

21st Century Energy Plan

Energy Efficiency Workgroup
Active Demand Response & Price
Response
Joint Meeting

Overall Objective

- Develop a proposal for a permanent and comprehensive energy-efficiency and load management program for the State of Michigan

Load Management Goal

- Through utility capital investment in technology – lower the cost of electric power to Michigan ratepayers

Key Objectives

- Develop a statewide *Smart Meter* implementation plan including milestone dates leading up to full implementation
- Develop a comprehensive plan for merging the *Smart Meter* program with new rate structures, i.e. *Smart Pricing*
- Develop a plan for merging the *Smart Meter* program with active demand control & interruption

Smart Meter Initiative

- Develop a plan for phased implementation
- Identify constrained areas for priority installation
- Project capital and O&M costs
- Policy recommendations for rate recovery of program costs
- Identify key issues and barriers to implementation

Smart Pricing Initiative

- Develop rate structures that would vary the energy price depending on how much electricity a customer uses during each hour of the day
 - Evaluate variations of real-time pricing
 - Evaluate critical period pricing
 - Evaluate active demand-control rates

Major Regulatory Issue

- Identify legal, regulatory, policy and other barriers to changing PSCR rates from an annual-average pricing method to a *Smart Pricing* rate structure
 - Increase the accuracy of retail price signals
 - Address apparent failure of current time-of-day pricing

Specific Issues

- Should a specific Smart Meter system be mandated
- Should the MPSC mandate minimum technical standards
- How should interconnection with ancillary devices be promoted; e.g. smart thermostats, load control devices
- Should an initial pilot program be implemented to gain information

Issues Continued

- Should the MPSC set statewide standards for:
 - timely availability of consumption data (next day?)
 - how data is displayed
- Should voluntary buying groups be formed by LDC's so as to gain economies of scale
- Should rate structures be created that avoid subsidies for customers who do not conserve, by customers who do conserve
- Would MISO determine critical periods that would trigger critical peak pricing

Issues Continued

- How would customers be informed of the invocation of critical peak pricing
- Would PSCR peak-period rates be based on marginal costs or interval average costs
- Would customer data be available on the internet; how would customers without internet services obtain data
- Would residential or small commercial customers have demand or power factor based delivery charges

Additional Issues

- How can the MPSC mitigate rate impacts on customers with limited ability to shift demand
 - Energy efficiency/conservation programs
- Will large volume customers be able to opt out of *Smart Pricing*
 - How will special contracts be handled
- During the implementation phase-in period, will phase-in costs be charged to all customers
- How would stranded costs associated with existing meter and communication infrastructure be recovered

Additional Issues

- Will existing cycle billing periods be changed
- Should the metering function be opened to competition
- Is there a need for pre-approved list of exceptions to *Smart Metering*