

Acadia Center Testimony on LD 952, An Act To Create a 21st-Century Electric Grid

Committee on Energy, Utilities and Technology
By Oliver Tully, Acadia Center
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Senator Lawrence, Representative Zeigler, and members of the Committee:

I'm Oliver Tully, Director of the Utility Innovation initiative at Acadia Center. Thank you for the opportunity to testify on LD 952, An Act to Create a 21st-Century Electric Grid. Acadia Center supports efforts to reform how utilities in Maine are regulated and to rethink how energy is provided to ensure the best possible outcomes for ratepayers.

Today, investor-owned utilities face a financial conflict of interest that has a real impact on customers. By having a financial stake in the types of investments that are approved by regulators, the interests of utilities and their shareholders may not be fully aligned with those of ratepayers. We can see this in the difference between the rate of return that utilities are allowed to earn on large capital investments compared to other investments that may be cleaner and cheaper but are considered operating expenses and are passed through to customers without an added rate of return and therefore provide less of an incentive to invest in.

LD 952 proposes an alternative structure for operating the electricity system and providing energy to customers that seeks to overcome problems with the existing utility regulatory structure. A well-designed Distribution System Operator that has an explicit mandate to improve system resiliency, reduce greenhouse gas emissions, and support environmental justice could oversee grid operations and administer a market for DERs and energy services in a more neutral way that is divorced from the financial incentives and capital biases that traditional utilities face today.

In addition to the important issues listed in the bill, Acadia Center would like to see any study investigating a potential DSO model for Maine consider the general feasibility of having a single DSO entity that sits within a state agency being in charge of all electric system planning, grid operations, as well as administration of a competitive energy market. A comparison of possible hybrid models between the utilities, DSO, and other entities that considers different options for which entity manages grid operations, administers a competitive energy marketplace as a platform provider, and oversees planning, could be valuable. Evaluating the pros and cons of allowing existing investor-owned utilities to continue to own and build distribution infrastructure, or to own DER assets that can compete in a DER marketplace, would also be useful.

Acadia Center also urges legislators to consider how best to align any potential DSO model with the important work currently being conducted at the PUC with its Integrated Grid Planning process, which was required by last year's LD 1959, so that any changes do not undermine the progress that could be made in that planning forum.

Thank you very much.

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