

Standby rate design elements

For customers with onsite generation, many utilities offer standby rates to recover costs for providing:

- Backup power during unplanned outages
- Maintenance power during planned outages
- Economic replacement power when it costs less than onsite generation
- Supplemental power for customer needs beyond those met by onsite systems

Standby rates include structural components to serve specific customer use cases, varying from customers whose onsite power systems generally meet their full requirements, to those that rely regularly on supplemental utility service.

Standby Rate Elements

The following design elements are most common among standby rates for full-requirement customers – i.e., those with onsite generation capacity sufficient to meet their full requirements:

Customer charges: Monthly or daily fixed charges attributed to the costs of metering, service drop, etc., for a given customer. This grid-access fee is assessed irrespective of whether and how much standby power is used.

Energy charges: Cover the customer's actual consumption of electricity, usually on a per-kWh basis. Utilities can differentiate these rates according to time of use, season, or block of consumption.

Demand charges: Recover capital costs of making utility capacity available to meet the customer's peak load (generally for larger commercial and industrial customers). Utilities assess demand charges as a means of recovering fixed system costs.

Service Features and Fees

Standby rates often include additional features to set rates for specific services, encourage reliability, and reward efficient use of standby service. Examples:

Reservation charges: Monthly fees for reserving standby capacity, irrespective of whether standby service is used in a given month.

Demand ratchet: Set a customer's bill on the basis of usage for the prior year or season. Sometimes used to set demand charges for onsite power customers.

Grace period: Allotted time during which a standby customer may use backup service without incurring additional demand or usage charges.

Forced outage rate: The number of hours during a given period that a generating unit is forced out of service for emergency reasons, divided by the total number of planned available hours.

Coincident factor: The ratio of a customer's standby power demand coinciding with utility on-peak and off-peak demand periods. A customer with a higher coincident factor will require more standby service during utility peak-demand periods, imposing higher costs per kW of demand than a customer with a lower coincident factor.

Standby rates offered by Minnesota's regulated utilities generally include:

- Monthly customer charges (\$/month)
- Reservation charges (\$/kW)
- Usage charges (\$/kW and \$/kWh)

