



**S&C ELECTRIC COMPANY**  
Excellence Through Innovation

LEARN MORE AT [SANDC.COM](https://sandc.com)

100-4502  
January 20, 2020

© S&C Electric Company 2019-2020, all rights reserved



Excellence Through Innovation





# Are you ready to implement future regulation?



1

## Traditional Cost of Service

Cost is the main driver for investment decisions. Limiting customer bills is the priority. This encourages a business-as-usual mindset and a tendency to run assets until failure. Utilities often have an adversarial relationship with regulators and one-way communication with customers.

### Requirements to advance:

- Identify network constraints and asset end-of-life issues.
- Implement additional monitoring and control capabilities to the system.
- Investigate how new connections or a load change will impact the system.
- Begin formulating an action plan to prepare for future system needs.

3

## Performance-Based Regulation

The utility now operates under a performance-based incentive program and is financially rewarded for excellent performance. Serving the customers' changing needs has become the main objective. Working in partnership with regulators toward a shared goal, the utility begins offering ancillary services within its regulated business to customers and other networks.

### Requirements to advance:

- Proportion of return earned through the rate base has decreased, and more revenue is earned through selling ancillary services.
- Interact with end-customers on a regular basis through various communication channels.
- Manage assets that are not a part of their network.

2

2

## Adaptive Rate Making Mechanism

The utility has greater monitoring and control capabilities for its system and is actively assessing and sharing this information with peers and regulators. Investments are strategic, responding to system signals, but they are still focused on capital outlay.

### Requirements to advance:

- Rate filings should include the full benefit stack for the consumer, including community and social benefits.
- Submit a rate application for non-wires alternatives (NWAs) to solve existing or emerging network constraints.
- Offer service-based solutions outside of the utility's own network.
- Collaborate with regulators to test an NWA business case and establish key outcomes to focus on with performance-based regulation.

4

## Distribution System Operator

The utility assumes a system operator role, balancing the demand and generation and managing capacity constraints on its network. A significant portion of revenue comes from incentives, providing ancillary services, and serving as a market platform.

