Financial Incentives & Disincentives Workgroup

Engagement Session

August 7, 2024 2:00-5:00pm (EST)



Agenda Items						
2:00-2:05	Welcome & Opening Comments	Chair Dan Scripps, MPSC				
2:05-4:00	Reliability+ Metrics Implemented in Other States	Ann McCabe, Illinois Commerce Commission Jay Griffin, JPG Consulting Tera Dornfeld, Minnesota Public Utilities Commission				
4:00-4:05	Break					
4:05-4:30	Initial Comments Open Discussion	Mike Byrne, MPSC				
4:30-4:55	MPSC Reliability+ Metrics Outlined in Prior Cases	Jay Griffin, JPG Consulting				
4:55-5:00	Closing Remarks	Mike Byrne, MPSC				



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Illinois Performance Metrics Overview

Commissioner Ann McCabe Illinois Commerce Commission August 2024





Performance-Based Ratemaking Process for Two Electric Utilities



- Performance Metrics and Tracking Metrics approved following stakeholder engagement and a docketed proceeding:
 - Ameren IL 22-0063, ComEd 22-0067
- <u>Climate and Equitable Jobs Act Implementation</u>: workshops, reports, more
- 2011 Formula Rates for AMI and grid modernization, ~10 years and over \$3.2 billion

Performance-Based Ratemaking: Setting Metrics



• Performance metrics include these categories:

(1) improvements in reliability and resiliency, with emphasis on service in disadvantaged areas,

(2) peak load reductions from demand response,

(3) supplier diversity expansion,

(4) achieving affordable customer delivery service costs, with an emphasis on disadvantaged communities,

(5) interconnection response timing and ease of interconnection,

(6) customer service performance

• Performance period no less than 4 and no more than 10 years

Performance Metrics vs. Tracking Metrics



A **Performance Metric** measures a particular utility activity. They are used to:

- better tie utility revenues to performance and customer benefits,
- accelerate progress on goals, and ensure equity and affordability of rates for all customers and hold utilities publicly accountable.

Symmetrical ROE penalties and rewards per metric.

Tracking Metrics collect and monitor data to measure and report utility performance and establish future performance métrics.

Tracking metrics have no ROE penalties or rewards.

Ameren Performance Metrics

Maximum +/-24 ROE basis points

- Metric 1 two-part Reliability, +/-7 Basis points: 1) a systemwide improvement to SAIDI, and 2) improve average of EJ/R3 community-specific SAIDI, SAIFI, CEMI4 and CELID performance.
- Metric 2 two-part Peak Load Reduction, +/-6 Basis points: 1) PLR through increased enrollment in Rider EV Charging Program (EVCP); and 2) measured PLR attributable to DR programs that offset customers' RA needs. Metric 3 Supplier Diversity, +/-3 Basis points:
- a year-over-year (YOY) increase for electric spend with diverse suppliers
 Metric 4 Affordability, +/-3 Basis points
 measures a YOY reduction in disconnections over a baseline focused on 20 zip codes
- **Metric 5 Interconnection**, +/-3 Basis points
- index measures timeliness of interconnection request reviews and assigns value to decreased processing time, weighted for the size of the projects.
- Metric 6 Customer Service, +/-1 Basis point:
- requires the Company to answer an increasing % of CSR customer calls </= to 60 seconds.

Metric 7 - Reliability and Affordability hybrid, +/-1 Basis point:
measures YOY increase in % of customers on a circuit with distribution automation

ComEd Performance Metrics

Maximum +/- 32 ROE basis points

Metric 1 - Reliability, +/- 5 bps:

improve systemwide reliability using SAIDI. Goal: 1.5% annual improvement, 15% over 10 years

Metric 2 - Reliability & Resiliency, +/- 5 bps:

- improve EJ/RE reliability using SAIDI, SAIFI, CEMI4, CELID. Goal: 1.5%/year SAID improvement, 15% over 10 years; 1% year over year SAIFI, CEMI4, CELID improvement
 Metric 3 Peak Load Reduction, +/- 6 bps:
- 150MW year over year, includes storage and DERs
- Metric 4 Supplier Diversity, +/- 3 bps:
- increase spending on diverse primes and subs
 Metric 5 Affordability, +/- 5 bps:
- reduce # customers with arrearage over 90 days
 Metric 6 Interconnection Timeliness, +/- 5 bps:
- increases # days saved

Metric 7 - Customer Service, +/- 3 bps:

• increase # customer contacts resolved on first contact. Goal: 0.4% above prior year

Tracking Metrics No ROE reward or penalty

Ameren Illinois

- Pollutant reductions
- Grid flexibility
- Cost savings
- Jobs and workforce
- Grid planning benefits
- Interconnection

Commonwealth Edison

- Pollutant reductions
- Grid flexibility
- Cost savings
- Diversity
- Equity

Thoughts

- First time for metrics/PBR can be difficult, contentious. We had orders on rehearing and an amendatory order.
- Given the timing of legislation, IL had to do first MY grid and rate plans at the same time. In future, grid plan then rate plan.
- 5 workshops informing metrics were rushed, some parties could not fully participate.
- IL will get first performance metrics reports in Feb 2025.
- IL will revisit metrics every 3 years, can learn and adjust.

