Marginal Cost Working Group

An invaluable forum for keeping up-to-date with innovations in regulatory development and sharing insight into pricing strategies for the electricity and natural gas sectors
Utility Companies Interested in MCWG Membership are Welcome to Attend a Free Conference
MCWG: Past and Present

NERA’s Marginal Cost Working Group (MCWG) was founded in 1982 at the request of utilities sector-based professionals seeking a forum to discuss the critical issues and unique challenges facing their sector. In this forum, they would meet with industry colleagues to discuss their experiences with regulatory successes and setbacks, test new ideas, and stay connected to major industry trends across North America and around the globe.

The group’s original objective was to advance marginal cost estimation techniques and pricing applications, but the focus of the meetings gradually expanded over time to include planning for renewable resources, strategies for smart metering infrastructure, alternative regulatory methods for distribution, transmission cost allocation, and design of pilots for innovative rate design and implementation - such as critical peak pricing and peak time rebates.
MCWG Conferences

Led by Kurt Strunk, Director (NYC) and specialist in Energy, MCWG conferences are based in North America and occur biannually during the spring and fall seasons. Innovations in regulatory development are covered in a wide variety of topics presented by participating members and NERA’s panel of experts.

Conference materials (including presentation copies and discussion minutes) are distributed to participating companies after the meetings adjourn. Unattending member companies receive materials too, but the experiences gained by real-time participation and networking with industry peers are invaluable.

Throughout the past thirty years, hundreds of professionals representing dozens of utility companies have participated in MCWG Conferences.
Member Testimonials and Comments

“Since becoming a member of MCWG, I have expanded my network with utilities that are involved with similar issues. It has been a great learning experience because the focus of our semi-annual meetings are the things that occur at each company. In the short time I have been a member, my company has addressed no less than six issues that were discussed at one of our conference meetings. The group has overcome the barrier of sharing with other utilities by focusing on processes instead of specific details. The learning comes from those who are regulated as well as those with open access. I highly recommend attending MCWG meetings.”

Jon Kubler, Georgia Power

The Marginal Cost Working Group has been an invaluable asset to my work at Salt River Project. Being able to network with folks who are facing similar and at times different issues broadens the knowledge and idea base that we can use for pricing and cost analysis. It also allows me to see methods and solutions that perhaps I would not have thought of on my own. The papers and issues are interesting and informative. The people who attend are open, smart, and working on many problems that we all address. Overall, it has been a fabulous experience.”

Ronn Rodgers, Salt River Project

“Over the many years of our involvement with the Marginal Cost Working Group, we have found the group to be invaluable as a forum for receiving knowledgeable feedback during the review and development of our cost of service methodologies, and in the design of our rate structures. It has helped us stay current with the dynamic changes that have been occurring in the electric industry, and to appropriately reflect these changes in our regulatory applications. The informal nature of the group is ideal for facilitating the free and timely flow of ideas and methods used to address issues of common interest among its members.”

Leland Jernberg, Fortis Alberta
Member Testimonials and Comments

“PGE has been a member of the Marginal Cost Working Group since the early 1990s. We’ve always found the meetings to be informative and educational. Even when we haven’t been able to attend a meeting, we’ve received a binder of presentation materials for our review. Periodically, we refer back to these materials to help us with various aspects of marginal costing. For example, during a recent tariff revision process, we revisited some of the papers on standby/partial requirements service.

“In 1997, there was a generic marginal cost proceeding in Oregon, and we had recently developed the Facilities Charge/Typical Feeder approach to distribution marginal cost determination. Because of our well-developed approach that could not have occurred without the help of the Marginal Cost Working Group, we were able to get the commission to issue an order approving our methodology over those presented by intervenors in the case.

“The contacts made at the meetings are very beneficial. It’s helpful to know that you can reach out to someone at a utility because you heard about a filing they made and need further information, or want to verify information from a paper they’ve presented. Members often email each other to inquire about similar experiences in their respective states. It’s always easier to follow in someone else’s tracks instead of having to reinvent things.

“The meetings are always in interesting places and provide the opportunity to discuss issues over a good dinner with great people and see new sights. In summary, the group is a great value for the money. I’ve been to lots of conferences and find the Marginal Cost Working Group consistently provides high-level discussions, great company, and great contacts.”

