September 22, 2021

Mr. Dan Scripps, Chair
Commissioner Tremaine Phillips
Commissioner Katherine Peretick
Michigan Public Service Commission
PO Box 30221

Re: U-20960 - Comments on Draft 'Smart Rate Design for Distributed Energy Resources'

Dear Chair Scripps and Commissioners Phillips and Peretick:

I am writing on behalf of the Great Lakes Renewable Energy Association (GLREA) in response to the request by the Michigan Public Service Commission for Comments on the Draft 'Smart Rate Design for Distributed Energy Resources' written by the Regulatory Assistance Project (RAP).

Overall, GLREA believes that the Regulatory Assistance Project wrote a decent first Draft Report that responds to the various topics and tasks as set out in Senate Resolution 142 and Commission Order U-20960 to study rate options for Distributed Energy Resources.

We believe the Report has successfully reported the history behind and discussion of various important considerations when developing Rate Designs. But GLREA was disappointed that stakeholders did not have much engagement in the Study. We do however recognize this might well have been due to the very short timeline that guided this process. We hope that there will be a follow-up workgroup to both discuss this report and to make specific recommendations to legislators for future legislation and new regulations to create better rate design to properly compensate Distributed Generation and to encourage future deployment of Distributed Energy Resources

This Report addresses System Access fees, Fixed charges, Demand charges, Time of Use rates and Stand By charges. The Great Lakes Renewable Energy Association is very appreciative that this Report also addresses the issue of the equitable recovery of costs and whether there remains any cross-subsidies between solar users and non-solar customers.

We want to highlight a statement from the Report: *"While the inflow/outflow model has its virtues, including removing most reasonable arguments about significant cost shifting from participating DER customers to on-participating customers, further rate design reforms for DER's are most certainly needed so they can fulfill their promise as a key part of the grid of the future (p. 4).*

GLREA strongly supports this statement for the following reasons:

First, it addresses the issue of cost shifting and concludes that it is not occurring even if DTE and Consumers Energy still insists that it is.

Second, it acknowledges that further rate design changes should occur to support the expansion of Distributed Energy Resources.

And finally, the statement acknowledges the importance of Distributed Energy Resources as a key component of the Grid in the future.

But the Draft Report does not suggest specific rates, appropriate charges or fees a process for determining rates and charges and fees. Instead the Report states: "This report catalogs the key complexities *to consider* and then lays out the multitude of potential program structures and different rate design options, before sketching out high-level *potential* paths forward for residential customers." (p. 5)

The Report does do a good job of setting the stage and discussing the merits of each rate design option. But for this Report to provide real value, the Great Lakes Renewable Energy Association again suggests that the Michigan Public Service Commission continue to have this DER workgroup meet and (hopefully) develop a process to generate a specific set of rates, charges and fees that the utilities must abide by, to continue the deployment of Distributed Energy Resources that will sustain the rights of Michigan ratepayers to install a renewable energy system and bring resiliency to the Grid.

GLREA will now make a few more specific comments on concepts addressed in the Draft Report.

Gradual Evolution

The high-level path of 'gradual evolution,' is an inappropriate approach and is frank just an excuse for extending bad rate design and bad policy. The establishment of a 1% Cap in the original enabling law of Public Act 295, is an example of gradual evolution. But with any policy or rate design that has obvious flaws based on real data, that policy or rate design must fundamentally change. So lifting the Cap by a percentage point here and there would be an example of 'gradual evolution' but should not be used when its obvious that this underlying policy is unalterably flawed.

Time of Use Rates

GLREA believes that the author of the Draft Report didn't fully articulate the point of whether Time of Use rates are providing efficient price signals. Efficient price signals are only effective if the bring about a change in customer behavior. If the price differential between Peak and non-Peak times is not large enough to change behavior then the rate design fails. GLREA believes that this point should be stated more forcefully in the final Report in the discussion regarding the option of moving to Time of Use rates.

Other Pricing Concerns

The study also ignores the needed requirement to go beyond 'marginal cost' contribution to create efficient pricing. Since there is a world-wide campaign to transition from fossil fuels to renewable energy, there must be efficient price signals to support and encourage the deployment of distributed generation and distributed energy storage. Unfortunately, a 'marginal cost' determination is in the eye of the beholder. Some states, like Minnesota have a process to determine all of the marginal costs and to include them when determine the resulting rate. But other advocates would not include all those costs and thus the marginal

cost analysis is insufficient. This Report is critically missing the process of determining those marginal costs that would result in efficient and fair rate design. And frankly the effort by the utilities in Michigan to assign more costs to residential customers, is not an efficient price signal but is simply punitive and a clumsy effort to undercut the economics of installing a solar energy system with the goal of curtailing the deployment of Distributed Energy Resources.

Demand Charges

Although demand charges are discussed, GLREA believes that demand charges are not discussed sufficiently in this Report with policy arguments as to why they should not be used in rate design for Residential Customers and specifically for Distributed Generation Resources. This is another reason why GLREA strongly encourages the MPSC to continue to convene this workgroup after the final report is released.

The Great Lakes Renewable Energy Association does not agree with the assertion that Residential customers are twice as expensive to serve as industrial customers. The authors of the Report allude to this idea that residential customers are a lot more expensive to serve but do not provide the counter argument as to the falseness of this assertion.

Conclusion

These comments represent our thoughts regarding the Draft Report. GLREA again asserts that this Report simply sets the stage for a discussion among stakeholders and the Commission to engage in a process to examine the options provided in the Report and make a determination of which ones are best suited for supporting the expansion of Distributed Energy Resources in Michigan.

GLREA also suggests that the conclusions be reordered to better address the issues and rate design discussed in the body of the report. The new grouping could be done in the following manner:

1) Time of use inflow/outflow
    a. Easy to implement
    b. Understandable
    c. Addresses Cost causation
    d. Eliminates cross subsidization

2) Advanced Time of use including SRECs to incorporate environmental savings

3) Non-time based rate options
    a. Net Metering
    b. Demand charges
    c. Standby charges

The members of the Great Lakes Renewable Energy Association (GLREA) appreciate the opportunity that the Michigan Public Service Commission is providing for us to share these comments. GLREA looks forward to working with the MPSC on follow-up to this Report.

Very truly yours,

John Freeman
Executive Director