

The Brattle Group

DO SMART RATES “SHORT CHANGE” CONSUMERS?

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The ultimate paradox

It has been shown more than 70 times that the majority of consumers benefit from smart rates; however, progress toward smart rates is stalled because of apprehensions that they will harm consumers

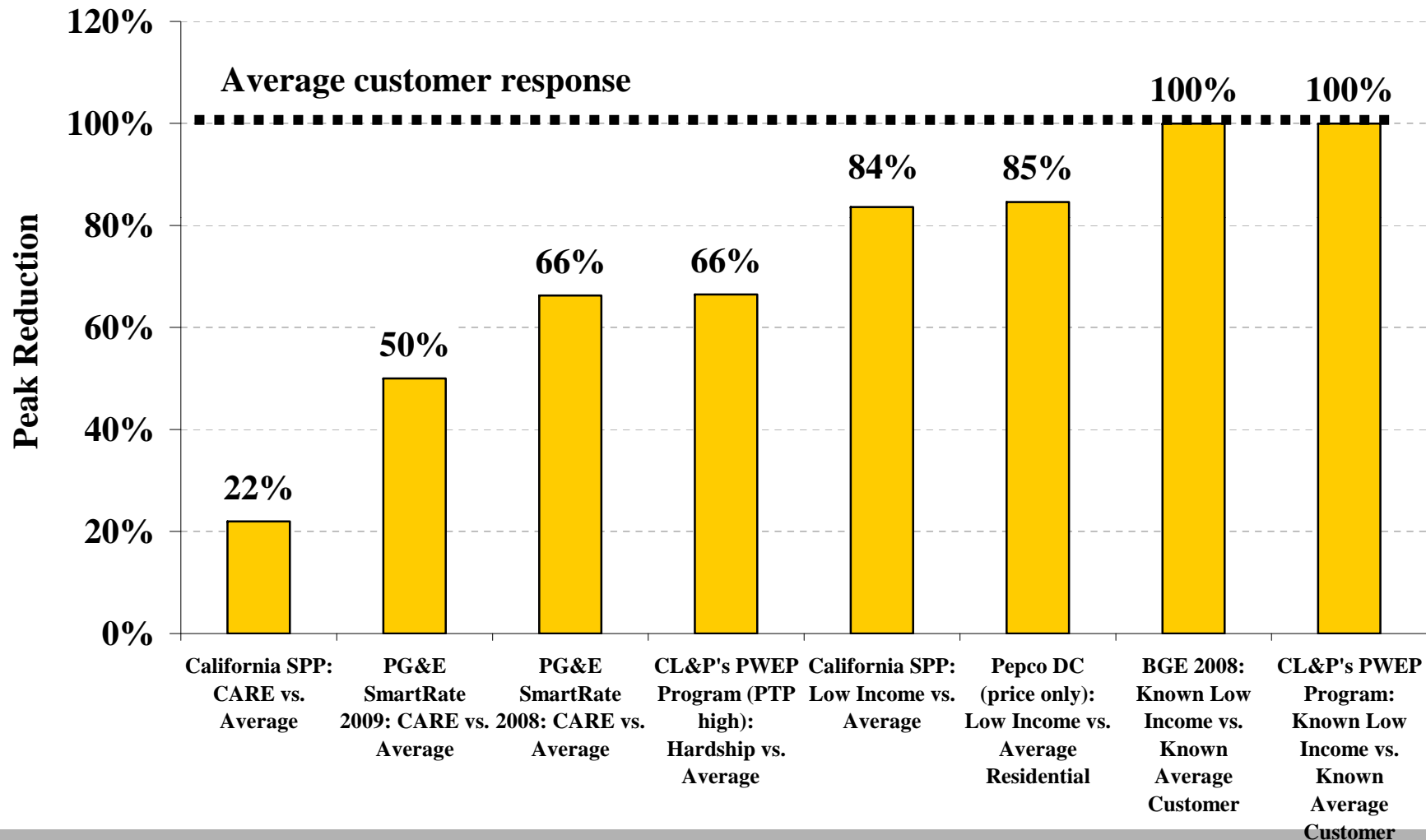
The apprehensions are especially pronounced when it comes to low income consumers; it is said that low income consumers will see higher bills because they

- ◆ Don't know how to respond to dynamic rates
- ◆ Have very little peak load to begin with

What is the empirical evidence?

