



Small Group Exercise Instructions: What to Measure and How

Group 1 Stakeholders:

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George Andraos, Ford Motor Company

James Ault, Michigan Electric and Gas Association

Chrissy Beckwith, SEMCO Energy

James Clift, Michigan Environmental Council

John LaMacchia, Michigan Municipal League

Michael Moody, Michigan Department of Attorney General (AG)

Greg Poulos, EnerNOC

Jean Redfield, NextEnergy

Don Stanczak, DTE Energy

Andrew Vermeesch, Michigan Farm Bureau

Jim Weeks, Michigan Municipal Electric Association

Jeff Wiggins, House Republican Policy Office

Group 2 Stakeholders:

Facilitator and scribe: **Julie Metty Bennett**, PSC and **Dave Isakson**, Michigan Public Service Commission (MPSC)

Kwafo Adarkwa, ITC Holdings Corp.

Mathias Bell, Opower

Greg Bergtold, Dow Chemical

Craig Borr, Wolverine Power Cooperative

Laura Chappelle, Energy Michigan

Gregory Clark, Indiana Michigan Power

Lauren Donofrio, AG

Dan Dundas, Senate Majority Policy Office

Anand Gangadharan, NOVI Energy

Jason Geer, Michigan Chamber of Commerce

Brandon Hofmeister, Consumers Energy

Dan Scripps, MEIBC

Jill Steiner, Cadmus Group

Purpose: Before the last meeting, the Roadmap for Implementing Michigan’s New Energy Policy Steering Committee issued a charge to the stakeholder group (see attached). Some elements of the charge focused on demand response (DR) program design (e.g., how customers should be compensated for participation in DR programs). Others focused on the utility regulatory framework (e.g., what changes to Michigan’s regulatory framework should be made to make it more advantageous for utilities to offer DR programs). This small group discussion is focused on the latter. More specifically, stakeholders will be asked a series of questions to help shape recommendations regarding a new regulatory approach to promoting DR.

Agenda: Small groups will answer the following questions.

- ❖ The stakeholder group has developed a vision for DR programs in Michigan. Mapping **performance metrics** onto this vision will allow us to see whether or not we are making progress toward achieving our vision. In advance of the meeting, you were provided with some examples of performance metrics that could be used to evaluate progress (see attached). Are these the right metrics to show whether or not we are achieving our vision? Should any be removed? Should any be added? Should the metric be utility specific or statewide? Of these metrics, what data are the utilities already collecting and reporting? What new data would have to be tracked and reported? How feasible is that? In light of this discussion, what performance metrics should be tracked and reported? (Please note that we are looking for types of metrics, not specific numerical targets. For example, X percent increase in customer participation is fine; no need to replace X with an actual numerical target.)
- ❖ Now that we know what performance metrics will be tracked, should the utility receive some type of **reward** (or penalty) for achieving the metric(s)? If so, what should the reward be? Something small? Recognition? Financial? Tied to utility financial earnings? Should the reward be tied to an individual utility achieving the metric or should all utilities have to achieve it statewide? How should the rewards be introduced? Should we conduct pilot programs to determine whether we have identified the right metrics (as opposed to ones that are impossible or too easy to achieve) before we put the reward system in place? Determine the appropriate pace, scope, and scale for rollout.
- ❖ What methodologies should we use for **measurement**, and what are the key assumptions for making calculations? What do the utilities already do to measure performance?
- ❖ How are the metrics and results **tracked and reported**? Should utilities self-report with the opportunity for audit? What about simple correspondence to the commission or a public “report card” (e.g., a presentation which translates metrics into something the public can understand)? To whom should the report be communicated (whether the news is good or bad)? Newspapers? Elected officials who are part of making the process effective? How should the commission respond?
- ❖ How are the metrics **verified** and by whom—a third party hired by the MPSC, or a third party hired by utilities? When should verification occur? What data are needed?
- ❖ Decide what information from your deliberations you are going to share with the full group. There should be at least a couple of points per topic (performance metrics, rewards, measurement, tracking and reporting, penalties, and verification).

