

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission’s own motion, to)
commence a collaborative to consider issues related)
to integrated resource and distribution plans.)
_____)

Case No. U-20633

**COMMENTS OF THE
ASSOCIATION OF BUSINESSES ADVOCATING TARIFF EQUITY**

I. INTRODUCTION

During the February 9, 2021 stakeholder meeting in this proceeding Michigan Public Service Commission (“Commission”) Staff requested feedback regarding a number of questions concerning the valuation of generation diversity, risk assessments, and integrated resource plans (“IRPs”). The Association of Businesses Advocating Tariff Equity (“ABATE”) provides its general responses to those questions below.

II. COMMENTS

- A. Should generation diversity be valued through risk assessment in an IRP to assess how different diverse resource portfolios can mitigate various risks? The assumption is that this would allow for a comparison of the costs associated with maintaining diverse resources vs the benefit of mitigating certain risks.**

Determining generation diversity value by considering diverse resource portfolios’ utility to address risks of varying likelihood and impact severity would be beneficial. As noted in ABATE’s previously-submitted comments the value to customers of addressing certain risks considering their probability and customers’ opportunity costs is important to make prudent and reasonable system investments. As such, modeling various generation portfolios considering the diverse resources’ costs and the extent to which they can prevent certain risks would provide a

useful basis for customers and utilities to evaluate the costs, benefits, and value of resource diversity.

B. Are there other methodologies that stakeholders recommend using to determine the value of generation diversity?

Two considerations for valuing generation diversity as part of the risk assessment described above could be focusing on fuel cost variability and resource availability. Considering these factors together is important to develop a comprehensive understanding of resources' system value. For instance, while natural gas cost variability is among the highest of all fuels and renewables effectively have no fuel cost variability, renewables carry the risk of being unavailable during peak demand or off-peak periods. As such, there are other generation resources (i.e. resource diversity) that would be needed to mitigate that risk. As renewables continue to make up larger portions of generation portfolios both these fuel cost and resource availability issues should be addressed in resource planning risk assessments.

In determining the value of generation diversity it is also important that any generation retirements undertaken as part of portfolio diversification are only pursued pursuant to detailed, reasonable, and transparent retirement analyses. As ABATE has noted in its prior comments in this proceeding, requiring prescriptive assumptions regarding specific generation retirement and replacement in pursuit of resource diversity presents the risk of uneconomic resource shuffling. (See ABATE January 12, 2020 Comments.) Specific generation unit retirements should not be defined or mandated simply to pursue resource diversity; they should instead be considered through reasonable and transparent analyses which assess the costs and benefits of diversification and demonstrate economic impacts to avoid imprudent portfolio modifications.

C. Will better alignment of planning processes help to identify the value of generation diversity by identifying benefits across multiple planning processes, such as blackstart capability, grid resiliency, etc.?

Presumably the ability to evaluate various resource portfolios' costs and benefits in multiple planning contexts could provide a fuller picture of the ultimate opportunities and costs of such resources to customers. Again, however, a firm understanding of what planning goals across these processes the diversity of generation resources is meant to address (i.e. "resiliency") is necessary to attribute an appropriate value to customers such that it can be measured against related costs.

III. CONCLUSION

Pursuant to Staff's solicitation of feedback and for the reasons set forth herein, ABATE recommends Staff consider and incorporate the issues and points raised above into this stakeholder proceeding.

Respectfully submitted,

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Date: February 19, 2021

02/19/2021

**Comments of Consumers Energy Company
in the Integration of Resource/Distribution/Transmission Planning Workgroup
Session Seven Feedback Requests**

Dear Ms. Rogers,

Thank you for the opportunity to provide comments on the feedback that Staff solicited during the Seventh Advanced Planning stakeholder workgroup.

