

Michigan's Twenty First Century Energy Plan

Electric Energy Policy Proposals

Policy Track

Like the Michigan Capacity Need Forum, the Twenty First Century Energy Plan (21 CEP) is proceeding along two tracks. Track one is a comprehensive, short and long-term assessment of Michigan's electric energy needs. This includes performing a long-term forecast of the state's electricity use, determining whether existing generation and transmission resources can meet the growing need, and, if additional resources are needed, identifying the best combination of resources to meet the future need for electricity.

The second track addresses Governor Granholm's request for legislative and regulatory policy recommendations. We have organized policy issues in a manner that follows our comprehensive resource assessment process. Our forecast of Michigan's future needs and resource options includes known traditional technologies like baseload generation options, renewable energy, energy efficiency options, and distributed generating technologies.

We have grouped the major policy issues into the following four categories:

- Central station generation
- Energy efficiency/load management
- Renewable energy portfolio standards (RPS)
- Distributed energy production technologies

Central station generation addresses traditional central station plant including baseload, cycling, and peaking. Four strawman policy proposals have been made by 21 CEP – CNF Update Workgroup participants to address inclusion of these traditional technologies. Portions of the strawman have already been reviewed by workgroup participants. Attached, is a summary matrix which includes the final portions of each strawman proposal. (More complete descriptions, including original and supplemental proposals, of the four strawman proposals will soon be posted to the 21 CEP website, at http://www.dleg.state.mi.us/mpsc/electric/capacity/energyplan/cnfupdate/cnfupdate_strawmancompilation_jul31_2006.pdf. These proposals have not previously been released in complete form.)

Energy efficiency policy seeks to initiate and maintain a long-term, permanent energy efficiency program in Michigan. Included among these issues is scope of programming, measuring cost-effectiveness, funding, and delivery vehicles. Staff has previously framed many of the issues in a series of questions, to which we have received numerous responses. We share these issues and responses and seek additional comments that you may have on appropriate scope, delivery venue, and other issues. (The compilation of responses on the energy efficiency strawman was previously posted on the website, and

can be viewed at

<http://www.dleg.state.mi.us/mpsc/electric/capacity/energyplan/energyeff/ee-dr-strawman.pdf>.)

An RPS of some type or another has been adopted by thirteen states and was requested for inclusion in the state electric energy plan by Governor Granholm. Staff initially circulated a strawman policy proposal that is intended to represent prominent features of programs being undertaken across the country. We have received numerous comments on the strawman and have included a summary of those comments for your consideration. Again, we are seeking any additional comments or suggestions that you may have. (The compilation of responses on the renewables strawman was previously posted on the website and can be viewed at

http://www.dleg.state.mi.us/mpsc/electric/capacity/energyplan/renewables/strawman_commentsjul10_2006.pdf.)

Distributed energy technologies include those generation methods that are typically deployed at “point-of-use”. These may be reciprocating engines, fuel cells, stirling engines, micro turbines, and more conventional cogeneration facilities. The policy issues identified for this major group are intended to assure that regulatory hurdles do not undermine their adoption where their use may be desired by market participants. These policy issues have not previously been released, so we are very interested to learn which of these issues are important to you, whether you agree policy changes are necessary and the advantages and disadvantages of these proposals.

Planning and Resource Goals

Although Central Station strawman proposals differ significantly on some important issues, they generally begin by recommending that a comprehensive resource plan be filed by a utility if the utility believes that there is a need for additional electric energy resources. Some proposals recommend that such a filing be mandatory and be made on a periodic basis. All proposals would involve a public review of the plans through a hearing at the Commission.

An important feature of these plans is an assessment of a broad set of options to meet a future need. Thus a plan would include consideration of traditional generating and transmission options along with renewable energy technologies, energy efficiency, load management, and distributed technologies. A result of the process would be a plan to meet future needs comprised of a portfolio of resources. Whether such a filing would be mandatory or optional, the various proposals would require the Commission to determine the best selection of resources to meet Michigan’s future need for electricity.

The goal of our policy track is to convert this selection of resources into the adoption of actual resources consistent with the needs identified in the planning process. Participants have suggested that in some areas, the Commission’s scope of authority would need to be augmented and new laws would need to be passed in order to implement policy options.

Our first goal is to solicit comments and suggestions on the policy strawman proposals and comments made to date.

Attached, you will find files that summarize the policy issues and proposals for each major area. These four files are identified as:

1. Central Station -
http://www.dleg.state.mi.us/mpsc/electric/capacity/energyplan/cnfupdate/centralstation_strawmanmatrix.pdf
2. Energy Efficiency -
http://www.dleg.state.mi.us/mpsc/electric/capacity/energyplan/energyeff/ee_strawmanmatrix.pdf
3. RPS -
http://www.dleg.state.mi.us/mpsc/electric/capacity/energyplan/renewables/rps_strawmanmatrix.pdf
4. Distributed Energy –
http://www.dleg.state.mi.us/mpsc/electric/capacity/energyplan/renewables/dtech_strawman.pdf

While some participants have reviewed policy issues in one or two areas, we believe that it is important to review the broad set of initiatives collectively for completeness and consistency. These files represent summaries of complex policy proposals. In summarizing these proposals we may have inadvertently left out important details or not completely explained each proponent's strawman. Please refer to the webpages listed above for more detail or email questions and concerns to me or Pat Poli.

We would like to receive your thoughts and suggestions on the best set of policy options that will allow Michigan to implement a robust set of resource options and meet the goals of the 21st Century Energy Plan. Please tell us which policy options you prefer, which you think will work, and which may not work as intended. We are particularly interested in the combination of policy options that you believe should be included in a comprehensive policy package. Please feel free to comment on the advantages and disadvantages of various options. Send your comments to me (grstoji@michigan.gov) with a copy to Pat Poli (pmpoli@michigan.gov) no later than August 21st.

Thank you,

George Stojic