

JAN 27 2010

A BILL FOR AN ACT

RELATING TO RETAIL WHEELING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that while some states in
2 the 1990s opted to fully or partially unbundle their electricity
3 sectors to allow for competitive generation segments, separate
4 transmission and distribution segments, and independent system
5 operators, Hawaii has yet to unbundle its electricity sector,
6 with each island's utility still operating as a vertically-
7 integrated regulated monopoly.

8 The legislature further finds that in general, retail
9 wheeling refers to the distribution of electricity owned by an
10 independent power supplier and sold to a retail consumer over
11 transmission and distribution lines of a public utility that is
12 not itself producing the electricity. While fifteen other
13 states have actively restructured their energy markets and
14 adopted retail wheeling in some form, in Hawaii, independent
15 power producers must sell power to a public utility rather than
16 allowing for direct sale to end users.

17 The legislature further finds that in an environment and
18 electricity market such as Hawaii's, wheeling can provide a



1 vehicle for increased competition in energy markets and improved
2 service and customer choice without requiring the utility to
3 divest its own generation assets or lose control over the
4 operation of transmission and distribution.

5 The legislature further finds that retail wheeling can be
6 an effective means of fostering innovation and greater renewable
7 energy production, as renewable independent power producers can
8 take advantage of end user preferences for cleaner power to
9 secure higher prices for their output than may be possible under
10 a given utility's avoided-cost formula.

11 The legislature further finds that allowing retail wheeling
12 would provide an alternative option for independent power
13 producers that are not presently covered under the feed-in-
14 tariff schedule being established by the public utilities
15 commission and the consumer advocate.

16 The legislature further finds that expanding independent
17 power producers' off-take options will help to attract
18 additional renewable energy investment, contributing to local
19 economic development, job creation, and greater energy security
20 for the State of Hawaii.

21 The purpose of this Act is to allow retail wheeling in
22 Hawaii to increase competition within Hawaii's electrical



1 markets, expand customer choice, provide incentives for the
2 production of renewable energy, and diversify Hawaii's energy
3 base.

4 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
5 amended by adding a new section to be appropriately designated
6 and to read as follows:

7 "§269- Retail wheeling; rules and procedures. No later
8 than July 1, 2011, the public utilities commission shall
9 establish necessary policies, and rules pursuant to chapter 91,
10 for the deployment of retail wheeling to enable independent
11 power producers to sell electricity directly to end users.

12 For purposes of this section, "retail wheeling" means the
13 distribution, over a public utility's transmission and
14 distribution system, of power that is generated by an
15 independent power producer and sold by the independent power
16 producer directly to the end user."

17 SECTION 3. New statutory material is underscored.
18



1 SECTION 4. This Act shall take effect on July 1, 2010.

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Report Title:

Retail Wheeling; Public Utilities

Description:

Requires the Public Utilities Commission to establish policies and procedures related to retail wheeling to enable independent power producers to sell electricity directly to end users.

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