

Maryland Utility Pilot Project

Introduction

The Energy Future Coalition (EFC) has been charged by Governor Martin O'Malley and his Grid Resiliency Task Force with "scoping out a Utility 2.0 pilot proposal and reporting back to the Governor and the Task Force, by March 15, 2013, on a viable method to explore the contours of the utility of the future."

This request was based on the EFC's testimony to the Task Force in August 2012, supporting a transition by electric utilities to new business relationships with their customers, regulators, and competitors that would better align utility compensation with consumer benefit and incorporate a new technological architecture of digital information, controls, and end uses. This testimony built on an EFC meeting of experts and stakeholders on July 11, 2012, examining the feasibility of a state pilot project to address these issues. Separately, the County Council of Montgomery County, Maryland, held a hearing in October (at which the EFC also testified) on the potential for such a pilot and then supported the Governor's request, urging that a pilot project be designed for a portion of Montgomery County.

In order to carry out the Governor's charge by the stated deadline of March 15, 2013, the EFC seeks the further input and participation of those who joined the July meeting and any other interested parties. Initial conversations have established the threshold willingness of two key Maryland utilities, Baltimore Gas & Electric Company (BGE) and Potomac Electric Power Company (Pepco), to collaborate with the effort to design such pilots in order to maximize their potential benefits and knowledge gained. If the resulting designs appear promising to them and gain regulatory approval, the utilities and others may potentially implement the designs in selected portions of their service areas. As a result, the EFC intends to accept Governor O'Malley's charge and design one or more pilot projects for potential implementation in Maryland. The plan is to solicit input and conduct in-person meetings with stakeholders to discuss this project in early 2013 in order to meet the Governor's deadline, as detailed below.

Process and Schedule

1. **Threshold Utility Information.** The EFC has asked BGE and Pepco to provide it by January with:
 - a. A summary description of their efforts already under way to test future technology, customer options, and incentive structures, in order to avoid any duplication of existing efforts;
 - b. Their own ideas of what additional elements might be most useful, revealing, and productive to include in a new pilot project design; and
 - c. Their suggestions of what limited areas of their service territories (already equipped with smart meters) might make the best test grounds for such a pilot project, with a good mix of customers and loads.
2. **Contributions.** The EFC hereby solicits from other interested parties suggestions for any potential elements that could be included in the design for a coherent, manageable, and meaningful pilot project, with a deadline of **January 20th** for their submission to

info@energyfuturecoalition.org. A list of proposed elements will be developed and refined, annotated, and made available to other parties interested in participating or contributing.

3. **Categories of Potential Pilot Project Elements.** The EFC has tentatively defined a number of categories of utility service and business structure into which such proposed pilot elements might fall:

- a. Business model modifications
 - i. Utility incentives/disincentives
 - ii. Customer incentives/disincentives
 - iii. Customer service options
 - iv. Regulatory framework adjustments
- b. Reliability and resiliency enhancements
 - i. Technology enhancements
 - ii. Utility practice enhancements
 - iii. Consumer practice enhancements
 - iv. Interruptible service options for savings
 - v. Undergrounding options
- c. New technology applications
 - i. New customer end-use applications
 - ii. New customer building and appliance control options
 - iii. New utility system sensing and control applications
 - iv. New means of integrating distributed generation
 - v. Integration of technology owned by third parties
 - vi. Information collection, management, processing, privacy protection
- d. Customer relationship and communication changes
 - i. Billing information changes
 - ii. Smart-meter information access
 - iii. Customer benchmarking applications
 - iv. Information privacy stipulations
- e. Involvement by other stakeholders
 - i. Electric energy generators/suppliers
 - ii. Electric vehicle manufacturers
 - iii. Smart grid technology manufacturers
 - iv. Electricity storage technology vendors
- f. Pilot period issues
 - i. Opt-in or opt-out provisions
 - ii. Proposed implementation period
 - iii. Proposed start-up period

4. **Evaluation of Pilot Elements.** Anyone interested in participating in meetings to discuss the selection of pilot project elements should so indicate to info@energyfuturecoalition.org. The EFC will meet or hold phone discussions with stakeholders and other interested parties to characterize and articulate pilot project elements between **January 15th and January 31st**. The process of refining potential pilot elements will culminate in a general meeting on **Friday**,

February 1st, at EFC's Washington office at 1615 M Street, Suite 700 from 9:30 am to 3:30 pm.

Participants will include all those suggesting pilot project elements as well as utility representatives, state and county representatives, and other stakeholders and independent experts, to review and discuss the suggestions received, considering which ones would be most significant and how they might work together in a pilot project. The participants will also discuss what "rules of the road" need to be articulated as part of the pilot project design.

5. **Initial Draft Pilot Project Design Report.** The EFC will then by **February 25, 2013**, with support from the utilities and expert consultants, prepare one or more draft preliminary pilot project designs, tentatively including:
 - a. A statement of the purpose and proposed implementation of the pilot, key questions to be answered, and opportunities to be sought
 - b. A listing of the design elements selected and the intent to be tested, highlighting common as well as differing elements in each pilot design
 - c. Draft communications to customers in the pilot areas, and discussion of consumer options to participate or not
 - d. Draft rate modifications
 - e. Draft service modifications
 - f. Pro-forma revenue/expense spreadsheets of expected costs and cost recovery
 - g. A draft stipulation as to how the utility and its customers would be protected from down-side risks.
6. **Final Stakeholder Reviews.** The EFC will distribute the draft pilot designs to all prior participants, interested stakeholders and experts and will then hold additional small group discussions and convene a second general meeting of stakeholders, experts, and interested parties during the **first week of March** to review the designs and receive final suggestions and contributions.
7. **Deliverable.** The EFC will revise and finalize the draft pilot project design documents and deliver them to the Governor's representatives and all participants in the process on **March 15**. The final report will provide as much detail and substance in the proposed design of the pilot projects as possible, but may identify unresolved issues on design issues or include certain elements about which significant questions remain unanswered. The report may recommend further steps to be taken by the Governor, the utilities, the Maryland Public Service Commission, Montgomery County, or others, but will not represent the agreement of any stakeholder to take any specific action or to support the implementation of the pilot projects as designed. The report will be submitted solely as the work product of the EFC, will not attribute any particular aspect of any pilot to any specific participant, only acknowledging their general participation, and will make clear that the implementation of the pilot projects as designed will be subject to separate reviews, approvals, and decisions by the appropriate stakeholders, regulators, and other government officials.