

BACKGROUND

The Michigan Public Service Commission (“Commission”) established MI Power Grid in October 2019 as a multi-year stakeholder initiative designed to maximize the benefits of the transition to clean, distributed energy resources for Michigan customers. MI Power Grid was established with three foundational pillars: 1) customer engagement; 2) integrating emerging technologies; and 3) optimizing grid investments and performance.

The Energy Programs and Technology Pilots workgroup began in February 2020, and was designed to address the following MPSC objectives:

- Investigate past Commission-approved pilots
- Understand outcomes and apply lessons learned from existing pilot projects
- Identify pilot best practices
- Propose objective criteria for the Commission to use when evaluating proposed utility pilot projects

Consumers Energy appreciates the opportunity to participate in this workgroup seeking stakeholder input on these topics and looks forward to continued partnership with the MPSC on potential changes that will enable successful outcomes for future utility pilots.

CONSUMERS ENERGY'S PILOT OBJECTIVES

Consumers Energy supports changes to the regulatory construct that:

- Ensure pre-approved and flexible use of funding for utility pilots;
- Allow emerging programs and technologies to be delivered to customers in an expeditious manner;
- Promote agility and flexibility to allow pilots to evolve within the defined learning outcomes.

Consumers Energy believes changes are needed from today's construct to successfully deploy pilots quickly and effectively. Today, the time required to deploy new and innovative customer solutions – moving from ideation, to rate case approval of a pilot, and then (if pilot warrants) to rate case approval supporting potentially moving to a full program – can take 2-3+ years. In reviewing Staff's draft report, it is not clear that any changes are being proposed that would achieve Consumers Energy's desired outcomes as stated above.

Applying an approach like that used for Energy Waste Reduction (“EWR”) pilots, including consistent funding, incentives, and a flexible process, can be used to

advance these objectives. For example, use of an EWR-like pilot approach for demand response and certain other types of pilots would be supported by the company. Specifically, a pilot process could be designed to include predictable reconciliation and evaluation processes on a periodic basis (such as semi-annually) that allows the Commission to review pilots for prudence on the back end. This approach promotes transparency and offers flexibility for utilities to iterate on a pilot and achieve the learning objectives. Pilots offer utilities a valuable opportunity to experiment with new technologies and programs – it is important to note that not all pilots will necessarily lead to the creation of a new utility program, and not all pilots will necessarily be cost effective.

While utilizing an EWR-like approach may help ensure the timely deployment of utility pilots, the use of utility rate cases and other regulatory filings should continue to be an option to receive Commission approval and authorization, in order to maintain flexibility and consideration of broader objectives. There are benefits to having different pathways for pilots – an EWR-like approach leads to speed and agility in pilot deployment, while approvals through rate case processes can be used to incorporate objective criteria and increased stakeholder engagement, consistent with Staff’s recommendations. It may be possible to delineate the types of pilots that might go through each of these pathways based on scope, funding level, or number of customers impacted.

OTHER REPORT THEMES

Definitions: Staff’s report proposes the following pilot definition: “A pilot is a limited duration experiment to determine the impact of an intervention on one or more outcomes of interest.”

Consumers Energy supports Staff’s proposed definition. One term it may be beneficial to provide clarity on is “limited”. “Limited” duration may vary widely based on the type of pilot. For certain pilot types, three months may be considered limited, whereas in other cases, a year or 18 months could be considered limited.

Objective Criteria: Consumers Energy agrees with Staff and stakeholders that, in many cases, learning objectives can be shared earlier in the development of utility pilots. One option would be for utilities to file forward-looking pilot plans which contain the types of pilots the company expects to conduct, learning objectives for each pilot category, and potential longer-term benefits from the suite of pilots being conducted.

Overall, the objective criteria recommended imply a “one-size-fits-all” approach to utility pilots. It is helpful to start applying a standard lens around utility pilots, but not all recommendations may be effectively applied to all pilots. There should be some flexibility afforded to look and apply the objective criteria on a case-by-case basis depending on the scope and objectives of the pilot.

Objective Criteria 1: Clear pilot need and goals.

Consumers Energy supports the recommendation.

