The Capacity Commitment Framework

The Capacity Commitment Framework (CCF) is a new contract model that offers a common-sense solution for large energy customers to responsibly buy electricity without burdening others with the costs of building infrastructure for new projects.

The Challenges

Electricity demand is increasing around the world, including in the United States. Utilities need to invest in new power sources and grid upgrades to keep up, but they are worried about spending money on projects that may not be used. If that happens, everyday American families and businesses could end up paying the bill for these wasted investments.

The Solution

With the CCF, large energy customers make a financial promise to pay for the infrastructure built to serve them. The large energy customer signs a binding contract upfront that assures it will stick to its commitment. This reduces the risk for utilities, giving them the confidence to immediately fund and build the infrastructure for more power sources and grid upgrades.

The Triple Win

Everyone benefits from this approach. The CCF is designed to shield American families from having to bear the costs of large energy customers and to ensure they benefit from a more affordable and reliable grid. It unlocks growth for major industries, creating jobs and supporting American economic competitiveness. And it allows utilities to build with confidence, which is urgently needed.

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Capacity Commitment Framework

The Five Pillars

1. Amount-Based Approach

The CCF is an amount-based approach, not a use-based one. Terms apply to all customers requesting power supply above a certain amount because of the significant infrastructure required. Whether that power runs a factory or a data center, the impact on the grid is the same, and the rules should be too.

2. Long-Term Financial Promise

New large energy customers sign a long-term contract that commits them to providing sufficient revenue to cover the utility's investments made on their behalf.

3. Guaranteed Minimum Payment

Large energy customers cover the cost of the capacity built to serve them. Without a sufficient minimum payment for the infrastructure required, if a large energy customer's demand falls short of projections, the cost of that unused equipment could unfairly fall on the public.

4. Upfront Collateral

Regulators should require a security deposit or similar proof of financial stability. This proves the large energy customer has the financial health to honor their long-term contract, protecting the utility and public if things go wrong.

5. Transparent Change & Cancellation Fees

To protect others, appropriate notice periods and fees for contract cancellation or capacity reduction should be established for large energy customers.

The CCF is a proven, common-sense solution. It balances the needs of growth, utility planning, and consumer protection, which is why it has already been adopted by several utilities across the country.