State of Maine
Office of the Public Advocate
112 State House Station, Augusta, Maine 04333-0112
(207) 624-3687 (voice) 711 (TTY)
www.maine.gov/meopa

Heather B. Sanborn
PUBLIC ADVOCATE

Testimony in Support of LD 186, "An Act to Clarify the Public Utilities Commission's Authority to Establish Time-of-use Pricing for Standard-offer Service"

Senator Lawrence, Representative Sachs and distinguished members of the Joint Standing Committee on Energy, Utilities and Technology,

My name is Heather Sanborn and I am Maine's Public Advocate. I am here today to testify in **support** of LD 186 "An Act to Clarify the Public Utilities Commission's Authority to Establish Time-of-use Pricing for Standard-offer Service."

Time-of-use pricing provides an economic incentive to encourage electricity consumers to shift their electricity usage from peak hours to non-peak hours of the day. As technology progresses, much of this usage shifting can and will be automated so that our devices shift their own electrical usage without us needing to do anything and without any negative impact on our lives. For example, a hot water heater can be set so that it uses mostly off-peak electricity to heat water, but holds the water so it's ready for you to take a shower or run the dishwasher whenever you want to. An electric vehicle can be set up so that you plug it in when you get home from work, but it doesn't start to charge until several hours later when peak demand has passed – either way it will be fully charged and ready for you in the morning. This type of shifting of our electricity demand represents a powerful potential tool for reducing ratepayer costs by reducing our peak load.

The size of our peak load is really what drives a huge portion of our electric bills in a number of different ways. First, our grid must be over-sized so that it is always large enough for the largest moment of peak demand, meaning expensive investments in poles and wires that our utilities are compensated for. Second, in moments of peak demand, we generally must turn on the dirtiest and most expensive generation resources, causing the wholesale price of electricity to spike. Third, to cover peaks, we have to pay those dirty, expensive plants to standby to be there if we need them, rather than decommissioning them entirely. If we can reduce our peak load by shifting usage to non-peak times, we can pull on all three of these levers at the same time, driving down the overall cost of distribution, supply, and capacity charges. Time-of-use pricing is one way to provide these incentives, and the PUC should be able to authorize rates with these incentives in mind as a means of generating substantial savings over time.

However, while time-of-use pricing offers the potential to drive down costs (and help the State achieve its climate goals), the implementation of time-of-use pricing is critical to its success and presents a number of challenges. Specifically, any new time-of-use rate design should be offered on a voluntary "opt in" basis, rather than as a mandate, and will require an extensive and effective customer education program. The failure to incorporate these elements creates a risk of consumer backlash.

As drafted, LD 186 does not dictate the timing or the specific details of the program. Rather, it appropriately delegates the design and implementation of such a program to the Commission. In this regard, the Commission is currently conducting a robust stakeholder process to receive input from interested parties regarding the development and implementation of a time-of-use pricing program. The OPA and others have been very active in this process at the PUC.

The devil will indeed be in the details, and it is the details that the PUC is best equipped to manage. For example, as part of its consideration, the Commission will need to assess whether it is more cost effective for standard offer providers to incorporate time-of-use pricing in their standard offer bids or, alternatively, for the Commission to allow standard offer providers to continue to bid a single uniform price for all hours but require CMP and Versant to collect standard offer revenue on a time-of-use basis. This will introduce a level of additional risk and uncertainty to the standard offer program, but may, at least initially, be the most effective way to procure standard offer service while implementing time-of-use pricing on an opt-in basis.

And, finally, the Commission will need to address the behavior of Competitive Electricity Providers (CEPs) if it introduces time-of-use pricing for supply. It may undermine the whole exercise and the expected benefits, if CEPs are allowed to offer a single uniform price and then advertise potential savings for peak usage. It may be necessary to require CEPs to also offer time-of-use pricing with the same peak and non-peak hours as the standard offer so that consumers who want to shop for the best price can make a truly "apples-to-apples" comparison.

This bill appropriately leaves it up to the Commission to develop the details of such a program. The Commission has taken a careful and inclusive approach to-date, and we believe that any concerns related to implementation of time-of-use pricing are being adequately addressed through the stakeholder process.

Thank you for your time, attention, and consideration of this testimony. We look forward to working with the Committee on LD 186 and will be available for the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,

Heather Sanborn
Public Advocate