Objective Criteria 2: Pilot design and evaluation plan designed and presented together.

Consumers Energy agrees that these are important elements to consider in pilot deployment. Certain high-level design and evaluation elements can be relatively easily shared upfront. It may be more prudent to share additional design and evaluation details later in the process so that pilots are not slowed down upfront.

In the case of EWR pilots, the rigorous evaluation methods are warranted because of the consistent funding source and policy support to do so. Not all pilots will have statistically significant sample sizes and methods, which would warrant larger and more consistent funding for these pilots. It is especially hard to conduct pilots with large sample sizes on the commercial and industrial side, which would be highly costly and impactful to these customers.

Objective Criteria 3: Pilot project costs detailed.

Some of these requirements would be contrary to Consumers Energy's pilot objectives. First, while government funds can be a good resource and Consumers Energy does pursue these opportunities, grant criteria may not always align with Consumers Energy's learning objectives and pursuing these funds may impact the ability to move quickly in pilot deployment.

Secondly, it may not be possible to prove cost-effectiveness during the pilot stage. Pilots are rarely cost-effective because of scale. There can be a large difference between what is considered a pilot for purposes of evaluating new technologies, versus programs or offerings that the utility is simply making available for the first time. **A pilot is focused on learning rather than necessarily being cost-effective, and a pilot should contain a test plan rather than a business case.** There could be other instances where the utility is simply doing something for the first time, where a business case should be included with proven cost-effectiveness and customer value. Cost-effective considerations are more appropriate when evaluating programs at scale.

Objective Criteria 4: Project timeline detailed.

Consumers Energy supports the recommendation.

Objective Criteria 5: Stakeholders engaged.

Consumers Energy agrees that stakeholder engagement is critical, and does consult with vendors, utility peers, customer groups, and others in development of new pilots and products.

While stakeholder engagement should be conducted in some pilots, particularly large-scale pilots with the potential to significantly impact a large number of customers, it is important that the rigorous stakeholder engagement being

suggested does not become burdensome and slow down the pilot deployment process – particularly in the “before pilot” stage.

Consumers Energy suggests exploring a new pilot engagement process with retrospective reviews with interested stakeholders on a regular cadence (e.g. semi-annually). This could encourage two-way information flow and presentation of ideas between utilities and other interested parties, without slowing down existing pilot deployment.

Objective Criteria 6: Public interest is clear.

While it is prudent for these details to be considered, some of these recommendations are more applicable when evaluating programs at scale rather than pilots (as mentioned in response to Staff’s recommendation 3). Additionally, Consumers Energy suggests that part (a) regarding DERs is removed, as there are pilots that could be deployed for other reasons (e.g. simply for reliability purposes) and not intended to advance DER integration. In the case that the pilot being proposed does support DER integration, part (c) would capture the benefits.

We look forward to partnering with the Commission as it continues to explore processes for regulatory review.

Information Sharing: Several stakeholders suggested changes around data sharing and stakeholder engagement. While Consumers Energy agrees that these are key items to consider, we have concerns around privacy and intellectual property that may come with broader information sharing with public institutions and competitors. Additionally, it is critical that any potential changes do not slow down the deployment of pilots or create a barrier to utility offerings that could provide significant customer benefits.

Centralized docket: Staff suggested the creation of an online pilot directory which could be used for easy access to utility pilot information for interested stakeholders.

Consumers Energy is open to further exploring the concept of an online pilot directory, if the following unintended consequences can be avoided: 1) avoid slowing down pilot deployment; 2) avoid increased regulatory burden; 3) avoid confusion between various regulatory processes; 4) avoid applying a “one-size-fits-all” approach to widely varying use cases.

Consumers Energy suggests that future pilot areas of interest may be better suited to another venue and should be left off any online pilot directory.

Future Pilot Ideas: Consumers Energy agrees with Staff that more detailed foundational goals underpinning the MI Power Grid effort would assist with providing direction for future utility pilots. Funding and incentives to support these goals would ensure utility deployment of such projects.

Additionally, Consumers Energy agrees that increased focus should be placed on low-income customers and communities of color in development of pilots.