

Utility Business Models and PBR



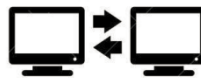
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SVP, Regulation and Pricing
4/24/2017

The energy landscape is changing



Smart technologies

Real-time data



Prosumers

New partnerships



Competitive intensity

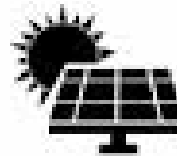
Bill pressure



Decarbonization



Uncertain load growth

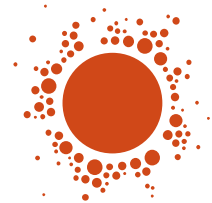


DER penetration



Automation & AI

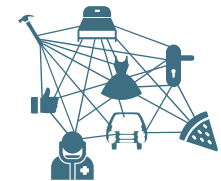
Internet of things



Big data



Sharing economy



Changing demographics



In considering the future role of the utility three key themes can help shape our thinking

Customer focus

Putting the customer at the beginning and end of everything we do

Smarter grid

Modernizing the grid to improve resiliency and management of complexity

Optimization

Across our own networks and helping customers to optimize across their energy portfolio

What functions should the utility perform?

Accountability and execution must be considered separately

*Safe and reliable,
efficient delivery
of energy*

Safety

System planning, design, construction & maintenance,

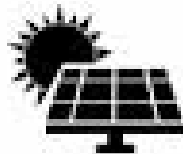
Interconnection,

Network operations, emergency planning and storm response

Rate design / pricing

Our customer relationships

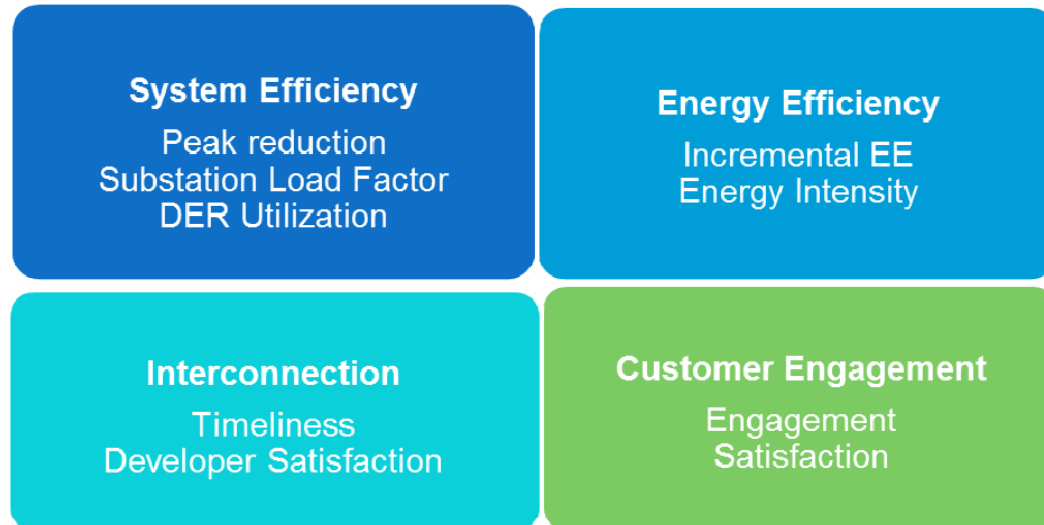
*Thinking broadly
about customer
needs and how
they are most
efficiently and
effectively met*



As the role of the utility evolves, so might the utility business model

NY Earning Adjustment Mechanisms:

Driving specific outcomes that customers value



UK RIIO:

A holistic approach to driving performance

$$\text{Revenue} = \text{Innovation} + \text{Incentives} + \text{Outputs}$$

