

**STATE OF MICHIGAN**

**BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION**

In the matter, on the Commission’s own motion,            )  
to commence a collaborative to consider issues            )  
related to implementation of effective new                )  
technologies and business models.                        )  
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Case No. U-20898

**Introduction**

The Michigan Energy Innovation Business Council (“Michigan EIBC”) and Advanced Energy Economy (“AEE”; collectively “Michigan EIBC/AEE”) appreciate the opportunity to provide comments in Docket No. U-20898 regarding the proposed process for Expedited Pilot Review for Innovative Pilots (“Expedited Pilot Review”) contained in the Commission Order (“Order”) issued on July 27, 2022, in the above-captioned proceeding.

We appreciate the Michigan Public Service Commission’s (“MPSC” or “Commission”) efforts to maximize the benefits of the transition to clean, distributed energy resources for Michigan residents and businesses through the MI Power Grid Initiative, and also the considerable time and effort that Staff put into the workgroup on new technologies and business models. Michigan EIBC/AEE recognize the critical role that new technologies and business models will play in the energy transition and participated throughout the workgroup. We are broadly supportive of the concept of creating a process wherein utilities, third parties, and stakeholders can collaborate to propose limited pilot programs with expedited Commission review and approval. In general, the contested case processes are burdensome for stakeholders and utilities alike, requiring significant expense and personnel time. As such, and given the pace at which new technologies are being developed, we believe that it would be beneficial to create a new, expedited approval process for pilots that are supported by stakeholders and enable key utility learnings.

As we describe below, to ensure broad benefits from this new process, it is imperative that the processes enable meaningful stakeholder participation, feedback, and buy-in. We also believe that it would be valuable not only for the Commission to establish an initial expedited review process, but also, to establish a plan to review, assess, evaluate, and potentially revise, the process in a few years (e.g., after two or three years). This will allow stakeholders and utilities to move forward with an initial process with the knowledge that, just like in the case of a short-term pilot, we do not need to know all of the answers at the outset.

Finally, as described below, Michigan EIBC/AEE emphasize the need for the pilot process to incorporate third parties into the pilot programs not simply as vendors to utility-run pilots, but as collaborators in providing the piloted program or service. Structuring pilots in this manner will advance critical learnings on the related goal of transforming the utility business model to that of a platform orchestrator.<sup>1</sup>

### ***Stakeholder Participation***

We are concerned that the involvement of stakeholders, including consumer advocates, in the pilot development and approval process, as it is currently envisioned, is limited. It will be important for the Commission to more clearly spell out how stakeholders should be engaged in the development of the workplan, in the development of each pilot, and in the review process at the Commission. Ideally, more stakeholder engagement up front in the development of a utility workplan and in the development of a given pilot, will decrease any objections that might arise during the formal Commission review process and allow for expedited approval timelines. Although this process may take several months of stakeholder engagement, the upfront work will enable a successful, expedited review process by the Commission and ensure a higher chance that the pilots will meet their intended goals.

### **Workplan**

With respect to the development of the workplan, the proposed Expedited Pilot Review requires that “Utilities must work with the Commission and interested stakeholders in developing a pilot workplan detailing 5-10 pilot areas to be explored within a near-term period (like within the next one or two years). The stakeholder process should be allotted sufficient time to allow for meaningful and substantive engagement and feedback. The pilot workplan must be submitted to Commission for review and feedback prior to the implementation phase, where the utilities provide pilot notice to the Commission.” (See Exhibit A, pp. 1-2). While we appreciate that this proposal references “meaningful and substantive engagement and feedback,” these terms should be more clearly defined.

In addition, it would be valuable for the Commission to define the level of granularity required in the workplans and the process for developing the workplans. For instance, the referenced example from Hawaii<sup>2</sup> requires the development and review of a workplan wherein utilities, the Commission, the Consumer Advocate, and interested stakeholders identify 5-10 areas for pilot collaboration. Pilots that fit into the described pilot projects and goals in the workplan are then eligible for the expedited process. The process in Michigan to develop a utility workplan must be more clearly defined to ensure (1) adequate stakeholder participation, (2) the ability of stakeholders to inquire into the utility development of the pilot, (3) clarity on the level of detail required in the workplan, (4) diversity of stakeholders that must be included, and (5) the level of agreement that must be achieved on the workplan. Pilots developed with meaningful stakeholder input and agreement among the stakeholders should give the Commission greater confidence in their vetting, particularly under any expedited review timeframe.

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<sup>1</sup> See Commission Order at page 12.

<sup>2</sup> See Commission Order at pages 10-11.

We believe that although the workplan should not be a full detailed list of each pilot that the utility would like to undertake, it should determine sufficiently detailed, agreed upon, areas for pilot collaboration and key questions to be answered by pilots under those areas. Stakeholders should be engaged in this process and the workplan should represent a broadly agreed upon plan with general support from engaged parties. We also believe that it may be valuable for the Commission to set established time periods for review and revision of utility workplans so that they do not become stale or outdated.

#### Pilot development

Michigan EIBC/AEE believe that stakeholders should also be engaged in the development of new pilots prior to their proposal to the Commission. There are varying ways to demonstrate to the Commission stakeholder involvement, such as, for example:

- a number of letters of support (e.g., three letters) from relevant stakeholders;
- a memorandum of understanding (“MOU”) with interested parties that ensures that any pilot will be reviewed with and revised based on feedback by that party; or
- a list in each pilot proposal of stakeholders who have expressed support (in writing) and agreed to be listed in the proposal.