Overview of Hawaii Performance-Based Regulation Framework

MI Power Grid Financial Incentive/Disincentive Workgroup

Jay Griffin JPG Consulting LLC

August 7, 2024

Presentation Agenda

Review major events in Hawaii PBR timeline (2010 – present)

Overview of key terms:

• Metrics, Scorecards, and Performance Incentive Mechanisms (PIMs)

Discussion of Initial PBR reforms in Hawaii

Review of 2020 PBR Decision

Takeaways for MI Power Grid Financial Incentives and Disincentives Workgroup

Hawaii PBR Implemented in Multiple Proceedings over a Decade



3 Major Reform Efforts:

- 1) Hawaii Clean Energy Initiative (HCEI) set clean energy targets and supporting reforms, including revenue decoupling mechanism (RDM)
- 2) Decoupling Reexamination (2013-2017)
 - HPUC sets initial metrics and "conventional" incentive mechanisms
- 3) PBR Investigation (2018-present)
 - expands PIMs, scorecards, and metrics; 5-year multi-year rate plan

Source: Rocky Mountain Institute, The Nuts and Bolts of Performance-Based Regulation: Tools to Build a More Affordable, Reliable, and Equitable Grid, Hawaii Case Study.

Metrics, Scorecards, and Performance Incentive Mechanisms (PIMs)

Tools to Align Performance with Customer and Public Interest



Metric = Measured performance on an outcome

Scorecard = Performance against a goal but no reward/penalty (yet)

PIM = reward and/or penalty for performance on designated outcome

HPUC "Phase 1 PBR Order" at p. 38; Order No 36326 issued in Docket No. 2018-0088 on May 23, 2019

Setting Initial Metrics and PIMs Critical to Later Reforms



Decoupling Reexamination (Docket # 2013-0141)

- March 2015 Decision established metrics in eight categories
 - Service Reliability, Power Supply and Generation, Renewable Energy, Customer Service, Financial, Safety, Rates and Revenue, and Emerging Technologies
 - Available on Hawaiian Electric website
- April 2017 Decision set "conventional PIMS" for reliability and customer service
 - T&D SAIFI, T&D SAIDI, and call center performance

Comprehensive PBR Reforms Started in 2018



PBR Investigation (Docket # 2018-0088)

- Opened in April 2018 with two-phases to review and implement PBR reforms
- 2018 Ratepayer Protection Act "the public utilities commission shall establish performance incentives and penalty mechanisms that directly tie an electric [utility's] revenues to that utility's achievement on performance metrics and break the direct link between allowed revenues and investment levels."
- Phase 1 concluded in May 2019; directed parties to collaborate on revenue adjustment mechanisms and performance mechanisms

Declining Costs of Clean Energy Drive Urgency in Regulatory Reform



By 2018:

Energy from DERS and utility-scale solar + storage well below avoided costs of oil-fired generation

Source: Phase 1 PUC Staff Report – p.4

PBR Framework Approved in December 2020



Performance Mechanism Reforms:

- Established 5 new PIMS: RPS acceleration, Grid Services, Interconnection Approval, LMI Energy Efficiency, and AMI Utilization;
- Additional revenue opportunities with Shared Savings Mechanisms for procurements; and
- Further collaboration to set metrics and scorecards for 11 outcomes.

Revenue Mechanism and Innovation Reforms:

- Modified and extended revenue cap to 5 years;
- Revised Exceptional Project Recovery Mechanism addresses "capex" bias; and
- Created innovative pilot framework.

Hawaii PBR PIMs

<u>RPS-A</u>: incentive for accelerating achievement of Renewable Portfolio Standards goals

<u>**Grid Services PIM**</u>: incentive for acquiring grid services from DERs

Interconnection Approval PIM: Incentive/penalty for interconnection of DERs <100 kW

LMI Energy Efficiency PIM: rewards delivery of energy savings for low- and moderateincome ("LMI") customers

<u>AMI Utilization PIM</u>: incentive for accelerating number of customers with advanced meters supporting advanced rates and DER programs.

