

WIND ON THE WIRES: Responses to Questions posted to Michigan Energy Forum Website

24. What has Michigan done in the past regarding carve-outs for certain renewable sources? What have other jurisdictions done? What are the impacts of such carve outs on adaptability, affordability, reliability, and environmental protection?

Michigan's RES does not provide carve-out requirements for specific generation resources. However, Michigan has additional incentives (Bonus Credits) for each megawatt-hour (MWh) generated by certain types of systems. Solar receives 2 additional credits per MWh, non-wind peak production receives additional 1/5 credit per MWh, etc.

The impact of these additional incentives has not altered the affordability of wind generation in Michigan. The weighted average levelized cost of wind energy for Michigan's largest utilities is \$80.32 per MWh. This remains significantly lower than all other qualifying resource technologies, with the next lowest-cost being \$98.94 per MWh for Biomass generation. (Michigan PSC, *Report on the Implementation of the PA 295 Renewable Energy Standard and the Cost-Effectiveness of the energy Standards* at 26 (2/12/2013)).

Each state has varying supplies of renewable energy resources. A state should consider the potential resources it could call upon to meet its needs – which include in-state as well as those interconnected to Michigan via its regional transmission operators. Carve outs have been used in some states to achieve utilize the renewable resources it has access to. In addition, it provides certainty around meeting the state's policy goals, within the RES framework. For example, states have created a solar carve-out to encourage solar manufacturing in a state, or created carve-out requirements for specific renewable or clean energy resources. However, carve-outs have the potential to create an uncompetitive environment for renewables, and can often increase compliance costs for the RPS as a whole.

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