The Company would like to share the following considerations on Staff's questions:

- 1) **Should generation diversity be valued through risk assessment in an IRP to assess how different diverse resource portfolios can mitigate various risks? The assumption is that this would allow for a comparison of the costs associated with maintaining diverse resources vs the benefit of mitigating certain risks.**

Yes, generation diversity can be properly considered and valued through a risk assessment in integrated resource planning. Risk analysis tools using a stochastic, probabilistic or deterministic approach are all capable of evaluating the probability and magnitude of effects on cost, reliability (planning reserve margin requirements, energy needs, etc.), as well as other factors such as market reliance, emissions impacts, or loss of supply availability, for different types of resource portfolios under a set of scenarios and assumptions. The Company recommends the IRP requirements include a non-exhaustive list of analysis considered acceptable for risk assessment, including the aspect of generation diversity.

- 2) **Are there other methodologies that stakeholders recommend using to determine the value of generation diversity?**

The Company recommends the inclusion of risk assessment continue to be an approach that utilities can use as a sufficient methodology to address generation diversity in integrated resource planning. The Company notes that ever evolving changes in the industry can create other ways to identify the benefits of generation diversity. A level of flexibility to incorporate additional ways to assess generation diversity should be considered in recommended modifications to the IRP filing requirements.

3) Will better alignment of planning processes help to identify the value of generation diversity by identifying benefits across multiple planning processes, such as blackstart capability, grid resiliency, etc.?

Yes, alignment of planning processes will help identify the value of generation diversity. Using common forecasts, models, and key assumptions across different planning processes ensures that all aspects of generation diversity value are identified and considered.

4) Should utilities provide a calculation of resource diversity for the proposed course of action assuming a 5-, 10-, and 15-year planning horizon in the IRP filing?

The Company does not recommend the inclusion of a specific calculation or value that would be assigned to resource diversity. It is most appropriate for each utility to assess and evaluate how to address resource diversity as an element of the risk assessment process, and then apply the available tools and evaluation methods to conduct additional analysis. This approach offers flexibility in identifying and focusing on aspects of resource diversity of most impact to the planning processes and objectives. Requiring a specific calculation resulting in a one end value may not properly represent the impacts of resource diversity for each utility.

Respectfully submitted,

Consumers Energy Company



DTE Electric Response to Staff Questions
Requested 02-09-2021
MI Power Grid– Advanced Planning Phase II
February 19, 2021

DTE Electric (DTE or Company) submits the following comments in response to the Michigan Public Service Commission Staff's (Staff) questions posed during the February 9 workgroup meeting. The Company appreciates this opportunity to comment.

Please note that in this response, DTE is assuming that "generation" diversity means "resource" diversity and we have answered with that context in mind.

1. [Should generation diversity be valued through risk assessment in an IRP to assess how different diverse resource portfolios can mitigate various risks? The assumption is that this would allow for a comparison of the costs associated with maintaining diverse resources vs the benefit of mitigating certain risks.](#)

The Company agrees with valuing resource diversity through a risk assessment in an IRP. Since risk assessment is already required as part of the IRP, if the utility performs a stochastic risk assessment, DTE believes this type of analysis will satisfy the diversity requirement and requests that the Commission consider a stochastic risk assessment as meeting this criterion. In the event a different analysis or diversity calculation is recommended, DTE believes it would be redundant to include both a stochastic risk assessment and a resource diversity metric calculation in an IRP and would appreciate the opportunity to comment on what, if anything, is recommended.

2. [Are there other methodologies that stakeholders recommend using to determine the value of generation diversity?](#)

The determination of a representative metric or other methodologies to value resource diversity can be very subjective. DTE is not aware of a universally accepted or established method to value diversity and as noted above we believe a robust risk assessment can better satisfy this valuation.

Among the indices discussed by Staff, the Simpson index puts a high emphasis on how different types of resources are spread throughout the categories. The Sterling index is not recommended due to its extremely subjective "disparity" term. With that said, DTE would like to emphasize that none of the diversity indices would achieve the goal of quantifying the estimated value of diversity of different portfolios, and stochastic risk assessment is DTE's preferred and recommended method to evaluate diversity more robustly while providing a quantitative value of risk. In the event other methodologies are recommended, DTE would appreciate the opportunity to comment and provide feedback on any proposals.