Maintained existing Reliability and Customer Service PIMs

Shared savings opportunities for utility-scale procurement and non-wires solicitations

Hawaii PBR Metrics and Scorecards

In May 2021, HPUC approved a set of metrics and scorecards in the following areas:

- Affordability
- Capital formation
- Cost control
- Customer engagement
- Customer equity
- DER Asset Effectiveness
- Transportation Electrification
- GHG Reductions
- Grid Investment Efficiency
- Interconnection Experience
- Resilience

Displayed on Hawaiian Electric's website:

https://www.hawaiianelectric.com/about-us/performance-scorecards-and-metrics

Full set described in Appendix A, Order No. 37787 in Docket No. 2018-0088

Approved Metrics and Scorecards Consistent with Reliability+ Framework

Outcome	Scorecard	Metric	
Customer Equity		LMI participation in clean energy programs	
		DER Grid Services Capability	
DER Asset Effectiveness		DER Grid Services Enrollment	
		DER Grid Services Utilization	
		DER Curtailment	
	Fleet electrification	Ride Share Fueling Hubs	
Transportation	Measured EV Load (Energy/Demand)		
Electrification	Estimated EV Load		
	EV Count		
Grid Investment		Avoided T&D Investment	
Efficiency		NWA Total Cost	
	Total DER Interconnection Time	IPP Interconnection	
Interconnection	IPP Experience	Interconnection cost overrun	
Experience	Truck Roll Response Time		
Resilience		Critical loads (time w/o power)	
		NIMS Certification	
		Emergency Response Training	

Takeaways for FID Workgroup

Successive reforms developed experience and confidence in deeper reforms

Framework/process resulted in immediate customer cost reductions and utility credit upgrade

Improvement and reform continues:

- HPUC recently started 4-yr review
- Review will determine next steps to update revenue and performance mechanisms

Very resource intensive for PUC, utility, and stakeholders

Thank you!

Discussion and Q&A



Performance Incentives for Xcel Energy

Tera Dornfeld | Analyst & Public Engagement Specialist



MI Session PIMs | https://mn.gov/puc

Cost of Service

The "old" way of doing business

- 1. Build Infrastructure- necessary to have a grid providing reliable energy
- 2. Get paid for what you build and sell through rates paid by customers
- 3. Incentivized to build and sell more



Cost of Service



Critiques:

- 1. Methods of energy provision are changing.
- 2. Amount of Energy used is not ever-increasing.



3. No incentive for conservation.

Performance Based Regulation



Utilities compensated for different types of services and values offered to customers, beyond building and selling energy.

Concern: incentivize behavior that Xcel is already motivated to or should do is "essentially over-compensating the utility at the ratepayers' expense." -Stakeholder

Statutory Jurisdiction

Minnesota Statute § 216B.16 Subd. 19: A utility may propose a multiyear rate plan and the Commission may

- a) "require the utility to provide a set of reasonable performance measures and incentives that are quantifiable, verifiable, and consistent with state energy policies"
- OR
- h) "initiate a proceeding to determine a set of performance measures that can be used to assess a utility."

Minnesota Docket opened June 2017 to "identify and develop performance metrics and standards, and <u>potentially</u> incentives, to be implemented during the multi-year rate plan."

Standing on the Shoulders

Energy Conservation & Optimization (ECO)

- Annual energy-savings goal = 1.75% (electric) and 1% (gas) of gross annual retail energy sales
- From energy conservation, thermal energy, fuelswitching, and load management
- Annual Rider to recover spending
- Utility Incentive set by Commission



Xcel's Quality of Service

- Customer Complaints
- Call Center Response Times
- SAIDI & SAIFI
- Gas Emergency Response Time
- Invoice Accuracy and Timeliness



Multi-Year Rate Plan

Safety, Reliability, & Service Qualitymeasure

• SAIDI, SAIFI, CAIDI



- Meter Reading
- Involuntary Disconnections of Residential Customers
- Service Extension Times
- Call Center Response Times
- Emergency Medical Accounts
- Customer Deposits
- Customer Complaints

MI Session PIMs | https://mn.gov/puc

Performance Incentive Mechanism



Goals for Xcel

- Environmental Protection
- Adequate, Efficient, and Reasonable **Service**
- Reasonable Rates
- Utility Earns a Fair and Reasonable Return on Investments (ROI)



(aligning with Minn. Statutes § 216B.01 and 216C Session PIMs | https://mn.gov/puc