There are pros and cons to each of these approaches and while we seek to ensure that meaningful stakeholder engagement occurs prior to the filing of a pilot, we do not wish to create a level of administrative burden that results in less innovation and fewer beneficial pilots.

#### Review at the Commission

In the draft Expedited Pilot Review guidelines, there is no clear ability for stakeholders to comment once the proposal is submitted to the Commission. If our recommendations discussed above regarding the development of the workplan and pilot proposals are adopted, there may be less of a concern with the current lack of dedicated stakeholder involvement in the proposed Commission review process. However, it is important to note that the business model and new technology questions that may be explored through pilot programs may have significant implications for utility earnings opportunities and the appropriate boundary between competitive markets for energy products and services and regulated utility activities. If these activities scale beyond the pilot phase, they may therefore be highly impactful on customers and third parties.

Michigan EIBC/AEE recommend that the utility be required to provide transparency into the assumptions and modeling underlying the pilot to allow stakeholders to submit informed written comments on a submitted pilot proposal. The Commission should formally consider any such comments before approving a proposed pilot program. If additional review time is needed, the Commission, by its own motion or via a petition from another interested stakeholder with Commission approval, should be allowed to extend the 45-day review period. This extension could be done in reasonable increments, such as 15 days, with only limited renewals based on the complexity of a given pilot. This way, the Commission would be given sufficient time to review a given pilot, but at the same time, the pilot will still be treated expeditiously to encourage innovation and progress.

#### ***Third-party participation***

Michigan EIBC/AEE support Staff’s recognition of third-party innovations and associated benefits. However, the Staff proposal fails to harness the benefits of third-party involvement in

the proposed pilot programs, and instead seems to treat “parallel third-party pilot[s]” as a bolt-on to a utility pilot. Specifically, under the Staff proposal, the utilities must “[o]ffer a comparable, parallel third-party pilot, either separately or within the same pilot, where feasible, in recognition of frequent third-party innovations that may result in cost savings, system benefits, and alternative business and ownership model learnings.” However, for larger utilities, “such third-party pilots or tariffs are envisioned to be facilitated by the utility, which develops the solicitation, selects the third-party through a competitive process, and enters into an agreement with the third party. The utility will provide the necessary data and at the needed frequency for the third-party to conduct and evaluate the pilot.” Rather than inviting robust third-party contributions to pilot programs, this approach appears to embrace the traditional utility business model and relegates third parties to vendor status, which will do little to bring forth innovation, cost savings, system benefits, and alternative business and ownership model learnings. We view third-party participation as core to developing innovative business models, and as such, the pilots should explore how regulated utilities and unregulated businesses can work together to help achieve the state's climate and clean energy goals.

Further, the draft Expedited Pilot Review process fails to reflect the need for “rapid learning about technologies, business models, and ownership models supporting significant reductions in carbon dioxide and greenhouse gas emissions.” (*See Exhibit A, p. 1*). Michigan EIBC/AEE recommend that parallel third-party pilots instead be structured as a partnership or collaboration with the utility, with an emphasis on providing sufficient flexibility to allow for new, non-traditional approaches. Moreover, and related to recommendations above regarding stakeholder engagement in the development of a workplan and pilot proposals, to maximize the chances of achieving Michigan’s energy goals, the Commission should provide a pathway for third parties to propose pilot programs, within the workplan’s approved pilot areas, to be implemented by the utility and third party.

#### ***Annual Limit on Expedited Pilots***

Michigan EIBC/AEE support the inclusion of an annual cap of \$3 million in expedited pilot projects per utility (*See Exhibit A, p. 1*). Michigan EIBC/AEE also recommend that the Commission enforce an annual limit on the number of proposed pilot programs that a utility may pursue through the expedited review process. Under the Staff proposal, there are no limitations on how many proposed pilot programs each utility is permitted to file each year. Because utility resources available to propose and submit pilot programs far exceed most stakeholders’ resources available to review and respond to utility pilot programs, there is concern that utility pilot proposals may overwhelm interested stakeholders and the Commission. A reasonable annual limit of expedited pilots per utility (e.g., two to four) would help to alleviate this concern.

#### ***Filing and Reporting Process***

The pilot process offers important learning opportunities for utilities, stakeholders and the Commission. Michigan EIBC/AEE support the Staff proposal requirement that the utilities: 1) provide the Commission, consumer advocates, and key stakeholders with reasonable data access; and 2) file a semi-annual report with a number of key metrics (*See Exhibit A, p. 2*). Michigan EIBC/AEE recommend that key lessons learned from each pilot be included in the data shared with stakeholders and in the semi-annual report. Utilities should also be required to include

information on how they are building on lessons learned in previous pilots. Finally, Michigan EIBC/AEE recommend that the proposed pilots and associated semi-annual reports be filed in a dedicated docket (either one docket per utility or one docket for all utilities) to enable interested stakeholders to easily track the pilots' progress over time.

***Conclusion***

Michigan EIBC/AEE appreciate the Commission's interest in and attention to improving the pilot process in Michigan. We ask that the Commission consider these comments as it finalizes that process and we look forward to our continued participation in this important proceeding.