

DTE Comments Following April 1, 2024, Staff Vehicle to Grid and Storage Tariff Workgroup

April 19, 2024

Introduction

In Case No. U-21297, DTE Electric (“DTE” or “Company”) proposed to amend its Rider 14 to support vehicle to grid outflow (V2G) and stationary storage as resources eligible to receive outflow compensation on this Rider. The Company offered this proposal for three primary reasons: (1) There is no approved mechanism to compensate these assets for outflow energy today, (2) Rider 14 uses market price as the basis for outflow compensation and as such accurately reflects the avoided cost of discretionary energy discharge, and (3) Rider 14 is available in the Company’s rate book today.

Stakeholders in the case opined that there are more appropriate methods of considering compensation for storage outflow, including at the full retail rate (MEIBC et al, MEC et al) and a demand-response framework (Staff). In declining to adopt either the Company’s proposal or the alternatives, the Commission directed Staff to convene a workgroup to consider approaches to compensate storage discharge. The workgroup was held on April 1, 2024, and included a variety of stakeholders, presentations supporting each of the three approaches introduced in Case No. U-21297 and an open discussion among attendees.

Comments

Locational marginal price (LMP) is the appropriate avoided cost for valuing discretionary energy discharge. There was general concurrence that avoided cost is an appropriate way to consider outflow compensation, though parties have different perspectives on what is or should be considered the avoided cost of discretionary energy outflow from a storage asset. The Company’s proposal in Case No. U-21297 rate case, and the focus of its presentation at the workgroup, was to address the appropriate avoided cost compensation of *energy-only* outflow. These are the kilowatt hours (kWh) sent to the grid by a storage asset at the customer’s discretion. They are not part of an obligation to provide energy at any specific time, they are not tied to a specific utility or system need, and they have a known and measurable market value – locational marginal price (LMP). Unscheduled energy outflow will displace or reduce a market purchase at the LMP or be sold in the market at the LMP. Thus, the LMP is the price at which *energy* is transacted in the wholesale market and is the correct avoided cost for energy discharge from storage assets.

Capacity or grid service value is best captured through thoughtfully designed demand response or similar programs. The Company’s capacity costs, both for generation and the grid, are fixed over any time scale applicable to ratemaking. Simply, reducing total sales or energy flows from transmission to end users at lower voltages will only reduce fuel and purchased power costs – it does not reduce the ongoing cost of the Company’s distribution system (or investments in the system) nor any near-term cost of generating capacity. Avoidable capacity costs, and therefore capacity value potentially available to the customer (either generation or distribution), are highly circumstantial. An example of this is the Company’s suite of interruptible tariffs and riders, which provide customers a rate benefit in exchange for the requirement to interrupt at a time and for a duration communicated by the Company. Storage customers can leverage these options today. Company programs, such as SmartCurrents, allow direct control of customer

thermostats to manage load in exchange for a participation payment. In both cases, capacity compensation is contingent on both a customer commitment and a utility need. To the extent it is prudent to explore additional approaches to demand response or grid support compensation, those are best considered in a programmatic framework and with specific customer performance requirements for compensation.

The Company's existing tariffs provide strong pricing signals for customers who can benefit from them. In Case No. U-21297, the Commission approved the Company's proposed Rate Schedule D1.13 (Overnight Savers), a highly time differentiated rate with three pricing periods, including variable power supply and distribution rates. The Company also offers Rate Schedule D1.8 (Dynamic Peak Pricing) which has three time of use (TOU) periods in addition to a critical peak period, which indicates certain constrained grid conditions. Over time, the Company hopes to continue simplifying its rate offerings with core rates that are cost-aligned and provide options for customers. Both rate options provide time-based price differentiation above and beyond the default residential TOU rate and can be utilized by storage customers interested in offsetting the peak period prices. While no specific details were proposed either in Case No. U-21297 or the workgroup, an additional tariff that is more or differently time-differentiated is not necessary given the availability of Dynamic Peak Pricing and Overnight Savers.

Conclusion

As evidenced by its initial proposal in Case No. U-21297, DTE believes it is important to offer an outflow compensation option for V2G and stationary storage applications. It will help unlock additional opportunities for customers to manage their energy usage and support the continued adoption of electric vehicles. At the same time, compensation for the V2G and stationary storage outflow must be tied to the actual, quantifiable avoided cost of that discharge. A value greater than avoided cost will shift an additional cost-burden to all other customers, and a lesser value will undercompensate the discharging customers. Adopting LMP as the appropriate avoided cost ensures that in every hour, discretionary outflow is valued at market prices and there is no cost-shift to other customers.