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Op-Ed

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LES To Increase Fixed Price

Lincoln Electric System (LES) plans to increase the fixed amount customers pay each month and decrease the rate it charges for each kWh used.

This shift is claimed to be revenue neutral for LES. But for customers, it means they'll save less money by turning off lights and buying more efficient appliances.

This policy is a sly and deliberate stab at ongoing conservation efforts. The decreased kilowatt pricing will give customers the perception that it is relatively unnecessary to decrease electricity usage if they are already paying a high price to initially have it. This new policy will even further decrease the public's incentive to conserve energy.

The newly introduced price floor is relatively minimal. LES began with a modest shift this year, increasing residential rate from \$11.15 to \$13.40 a month.

This policy was constructed due to a decreased average wattage usage by 8.5% despite the customer base growing by 10% in the last 10 years.

Due to new homes and buildings aimed at efficiency, older homes being weatherized, and smarter power grids, the demand for electricity is decreasing. These factors are having positive effects on the environment, but negative effects for electric companies obliged to sustain their profits to investors.

LES has said it plans to continue shifting costs, but has not detailed how far the price will shift and at what rate.

So is this move really revenue neutral? Or a ploy to make money off decreased demand?

According to the LES website, they are a nonprofit, customer-owned utility, partnering with the community to maximize energy value and quality of life in an environmentally responsible manner.

In a world that is striving to be more environmentally friendly, this is a method for companies to sustain profits despite decreased consumption. Seeing an increase in monthly bills while conserving energy sends the wrong message to citizens.

The change may appear to be revenue neutral on the surface, with LES not seeing a change in their revenue. However, the underlying long-term effects that will trickle down can be more costly.

Environmental advisories criticize the new pricing structure saying it will hurt low energy users, many of which who are already low income. It also makes the installation of alternative energy sources like solar panels or battery storage, less appealing because it will take substantially longer to see a return on your investment.

Alternative sources of off-grid energy such as solar and battery are a major key to the future of the energy system. These alternatives can change peak energy times and shift pressure away from high energy units at crucial times of the day.

The new systems could configure their systems to deliver maximum benefits to the grid during peak hours, including different orientations of solar panels and battery systems that can export or soak up energy at appropriate times.

The fundamental problem with a fixed price for consumers is it will further elongate investment in superior alternatives, customers lose incentive to conserve energy, and could even defect from the grid entirely.

This is not what utility companies should be insinuating because these other distributed energy sources, can decrease the costs for the power grid, increase reliability and resilience and provide local balancing of electricity consumption.

Stagnant investment in better renewable energies and middle class families consuming more energy, are crucial factors that will work to further increase carbon emissions.

Technologies like solar panels and battery storage are becoming more economically viable and customers are eager to embrace them. Utilities and regulators should embrace them too, by instituting price structures that propel their deployment and capture their capabilities, rather than simply raising fixed charges.

There are other rate structures that can be used to better encourage grid integration and alternative energy investment. Such as time-varying rates, or time of use rates which would structure hourly pricing which would better reflect the higher cost of delivering energy at peak hours than off-peak hours.

Other options include price based off of location, which could adjust prices for where there is extreme grid congestion and have alternatives provide congestion relief. I believe the best pricing structure, which prices services separately, is a demand charge. A demand charge is based on the maximum amount of energy a customer uses at any one instance over the course of a billing cycle and it reflects the cost that a utility incurs to maintain the infrastructure to deliver what the customer wants, when they want it.

In an era of increasing customer choice, it is time to encompass customer bill control.

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