Limits: You have two hours to complete this exercise. If all of the questions are not answered by the end of the two hours, the group will either complete the questions during a conference call in advance of the next meeting, or during the next meeting (depending on how much work remains and the progress of the other small group). You will have ten minutes to report to the full group. No need to go into great detail; project staff will document the answers to the questions in writing and distribute to the group before the next meeting.



Roadmap for Implementing
Michigan's New Energy Policy

Charge to the Stakeholder Group for Demand Response

The Michigan Energy Office, with grant support from the U.S. Department of Energy, is working to create a stakeholder- and research-driven roadmap that aligns electric utility business interests and customer behavior with public policy goals. The project is directed by a multiagency steering committee, informed by a multisector stakeholder group, and supported with internal agency staff and external partners.

The project steering committee has decided to start with a focus on demand response (DR). This decision was based on initial stakeholder feedback (received through surveys and discussion), the potential these programs have for addressing pressures on the utility sector, and the current political environment (i.e., this is an aspect of energy policy that isn't expected to be significantly altered by new legislation and is within the commission's regulatory authority). The process we will use to explore this topic can be replicated on other topics once there is more legislative certainty.

Specifically, the charge to the stakeholder group is to provide the steering committee with answers to the following questions.

- ❖ Would it be valuable for the Michigan Public Service Commission to conduct a potential study for demand response programs in Michigan? If so, what questions should be explored in this study?
- ❖ How should customers be compensated for participation in DR programs, and what should the penalties or other approaches to ensure adequate performance be?
- ❖ How should utilities be compensated for delivering DR programs?
- ❖ What type of measurement and verification methodology should be used for DR performance?
- ❖ What changes to Michigan's regulatory framework should be made to make it easier and more advantageous for customers to take advantage of demand response and for utilities to offer demand response options?



Roadmap for Implementing
Michigan's New Energy Policy

Performance Metrics: Knowing When We've Achieved Our Demand Response Vision

During our next stakeholder group meeting, we will develop metrics that will help us measure whether or not we are achieving our demand response (DR) vision. Below is the draft vision, which we will finalize during our next meeting, as well as examples of metrics that could be used to measure success (noted in italics). **Please come to the meeting prepared to share your thoughts on the example metrics and present additional and/or alternative metrics.**

- ❖ Embrace new enabling technologies and leverage their full potential to deliver positive public benefits through innovative program designs
 - *Example metric: Percentage increase in advanced metering infrastructure and/or automated meter reading deployment over time (e.g., year over year for a two to three year period)*
- ❖ Be voluntary, allowing customers the opportunity to choose to participate in DR programs
 - *Example metric: DR programs available to X percent of connected load*
- ❖ Be simple and easy for customers to understand and access
 - *Example metric: Percentage increase in customer participation over time*
- ❖ Improve the reliability of the electric power system
 - *Example metric: Percentage improvement in SAIDI, SAIFI, CAIDI, and MAIFI*
- ❖ Reduce peak load and associated costs, serving as a cost-effective, reliable way to relieve peak demand and improve system stability without needing to build excess supply-side infrastructure
 - *Example metric: Percentage kW peak demand reduction from baseline or X percent improvement in system load factor*
- ❖ Meet capacity, energy, and ancillary service resource needs where DR is more economic and reliable than alternative supply-side options, including upgrading transmission and/or distribution systems and buying or building generation assets.
 - *Example metric: Demonstration of net system savings through the use of DR (\$/MW cost of DR relative to the \$/MW cost of traditional investment)*
- ❖ Provide financial benefits for consumers and utilities
- ❖ Provide flexibility in order to accommodate customers of all sizes; specifically, programs should permit larger customers to make individual agreements with their utility
- ❖ Be a trusted alternative to supply-side resources, with accurate measurement and verification; it is important that resources can be counted on when they are needed, and that their calculated benefits are realized
 - *Example metric: Improvement in MWh of DR deployed relative to need*
- ❖ Meet the resource adequacy requirements of the relevant Regional Transmission Organization

List your suggested metrics on the next page and bring them with you to the next meeting. We are looking for types of metrics, not specific numerical targets (e.g., X percent increase in customer participation is fine; no need to replace X with an actual numerical target).

Your suggested metrics: _____