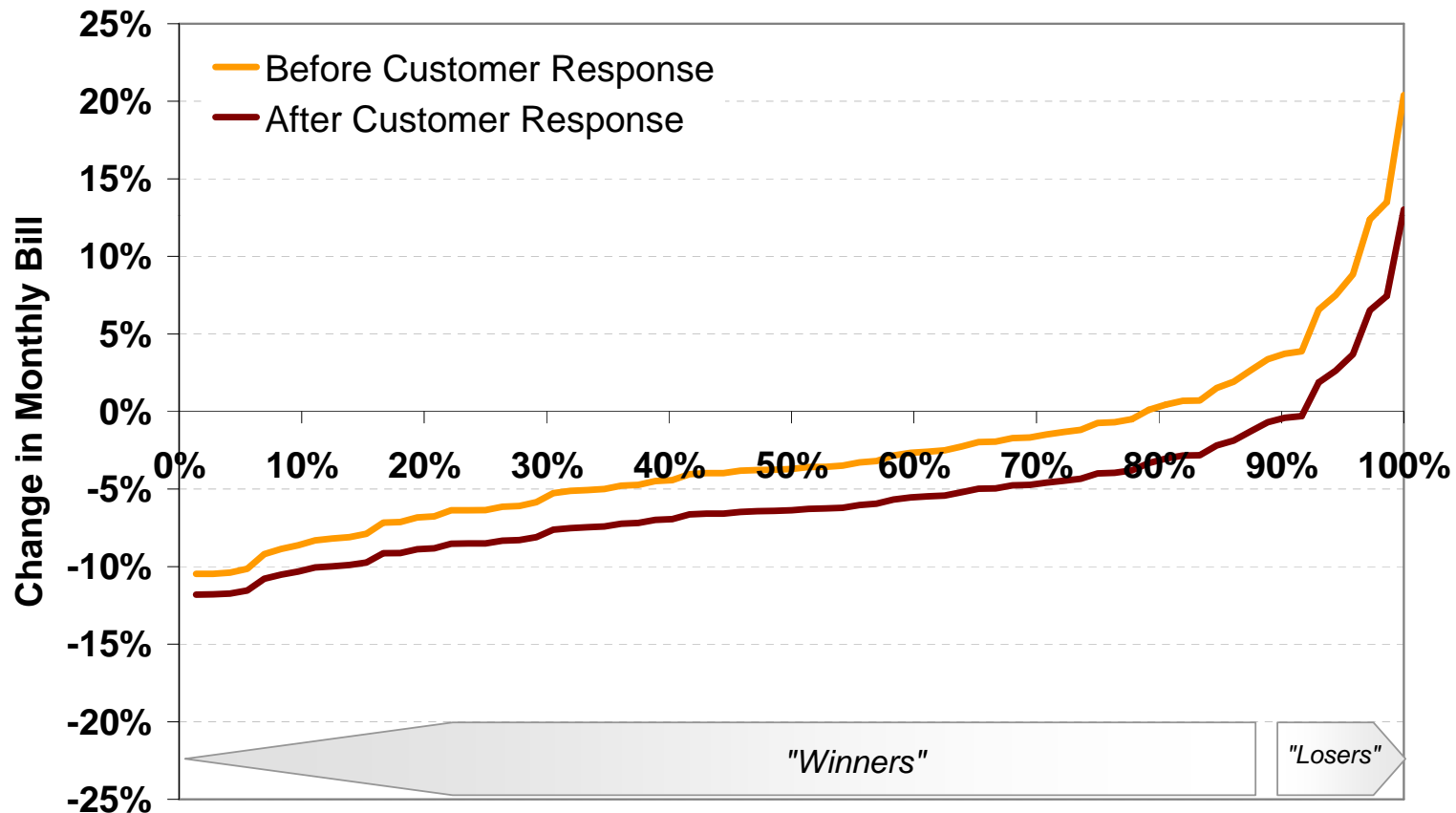
Low income customers can respond to dynamic pricing

**Low Income Customer Responsiveness
Relative to Average Customer Response**



Most low income customers would automatically benefit from dynamic pricing

Distribution of Dynamic Pricing Bill Impacts
- Low Income Customers on CPP Rate -



Resolving the paradox

Peak-time rebates

- ◆ Create a “no lose” situation for all customers, while still providing them an incentive to reduce peak usage

Demand subscription service

- ◆ Require customers to buy their “baseline” energy usage at flat rates; changes to the baseline are bought at dynamic pricing rates

Dynamic pricing with bill protection

- ◆ One hundred percent protection in the first year that is gradually phased out over three to five years

Energy stamps for low income consumers

- ◆ An adjunct to food stamps, they would allow the same energy prices to be offered to all consumers

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Biography

Ahmad Faruqui is an expert on issues involving the end-use side of the smart grid. He has testified before a dozen state and provincial commissions and legislative bodies. He has designed and evaluated some of the best known pilot programs involving dynamic pricing and in-home displays.

During the past two years, he has assisted FERC in the development of the “National Action Plan on Demand Response” and in writing “A National Assessment of Demand Response Potential.” He co-authored EPRI’s national assessment of the potential for Energy Efficiency and EEI’s report on quantifying the benefits of dynamic pricing. He has assessed the benefits of dynamic pricing for the New York Independent System Operator, worked on fostering economic Demand Response for the Midwest ISO and ISO New England, reviewed demand forecasts for the PJM Interconnection and assisted the California Energy Commission in developing load management standards. His most recent report, “The Impact of Dynamic Pricing on Low Income Customers,” has just been published by the Institute for Electric Efficiency.

The author, co-author or editor of four books and more than 150 articles, papers and reports, he holds a doctoral degree in economics from the University of California at Davis.

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