Sarah Cardwell, Portland General Electric
Membership

MCWG membership is open to electric and natural-gas utilities from North America and abroad. Annual dues are $5,000 for biannual meeting participation (spring and fall) and $2,500 for single-season meeting participation (member’s choice of spring or fall). In the interest of encouraging candid discussions about regulatory issues, regulatory agencies are not invited to join at this time.

Membership Benefits Include:

- Attending one or two conferences per year (depending on membership type), for up to three individuals per company
- Copies of conference presentations
- Detailed minutes of conference presentations and discussions
- Access to past conference presentations, as requested
- Network of counterparts at other companies
- Information on current energy regulatory topics across North America and around the world
- Sounding board for new approaches being considered

Past MCWG Topics Include:

- Solar power customers and net metering issues
- Rates for service to distributed generation customers
- Demand response and innovative rate designs
- Smart grid pilots and cost-benefit analysis
- Electric vehicle rates and time of use rate pilot evaluations
- Feed-in tariffs for renewable resources
- Demand side management and energy efficiency programs
- Interruptible rate portfolio evaluation
- Innovations in marginal cost estimation
- Natural gas marginal costing, pricing, and unbundling
- Line extension policies and connection charges
- New forms of regulation, including decoupling
- Performance-based regulation of electricity distribution
- Economic development rates and special contracts
- Implementation of retail competition
- Selection of pricing periods for time of use rates
- Rate design for delivery service
- The value of reliability to consumers
- Reconciliation of marginal cost revenues to the total revenue requirement
- Marginal losses
- Costing/pricing new services
- Reactive power pricing
- Rate unbundling
- Green power options and other premium services
MCWG’s Participating Companies
Past to Present

Ameren CILCO
ATCO Electric
Baltimore Gas & Electric Company
BC Hydro
Bonneville Power Administration
Carolina Power & Light Company
Central Maine Power Company
Central Vermont Public Service Corp.
Commonwealth Edison Company
Conectiv
Dayton Power & Light Company
Delmarva Power & Light Company
El Paso Electric Company
Entergy Services, Inc.
Eugene Water & Electric Board (EWEB)
Exelon Corporation
Florida Power & Light Company
FortisAlberta
Fortis BC
Georgia Power Company
Gulf Power Company
Iberdrola USA
Idaho Power Company
Illinois Power Company
Indianapolis Power & Light Company
Interstate Power Company
Jamaica Public Service Company
Kansas City Power & Light Company
Los Angeles Department of Water & Power
Lower Colorado River Authority
Mississippi Power Company
Missouri Public Service Company
New Brunswick Power
Newfoundland Power
New York State Electric & Gas Northern
Indiana Public Service Company
NV Energy
Oklahoma Gas & Electric Company
Orange & Rockland Electric Company
Otter Tail Power Company
Pacific Gas & Electric Company
PacifiCorp
Portland General Electric Company
Public Service Company of New Mexico
Public Service Electric & Gas Company
Rochester Gas & Electric Corporation
Sacramento Municipal Utility District
Salt River Project
San Diego Gas & Electric
Seattle City Light
Southern California Edison
Southern Company
TransAlta Utilities Corporation
TU Electric
TXU Electric
Wisconsin Electric Power Company
Leadership

Kurt Strunk, Director (NYC) and specialist in Energy, is an expert in energy sector matters with over 20 years of experience in complex commercial litigation, arbitration and regulatory proceedings. In the oil and gas sectors, he has consulted on rate matters, mergers and acquisitions, restructurings, contract disputes, and product pricing. He has advised governments, regulators, and energy companies on industry structure, regulation, and sector reform, and worked extensively on matters relating to all aspects of the electric power sector in the US and across the globe, including the design of electricity markets to encourage efficient transmission investment, and capacity market design.

About NERA

NERA Economic Consulting (www.nera.com) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA’s economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world’s leading law firms and corporations. With its main office in New York City, NERA serves clients from more than 20 offices across North America, Europe, and Asia Pacific.

Contact

For more information about MCWG and to request an invitation to the next meeting, please contact:

Kurt Strunk
Director
1166 Avenue of the Americas, 29th Floor
New York, NY 10036
+1 212 345 3000 | kurt.strunk@nera.com