

**From:** [John Dulmes](#)  
**To:** [MPSCDOCKETS](#)  
**Subject:** Comments on Case No. U-17936 and Case No. U-18013 (demand response)  
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**Attachments:** [MCC comments on MPSC demand response inquiry.pdf](#)

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Michigan Public Service Commission  
Cases No. U-17936 and U-18013

### **Michigan Chemistry Council comments on MPSC demand response inquiry**

Demand response<sup>1</sup> is an element of our electric system that provides great value to customers and the entire grid. As noted in a presentation by the Michigan Public Service Commission (MPSC)<sup>2</sup>, demand response has a number of benefits for our state: it mitigates potential capacity shortfall, provides a gradual change to load shape, creates additional energy savings, and helps save on all demand related costs. Especially as our state (among many others) considers its future energy needs, it is vital to utilize demand-side resources as much as possible to avoid the need for expensive new power plants. Demand response imposes no construction costs, long-term maintenance needs, or fuel supply variabilities.

Furthermore, in its annual assessments of demand response, the Federal Energy Regulatory Commission (FERC) has consistently reported Michigan and the greater MISO region to have among the highest potential for peak reduction in the United States<sup>3</sup>.

It is a crucial time to be considering this topic. First, we have seen in recent years that customer demand response programs, for residential as well as industrial and commercial ratepayers, have become more widely adopted across the U.S. The MPSC has also promoted peak reduction efforts by instructing our state's utilities to implement optional time-of-use rates as the deployment of advanced meters continues.<sup>4</sup>

Second, these efforts will be accelerated by clarification of policies at the federal and regional transmission organization (RTO) levels. In its recent ruling *Electric Power Supply Association v. FERC*, the U.S. Supreme Court upheld the authority of FERC to provide for compensation of demand response resources, judging these resources able to lower wholesale market prices to the benefit of consumers (and the environment).

Third, the Midcontinent Independent System Operator (MISO) is currently evaluating how to best provide for future resource adequacy, and proposed changes to its capacity markets will make demand response much more valuable.<sup>5</sup>

However, there are a number of barriers to increased demand response participation in Michigan. Most significantly, under its current regulatory system, Michigan does not permit customers to participate in MISO demand response programs, either directly or through demand response aggregators. Large and sophisticated industrial customers –

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<sup>1</sup> Defined by FERC as “changes in electric usage by demand-side resources from their normal consumption patterns in response to changes in the price of electricity over time, or to incentive payments designed to induce lower electricity use at times of high wholesale market prices or when system reliability is jeopardized.”

<sup>2</sup> MPSC Case Nos. U-17689 and U-17688

[https://www.michigan.gov/documents/energy/MPSC\\_Demand\\_Response\\_Presentation\\_September21\\_References\\_502211\\_7.pdf](https://www.michigan.gov/documents/energy/MPSC_Demand_Response_Presentation_September21_References_502211_7.pdf)

<sup>3</sup> Assessment of Demand Response & Advanced Metering, FERC Staff Report December 2012, <http://www.ferc.gov/legal/staff-reports/12-20-12-demand-response.pdf>

<sup>4</sup> MPSC Case Nos. U-17689 and U-17688 <http://www.michigan.gov/som/0,4669,7-192-47796-358112--,00.html>

<sup>5</sup> MISO Competitive Retail Solution Staff Report

<https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/RASC/2016/20160414/20160414%20RASC%20Item%202002a%20Competitive%20Retail%20Solution%20MISO%20Proposal.pdf>

including chemical companies - are vulnerable to energy costs, and as such can often be very responsive to demand response incentives. Such customers find value and should be able to negotiate and execute direct contracts with third-party aggregators that can deliver capacity resources at the wholesale level. In contrast, residential customers, which though promise a great demand response potential collectively, benefit more from participation in programs through their regulated utility provider. In all cases, we believe that participation in demand response programs should be voluntary.

The Michigan Chemistry Council would support the proposed statewide demand response potential study. Particularly given the likelihood of future integrated resource planning (IRP) exercises, a comprehensive assessment of our state's demand response potential would help better inform these exercises and ensure adequate consideration of demand-side resources.

As the MPSC continues to examine DR best practices, we appreciate the Commission's attention and are glad to offer input on the indicated questions.

- A. Progress on demand response participation should be measured as a percentage of load per customer class, and in relation to FERC's assessed potential for each customer class. These metrics should also be specific to each utility, not just statewide. These particular metrics should already be maintained by the utilities and wouldn't require additional data collection. Regarding marketing goals, the Michigan Chemistry Council does not take a position on specific goal levels. However, we believe that budgets for any such marketing should be set, tracked, and cost-collected on a customer class basis.
- B. Demand response efforts would ideally be planned for and evaluated as part of future Integrated Resource Plans (IRPs). Under the current rate case process, a utility's demand response efforts should then be evaluated for cost-effectiveness, and approved for reasonable cost recovery with net savings shared between utilities and customers. In lieu of an IRP requirement, an assessment of DR resources could be required as part of a certificate of necessity (CON) proceeding.

Again, facilitating participation by third party aggregators would remove the disincentive for utilities to undercompensate demand response resources. Under these arrangements, the competitive market and policies at the RTO levels – not state regulators - would ensure robust participation by demand response resources.

- C. The marketability of demand response programs would likely be different depending on customer class. For large industrial customers like chemical manufacturers, providing clear, detailed information regarding the demand response program, including examples, is the best marketing approach. As previously mentioned, large industrial customers would be most incentivized to participate directly in MISO demand response programs or through direct contracts with third party demand response aggregators.

Residential customers would likely show greater DR participation under expanded implementation of time of use rates, rebates for the purchase of "smart" appliances compatible with advanced meters, or the use of advanced energy efficient technologies that lower peak time building loads.