Regulatory Analysis

Notice of Intended Action to be published: 20.1(3), 199—20.22(476)
"Service Provided by Rate-Regulated Electric Utilities"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 474.5 and 476.2

State or federal law(s) implemented by the rulemaking: Iowa Code sections 476.1, 476.1A, 476.25, and 476.53

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

November 18, 2025 1 p.m.	Commission Hearing Room 1375 East Court Avenue Des Moines, Iowa

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by the Iowa Utilities Commission (IUC) no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Iowa Utilities Commission
Electronic Filing System (EFS) at efs.iowa.gov
Phone: 515.725.7300
Email: ITSupport@iuc.iowa.gov

Purpose and Summary

The purpose of this proposed rulemaking is to allow participation in the wholesale electricity market through demand response programs. This was previously not allowed through agency rules, and this rulemaking explores changing this prohibition by establishing rules for customer participation.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

Investor-owned electric utilities, large-load electric customers, and third-party aggregators of demand response will be affected by the rulemaking. Investor-owned electric utilities will bear the costs of the proposed rulemaking.

- **Classes of persons that will benefit from the proposed rulemaking:**

Large-load electric customers and third-party aggregators of demand response will benefit from the proposed rulemaking.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

The quantitative economic impact of this rulemaking is unknown.

- **Qualitative description of impact:**

Qualitatively, this rulemaking will allow businesses to aggregate the demand response of retail electric customers within service territories of Iowa's rate-regulated electric utilities. Those businesses

will then be able to bid their aggregated demand response into the Midcontinent Independent System Operator wholesale electric market.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

Additional costs to the IUC are minor. There is a chance the IUC will need to expend employee time to resolve certain disputes between utilities and customers seeking to participate in an aggregated demand response program. However, resolving customer complaints is already among the IUC's regular functions.

- **Anticipated effect on State revenues:**

There is no expected effect on State revenues.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

The cost of inaction is an economic opportunity lost to Iowa businesses that would otherwise be able to receive compensation for their demand response sold into the wholesale electric market.

The benefit of action is that Iowa businesses would no longer be at a competitive disadvantage to those businesses in other states that are able to sell demand response into the wholesale electric market. The cost of action is that utilities would need to expend time and resources working with demand response aggregators.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

There is no less intrusive method to permit aggregators of retail customers to offer services to customers located within the electric service territories of Iowa's rate-regulated electric utilities.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

There are no alternative methods for achieving the purpose of the proposed rulemaking.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

Not applicable.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

Under the proposed rule, if a small business has a sufficiently large energy demand, the business may have an opportunity to sell its demand response into the wholesale electric market, which may constitute a positive impact on small business.

Text of Proposed Rulemaking

ITEM 1. Adopt the following **new** definitions of "ARC," "Interruptible service tariff" and "Wholesale electricity market" in subrule **20.1(3)**:

"ARC" means aggregator of retail customers as defined in Federal Energy Regulatory Commission (FERC) Order No. 719, *Wholesale Competition in Regions with Organized Electric Markets*, Docket No. RM07-19-000; issued October 17, 2008.

"Interruptible service tariff" means any tariff that offers differential rates or other monetary rewards for retail customers that agree to curtail, or have curtailed by their rate-regulated electric utility, the customer's electric load during a specified period of time.

"Wholesale electricity market" means a wholesale electricity market operated by an independent system operator as defined in FERC Order No. 889, issued April 24, 1996, or by a regional transmission organization as defined in FERC Order No. 2000, issued December 20, 1999.

ITEM 2. Adopt the following **new** rule 199—20.22(476):

199—20.22(476) Customer participation in wholesale markets through demand response activities.

20.22(1) Prior to [the effective date of the rule], retail customers of rate-regulated electric utilities, or an ARC acting on behalf of such customers, were prohibited pursuant to orders of the commission from transferring demand response load reductions to wholesale electricity markets.

20.22(2) Beginning on [the effective date of the rule], retail electricity customers of a rate-regulated electric utility with an aggregate load of 100 kilowatts or more with that utility may participate individually or through an ARC in wholesale electricity demand response programs operating in conjunction with wholesale electricity markets.

20.22(3) A rate-regulated electric utility and an ARC shall cooperate in the exchange of customer data, with authorization of the customer, in order to effectuate participation in wholesale electricity demand response programs operating in conjunction with wholesale electricity markets, including but not limited to the following:

a. The provision of data from the rate-regulated electric utility to an ARC in regard to meter location and historic customer usage data.

b. Communication from the customer or an ARC, as applicable, to the utility of demand response load reductions undertaken by the customer.