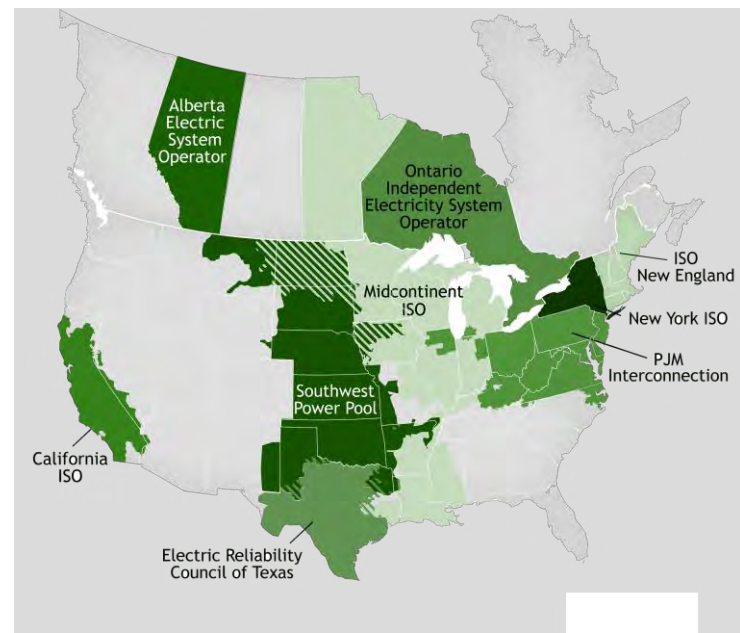
DIS CO

For example, most successful retail choice states are part of a larger, regional wholesale market for Transmission and Generation. This ensures that retail electric providers are able to offer retail products at the best prices, and that they have full and fair access to the lowest cost generation, as well as the transmission needed to deliver power into the state.



Organized Wholesale Markets

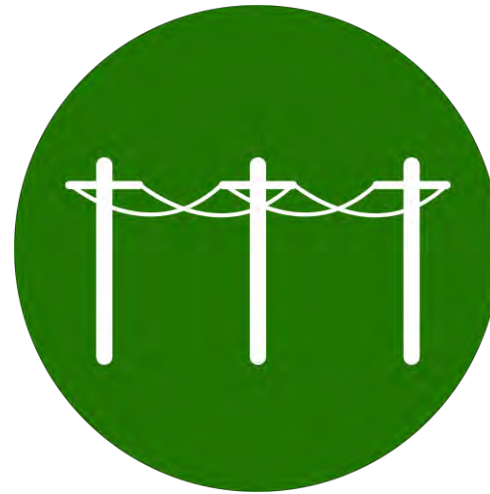
- While ECI does not mandate joining a wholesale market, such a move may be advisable. meaningful choice, as mandated by the ECI, is more likely to develop in retail markets that have full access to organized wholesale markets.
- Each existing transmission owner may continue to own and maintain its own transmission system, providing continuity for workers and ensuring that there is no change to reliability and safety standards in place.
- Regulation and oversight of and independently operated wholesale market is performed by the Federal Energy Regulatory Commission. No additional regulation or oversight is imposed on Nevada.
- Some Nevadans already participate in the CAISO wholesale Market (VEA), while the entire state purchases certain products in the California Market through the West-wide energy imbalance market. In addition, the Southwest Power Pool is in the process of expanding westward, and parts of Nevada could potentially join its wholesale market.





Distribution Services

Distribution



Each local DIS CO provides vital services, including guaranteeing the reliability and safety of the grid. While ECI does not mandate changing the way DIS COS operate, DIS COS should not be not be REPs or POLRs, in order to assure a fair market. DIS COS continue to employ local utility workers, and the cost of this service is typically included as a line-item on each customer's utility bill.



Key Issues for Consideration

The Governor's Committee on Energy Choice is currently considering policy recommendations for no less than eleven critical issues, which require thoughtful deliberation in order to ensure the success of Nevada's new Energy Policy. However, these eleven tasks focus on resolution of a limited set of issues.

Market Structures | New Regulatory Framework | Unreimbursed Utility Costs

Consumer Protection | Renewable Energy in a New Market

Energy Choice for Municipal and Cooperative Utilities



Market Structures

A competitive market is necessary for the success of Nevada's new Energy Policy. Retail markets must be innovative, take advantage of technology, and be designed to provide competition, and must be paired with nondiscriminatory, liquid, efficient wholesale market opportunities.



New Regulatory Framework

ECI mandates new regulation that will be designed to promote competition, and be carried out with a light regulatory touch. For example, distribution system, planning, and REP standards must be regulated. Market power of existing utilities must be mitigated. This may include economic and orderly divestiture of generation and limits on corporate affiliates serving as REPs.



Unreimbursed Utility Costs

A utility that has invested in plant with the expectation of serving Nevada customers may be entitled to recover some portion of unreimbursed costs. Such costs could materialize if the embedded cost of the assets or power purchase agreements exceeds market value. The Legislature should require that such costs be minimized and offset by all available means.



Consumer Protection

Customers must be provided with easy-to-use, transparent tools for participating in the energy market. Rules for REPs and marketers must be set. Safety and reliability must continue to be assured. Educational opportunities and consumer tools are needed so that customers can take advantage of market opportunities. Innovative technology must be employed to bring cost savings and choice of resources to individual customers.



Renewable Energy in a New Market

Renewable Energy in a New Market

The ECI states that its adoption does not invalidate Nevada's public policies on renewable energy, energy efficiency, or environmental protection. Rather, customer choice will open new opportunities, enable individuals and companies to drive renewable development, and promote the development of new ideas and technologies.



Rules for Public Power and Cooperatives

The ECI guarantees energy choice for all Nevadans, whether currently served by NV Energy or by a municipal or cooperative utility. However, one set of rules may not successfully implement Energy Choice for all Nevadans, because these consumer-owned entities are fundamentally different in structure and mission from an investor-owned utility. However, carefully crafted rules can preserve these differences, as well as the unique mission and values of public power, while fairly achieving Energy Choice for all Nevadans.



ENERGY CHOICE

New Opportunity for Nevada

The success of the New Energy Policy embraced by over 70% of Nevada Voters depends upon thoughtful, innovative resolution of the issues in upcoming legislative .

- Freedom to **Choose**
- Freedom to **Innovate**
- Freedom to **Compete**