3. Will better alignment of planning processes help to identify the value of generation diversity by identifying benefits across multiple planning processes, such as blackstart capability, grid resiliency, etc.?

Yes, we would expect planning processes to be more aligned through the use of shared key inputs and assumptions and this alignment could potentially help identify the value of resource diversity, such as grid resiliency and resource adequacy. Today we are in the very beginning stage of identifying opportunities to align planning processes.

In addition, values of resource diversity can be very different for resource, transmission and/or distribution planning. For instance, certain geographical diversity (transmission interconnected vs. distribution interconnected) may be highly valued from a resource planning perspective; but may not be valued the same from a distribution planning perspective. This underlines the complexity of valuing diversity across various planning processes as well as some of the challenges that will need to be addressed in the future.

4. Should utilities provide a calculation of resource diversity for the proposed course of action assuming a 5-, 10-, and 15-year planning horizon in the IRP filing?

The Company agrees that resource diversity is important in selecting a PCA and believes that a stochastic risk assessment is a more robust method of determining this value over utilizing a resource diversity index or other calculation. DTE would not recommend a specific calculation and believes that each utility should address resource diversity in its IRP.



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February 19, 2021

To: Danielle Rogers, Michigan Public Service Commission

Re: Comments on the Transmission Planning-January 19, 2021 Workshop Request for Feedback

Indiana Michigan Power Company (I&M or Company) submits these comments in response to the Michigan Public Service Commission Staff's questions arising from the February 9, 2021 workshop. I&M appreciates this opportunity to comment.

Request:

1. Should generation diversity be valued through risk assessment in an IRP to assess how different diverse resource portfolios can mitigate various risks? The assumption is that this would allow for a comparison of the costs associated with maintaining diverse resources vs the benefit of mitigating certain risks.
2. Are there other methodologies that stakeholders recommend using to determine the value of generation diversity?
3. Will better alignment of planning processes help to identify the value of generation diversity by identifying benefits across multiple planning processes, such as blackstart capability, grid resiliency, etc.?
4. Should utilities provide a calculation of resource diversity for the proposed course of action assuming a 5-, 10-, and 15-year planning horizon in the IRP filing?

I&M Response

The effort to assess generation diversity and alignment of planning processes are important aspects of long range planning and we appreciate the Commissions efforts to coordinate these discussions. The resource planning process should assess generation diversity through the evaluation of various scenarios that include different resource types and amounts and consider how such a scenario would support resource adequacy over the long-term. The assessment of generation diversity should not be prescriptive because the value of such diversity, and to a degree the cost, is complex, dynamically effected and qualitative in many ways. To say this another way, it is very clear that generation diversity is highly valuable to ensure the availability of reliable and adequate electric service but there is not a clear way to accurately quantify that value. For these reasons, ultimately flexibility and deference should be provided to each Company who has responsibly to manage its business for the benefit of its customers.

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Regulated public utilities have an obligation to serve customers with safe and reliable power and the responsibility to manage the business it owns and operates to ensure investments are reasonable and necessary for the provision of service to its customers. No other party to the process has such an “obligation/duty to serve.” As evident in the multiple discussions and stakeholder meetings the Commission has facilitated on this topic, the Company believes the complexity of generation diversity encompasses a wide array of topics, such that a deterministic solution to a set of diversity attributes in the near term might lead to unintended consequences in the longer term. It is important, however, that through the Commission’s efforts, any updated definition and quantification of generation diversity does not consist of measures and attributes that hinder the flexibility necessary for a utility to meet its obligations to the RTO and reliably serve its customers. Undue restrictions could have a detrimental impact on the Company’s ability to meet the energy and capacity needs of its customers, which are dynamic and change from year to year. The Company plans to continue to support the commission’s efforts to further understand and define generation diversity. With respect to IRP filings, the Company recommends generation diversity be addressed through discussion of how the PCA supports resource diversity for customers and not a predetermined or defined calculation or methodology. This will ensure all Companies can best address this within the specific context of their business and unique facts and circumstances.