

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission’s own motion,)
to open a docket for certain regulated electric)
utilities to file their distribution investment) Case No. U-20147
and maintenance plans and for other related,)
uncontested matters.)
_____)

Introduction

The Michigan Energy Innovation Business Council (“Michigan EIBC”) and Advanced Energy Economy (“AEE”; collectively “Michigan EIBC/AEE”) appreciate the opportunity to file reply comments in response to the Commission’s September 8, 2022 Order (“Order”) in the above-referenced proceeding.

As stated in our initial comments, we believe DER incorporation and integration are particularly well suited for consideration in a performance metrics plan. We agree with the Commission’s observation that Michigan’s distribution grid is not yet ready for the anticipated influx of DERs, including electric vehicles.¹ We also strongly agree with the Commission that the information that the utilities have filed to date in their distribution plans regarding the issue of financial incentives and penalties is insufficient.² Consequently, we view the metrics proposed by DTE Electric and Consumers Energy in their initial comments as insufficient, as detailed in our reply comments below.

Summary of Initial Recommendations

Below, for reference, is a summary of the initial recommendations as filed by Michigan EIBC/AEE.

Performance metrics

- Michigan EIBC/AEE support the use of appropriate performance-based metrics to drive utility actions that provide net benefits to customers, that are aligned with state policy goals, and that improve cost efficiency and levels of service.

¹ Order at page 67.

² Order at page 71.

- Including a thoughtful performance metrics plan as part of distribution plans has the potential to yield significant benefits for customers, and, in our view, position the utilities for long-term financial and operational success.

Additional PIM design considerations

- Performance incentive mechanisms (PIMs) can have both rewards and penalties associated with them, or be positive (reward) only or negative (penalty) only. However, positive PIMs should only result in payouts if performance exceeds an established baseline.
- If a PIM has both rewards and penalties, these need not be symmetrical. Importantly, any penalties that are assessed should not be eligible for cost recovery.
- PIMs should be designed in such a way as to produce a net benefit to customers. In determining whether benefits exceed costs from the customer perspective, any additional revenue a utility is to receive upon achieving a performance goal must be included among the costs to customers in the benefit-cost analysis.
- To create the right incentives, the financial reward or penalty associated with a PIM should be tied as closely as possible to the outcome desired, and should not simply reward direct actions taken by the utility or capital investments.

DER-specific PIMs

- Tracking the amount of DER deployed, which the Commission provided as an example metric in its Order, might be better as a scorecard metric. Although the amount of DER deployed is a useful indicator, how those DERs are ultimately used for system and customer benefit is an outcome that could be tied to a PIM.
- To the extent that DERs provide services that would normally be met by utility-owned infrastructure, PIMs can be used to incentivize utilities to make extra efforts, develop innovative programs, and pursue solutions that use these DERs to provide net benefits to customers - actions that a utility would otherwise lack financial motivation to pursue.

DER Interconnection Metrics

- DER interconnection timeliness is a metric well suited to PIMs, provided that any positive (reward) PIM is only awarded for exceeding regulatory timelines, not simply for meeting those timelines.
- The Commission can also consider broader measures of DER interconnection efficacy and customer satisfaction with the interconnection process, in addition to just timeliness of completing interconnection requests.
- We recommend that the Commission examine the performance-based framework established in Hawaii, as they have various PIMs targeting DERs.

DER Utilization Metrics

- There may also be the opportunity to measure both interconnection performance and DER utilization in a combined metric as proposed in a recent Illinois docket.³
- With regard to interconnection, Michigan EIBC/AEE support a metric that measures “the utility’s performance in processing interconnection applications” and requires “continuous improvement relative to the previous year’s performance to achieve incentives.”⁴
- Michigan EIBC/AEE strongly believe there is a timely opportunity for Michigan’s utilities to start understanding the value provided by DERs, with the potential to give incentives for such value down the road.

Utility-caused Outages

- An additional metric for incorporating DERs and DER integration into future distribution plans is the incidence of utility-caused outages experienced by customer-sited DERs.

System-wide Metrics

- Especially as transportation electrification and building electrification are expected to drive up electricity demand, creating PIMs to incent utilities to focus on peak load reductions is likely to yield significant net benefits for customers in the coming years. Developing a PIM broadly targeting peak load reduction will incent the utility to seek out the most cost-effective solutions, including DERs, from the range of options available.
- We recommend that the Commission convene stakeholders in a structured process to articulate broad goals/outcomes and develop PIMs to achieve them.

