Standby Rate Best Practices

Summarized by Julie Baldwin from

Standby Rates for Combined Heat and Power Systems
Prepared by Brubaker & Associates
and the Regulatory Assistance Project
for Oak Ridge National Laboratory
February 2014

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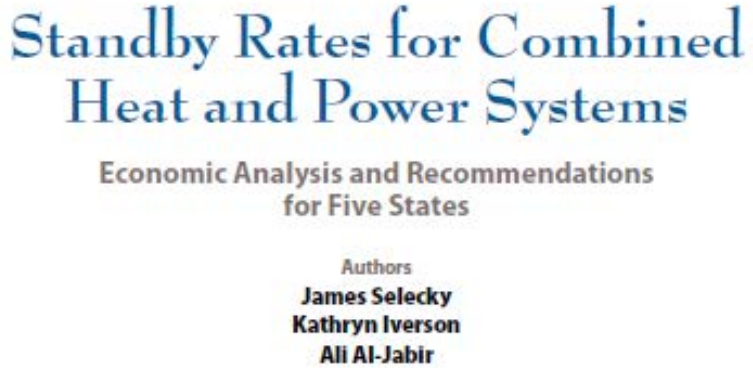
Three Types of Best Practices

- Allocation of utility costs
- Judgements Based on Statistical Method
- Value of Customer Choice and Incentives


Standby Rates for Combined Heat and Power Systems

Economic Analysis and Recommendations for Five States

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February 2014

Allocation of Utility Costs

1. Generation, transmission, and distribution charges should be unbundled in order to provide transparency to customers and enable appropriate and cost-based standby rate design.
2. Supplemental power charges should be based on charges in the applicable full requirements tariff.
3. Generation reservation demand charges should be based on the utility's cost and the forced outage rate of customers' generators on the utility's system.

Judgements Based on Statistical Method

1. Standby rate design should not assume that all forced outages of on-site generators occur simultaneously, or at the time of the utility system peak.
2. Transmission and higher-voltage distribution demand charges should be designed in a manner that recognizes load diversity.
3. Standby rate design should assume that maintenance outages of on-site generators would be coordinated with the utility and scheduled during periods when system generation requirements are low.

Value of Customer Choice and Incentives

1. Daily maintenance demand charges should be discounted relative to daily backup demand charges to recognize the scheduling of maintenance service during periods when the utility generation requirements are low.
2. Customers should have the option to purchase all or some portion of their standby service on an interruptible basis and thereby avoid generation reservation demand charges.
3. Pro-rated, daily, as-used demand charges for backup power and shared transmission and distribution facilities should be used to provide an incentive for generator reliability.
4. Customers should be able to procure standby service from competitive power providers at prevailing market prices, where available.

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