Outcomes for Xcel

Performance

- Carbon reductions
- Beneficial electrification

Customer Service

- Satisfactory
- Opportunities for engagement & empowerment

Cost effective alignment of generation and load, including DR



Affordability



Affordability	Reliability	Customer Service Quality	Environment	Alignment Generation & Load
Rates per kWh= Revenue / Sales, by class	SAIDI, SAIFI, CAIDI, CELID, CEMI, and ASAI	Customer satisfaction surveys	Total C emissions & intensity for IOU facilities and PPAs; all sources	DR capacity available (MWh) & amount called (MW & MWh)
Arrearages (residential)	Locational reliability	Call center response time	Total Criteria pollutant emissions and intensity	Amount of DR that shapes customer load
Disconnects for nonpayment (residential)	Equity- reliability	Billing invoice accuracy	CO2 emissions avoided by electrification of transportation	Amount of DR that sheds loads that can be curtailed to provide peak capacity and support the system
Av. monthly bill (residential) = Revenue / Total Customers	Develop: MAIFI _E & Power quality (2026; dependent on AMI rollout)	#Complaints	CO2 emissions avoided by electrification of buildings, agriculture, and other sectors	Amount of DR that shifts energy consumption from times of high demand
		Equity- customer service quality MI Session PIMs ht	tps://mn.gov/puc	Develop: load factor for load net of variable renewable generation); cost effective alignment load & generation



Affordability Data



Figure 4: Proposals for Targets & Baselines, Average Monthly Bill, Residential Customers

*National averages from EIA data are adjusted following the Department method. MI Session PIMs | https://mn.gov/puc

Reliability Data: SAIDI



MI Session PIMs | https://mn.gov/puc





Thank You!

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Overview of Reliability+ Framework and Current Metrics Reported by Michigan Utilities

MI Power Grid Financial Incentive/Disincentive Workgroup

> Jay Griffin JPG Consulting LLC

August 7, 2024

Presentation Agenda

Discussion of Reliability+ Framework in prior orders

Review Current Requirements and Future Considerations for:

- Equity
- Grid Modernization
- DER Integration
- Reliability/Resilience

Reliability+ Framework Outlined in Prior Orders

Opening Order guidance to Workgroup:

 initial focus on developing appropriate metrics relating to reliability using the recently updated Service Quality rules as a baseline

 "shall also consider challenges around the readiness of utility distribution grids to effectively accommodate and leverage the increasing and further anticipated growth of distributed generation, EVs, and other DERs." (Opening Order at p. 12)

Reliability+ Framework Outlined in Prior Orders

June 6 Order requested comments from Workgroup on the following:

- updated straw proposal on reliability metrics
- four additional topics areas in Reliability+ Framework:
 - Equity
 - Grid Modernization
 - DER Integration
 - Resilience
- potential metrics, scorecards, and PIMs related to these topic areas

Metrics, Scorecards, and Performance Incentive Mechanisms (PIMs)

Tools to Align Performance with Customer and Public Interest



Metric = Measured performance on an outcome

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HPUC "Phase 1 PBR Order" at p. 38; Order No 36326 issued in Docket No. 2018-0088 on May 23, 2019

Review of Reliability+ Framework Equity

Current Requirement(s):

Final decisions in 2023 rate cases for DTE and Consumers Energy directed additional reporting on environmental justice (EJ)- and equityrelated information on reliability and investments in future rate cases and other upcoming proceedings

Future Considerations:

Additional metrics related to equity Future scorecards and/or PIMs building on current requirements

Review of Reliability+ Framework Grid Modernization

Current Requirement(s):

Smart Grid Annual Reports include reporting on metrics related to AMI performance, customer participation in advanced rates, estimated peak load reductions, extent of Volt/VAr Optimization (VVO) and Distribution Automation (DA), and outage impacts

Future Considerations:

Scorecards related to advanced rates, peak load impact, and implementing VVO/DA applications

Review of Reliability+ Framework DER Integration

Current Requirement(s):

Utilities report on DER-related metrics in net metering, Energy Waste Reduction (EWR), and EV pilot reports

Future Considerations:

Additional metrics related to hosting capacity analyses Future scorecards for peak load reductions and managing new loads PIMs related to interconnection timelines Shared savings mechanisms for implementing:

- non-wires alternatives; and
- flexible interconnection of new loads

Review of Reliability+ Framework Reliability/Resilience

Current Requirement(s):

Annual reports on MPSC Service Quality and Reliability Standards filed in reliability metrics in U-12270. Annual reports on customer communications and AMI utilization filed in U-21388, includes metrics on timeliness and accuracy of First Estimate Time of Restoration and Outage Notifications

Future Considerations:

Updated straw proposal on Reliability/Resilience PIMs Scorecards for First Estimate Time of Restoration and Outage Notification metrics

Thank you!

Discussion and Q&A

Next Steps

- Reply Comments in Case No. <u>U-21400</u> due August 23, 2024 no later than 5:00pm (EST).
 - Written comments can be mailed to: Executive Secretary, Michigan Public Service Commission P.O. Box 30221
 - Lansing, MI 48909
 - Electronic comments can be submitted to <u>E-dockets website</u> or emailed to <u>LARA-MPSCEdockets@michigan.gov</u>
- For more information check out the Financial Incentives & Disincentives Workgroup <u>webpage</u> and sign up for updates. <u>www.Michigan.gov/mipowergrid</u>