Reply Comments

The below reply comments are in reference to initial comments provided by specific parties. Failure to respond to any party or particular initial comment does not indicate agreement with that party or comment.

Ecology Center, ELPC, UCS and Vote Solar

Michigan EIBC/AEE broadly support the comments of the Ecology Center, the Environmental Law and Policy Center (“ELPC”), the Union of Concerned Scientists (“UCS”), and Vote Solar recommending timely and fair processing of interconnection applications, along with reporting and transparency to provide regulators and other stakeholders with assurance that applications are being processed in accordance with statutory and administrative requirements. Michigan EIBC/AEE also support a DER integration metric that would incentivize the deployment and utilization of third party-owned DERs to meet anticipated grid needs. Importantly, the comments

³ Illinois Commerce Commission. Docket 22-0067. Direct Testimony of William D. Kenworthy on behalf of Environmental Law and Policy Center and Vote Solar filed April 6, 2022. ELPC-VS Exhibit 2.01R. p. 1.

⁴ *Ibid.*

of Ecology Center, ELPC, UCS and Vote Solar highlight helpful examples from other Midwestern states, such as Illinois and Minnesota, that have considered and/or adopted performance metrics related to the integration and interconnection of DER.

DTE Electric

Michigan EIBC/AEE believe that the proposed metrics submitted by DTE Electric represent a significant missed opportunity, and fall well short of the kind of thoughtful performance metrics plan needed to yield significant benefits for customers and position the utilities for long-term financial and operational success.

Specifically, DTE proposes to track: 1) average days for electric utility interconnection application review for application completeness and conformance; 2) average days for customer/developer response to electric utility notifications of deficiencies; 3) installed DER in kW and count of systems per electric utility distribution circuit.

While Michigan EIBC/AEE agree that timeliness in the interconnection process is a necessary baseline, this metric alone would not provide additional information as to whether or not the utility is in compliance with the current interconnection standards. In addition, such a metric, as it would merely measure compliance with standards, would not be relevant to the development of a PIM.

Regarding measuring installed DERs, although perhaps not captured by one metric, the utilities already report, in various places, the installed capacity of several different DERs. As stated in our initial comments, DER utilization metrics, beyond tracking the capacity of DERs deployed, should also be considered by the Commission. Based on experience gained in Illinois, there may also be the opportunity to measure both interconnection performance and DER utilization in a combined metric. The utilities should also track the incidence of utility-caused outages experienced by customer-sited DERs.

Overall, thoughtful performance metrics are an essential component of a modern utility regulatory framework. Given increasing electrification to support decarbonization of transportation and buildings, the Commission needs to ensure that utilities are cost-efficient with their system buildout and that customers are not burdened financially by the continuation of utility operations according to the status quo. The metrics proposed by DTE Electric fail to acknowledge the transition that is underway, and would do little to advance a meaningful discussion around improving utility performance.

Consumers Energy

Similarly, Michigan EIBC/AEE believe the proposed metrics of Consumers Energy are insufficient. Specifically, Consumers Energy proposes to track the following:

- Average times to return application reviews, fast track screens, fast track supplemental studies, system impact studies, and facilities studies.
- DER integration at the circuit level based on number of systems and/or kilowatts.
- Percentage of applications requiring resubmission.

While we support the suggestion by Consumers Energy to track the percentage of interconnection applications requiring resubmission, as described above, the otherwise narrow focus on average application timelines and DER capacity interconnected robs the Commission of the chance to use performance-based metrics to drive utility actions that provide net benefits to customers, advance critical state policy goals, increase cost efficiency, and improve levels of service.

Conclusion

Michigan EIBC/AEE appreciate the opportunity to provide this input to the Commission on this important topic. Rather than simply monitoring the status quo as DTE Electric and Consumers Energy propose, we encourage the Commission to take full advantage of this opportunity to make meaningful progress in Michigan's Energy transition. We look forward to continuing to contribute to this discussion and investigation so that the next iteration of the utility distribution system plans are more valuable and support the Commission's broader efforts to align utility incentives with customer benefits and state policy goals.