BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION

MISSISSIPPI PUBLIC SERVICE COMMISSION Docket No. 2018-AD-64

IN RE: ORDER ESTABLISHING DOCKET TO INVESTIGATE THE DEVELOPMENT AND IMPLMENTATION OF AN INTEGRATED RESOURCE PLANNING RULE

COMMENTS BY THE R STREET INSTITUTE

The R Street Institute (R Street) is a nonprofit, nonpartisan, public-policy research organization. Our mission is to engage in policy research and outreach to promote free markets and limited, effective government. We favor regulation that is transparent and applied equitably, as well as systems that rely on price signals rather than central planning. At the same time, we recognize that natural monopolies and externalities are real concerns that governments must address. We offer research and analysis that advance the goals of a more market-oriented society and an effective, efficient government, with the full realization that progress takes time.

Background

The Commission initiated this docket in June 2018. In its "Order Establishing Docket," the Commission stated that its interest in opening the docket was its "desire for transparency."[1] After several rounds of comments, the Commission issued its next draft for comment on June 11, 2019.[2] The Commission subsequently suspended the comment period pending conclusion of an economic impact statement.[3] After completing the economic impact statement, the Commission issued an order rescheduling the date for comments on the draft Integrated Resource Planning (IRP) rule and set the due date for comments to October 1, 2019.[4]

On September 16, 2019, R Street submitted a motion to intervene. The Commission issued an order granting R Street's motion to intervene on September 26, 2019.[5]

General Comments

R Street appreciates the opportunity to provide these comments on the Mississippi Public Service Commission's proposed IRP rule. R Street agrees with the Commission regarding the role of an IRP—it is "intended to allow electric utilities the necessary flexibility to formulate plans that

[1] *In Re: Order Establishing Docket to Investigate the Development and Implementation of an Integrated Resource Planning Rule*, Order Establishing Docket, Docket No. 18-AD-64, at 3 (issued May 8, 2018).
[2] *In Re: Order Establishing Docket to Investigate the Development and Implementation of an Integrated Resource Planning Rule*, Order Seeking Comments on Proposed Rule, Docket No. 18-AD-64 (issued June 11, 2019).
[3] *In Re: Order Establishing Docket to Investigate the Development and Implementation of an Integrated Resource Planning Rule*, Order Temporarily Suspending Deadlines, Docket No. 18-AD-64 (issued July 25, 2019).
[4] *In Re: Order Establishing Docket to Investigate the Development and Implementation of an Integrated Resource Planning Rule*, Order Establishing Revised Deadlines, Docket No. 18-AD-64 (issued Aug. 27, 2019).
[5] *In Re: Order Establishing Docket to Investigate the Development and Implementation of an Integrated Resource Planning Rule*, Order Granting Request to Intervene, Docket No. 18-AD-64 (issued Sept. 26, 2019).

reflect their specific circumstances and best meet the needs of their customers, while providing a level of transparency that furthers the public policy goals of this Commission and the State of Mississippi."[6] As the Commission observes, this need for transparency and planning is increasingly important. It continues: "Comprehensive IRP should include an analysis of supply and demand-side resources, and consider transmission needs, in order to satisfy the utility's load requirements while balancing costs, energy reliability and efficiency, environmental responsibility, risk mitigation and reasonably priced service for customers."[7]

As the Commission also notes, "[T]he energy grid is moving from what has historically involved primarily unidirectional energy flows into a more fully integrated energy network, where energy flows bi-directionally between retail customers and utilities. Delivery efficiency and maintaining adequate reliability potentially become more challenging and increasingly important as the system becomes more complex."[8] The electricity system is at the beginning stage of an evolution toward more distributed and customer-oriented resources, including distributed energy resources (DER), which can be used as options for the electricity utility to use in place of large, centralized electricity generation facilities. This opens up the IRP process to more resources, and allowing these resources to compete ensures that the utility's IRP process truly uses all the resources available to it to meet and maintain a reliable and resilient electricity system at the lowest cost.

The IRP, however, is only one piece of the overall planning structure necessary to ensure that Mississippi's utilities are moving in a transparent manner. The IRP can be viewed as a part of the utility's planning process, which includes transmission planning and distribution system planning. Since Mississippi is at the early stages of developing the IRP rule, at this stage, the Commission should consider how an IRP rule will interact with these other planning functions. Work on these matters is ongoing around the country, including in New Hampshire, the District of Columbia, Michigan, Ohio, Minnesota, Arkansas, Rhode Island, Colorado and South Carolina.

The National Association of Regulatory Utility Commissioners (NARUC), in partnership with the National Association of State Energy Officials (NASEO), created a task force to look at "Comprehensive Electricity Planning" in 12 state commissions and energy offices.[9] As noted by NARUC, "With greater alignment of resource and distribution system planning, states and utilities could:

- Improve grid reliability and resilience
- Optimize use of distributed and existing energy resources
- Avoid unnecessary costs to ratepayers
- Support state policy priorities
- Increase the transparency of grid-related investment decisions."

[6] Miss. Public Serv. Comm'n, Draft Integrated Resource Planning and Reporting Rule 29 § 100.
[7] *Id.*
[8] *Id.*
[9] *Task Force on Comprehensive Electricity Planning*, Nat'l Ass'n of Regulatory Util. Comm'rs, https://www.naruc.org/taskforce (last visited Oct. 1, 2019).

Additionally, the Department of Energy's DSPx initiative also looks at the interplay between IRP, transmission planning and distribution planning.[10]

Comments on the Draft Integrated Resource Planning Rule

Section 101

The description of demand response (DR) limits its overall use by focusing on peak or emergency reductions. DR should be considered a "load management" technique that can be used daily to assist in the balancing of the system and support the integration of new, variable resources. For example, DR may be used to consume excess electricity during certain times of the day—such as during times of low demand but high solar generation—depending on the need,. In that case, DR can be used to take the excess generation off the system and to provide system and local benefits.

Section 104

104.2- Development of Range of Demand Forecasts

The Commission should require that the utility's demand forecasts use the best available data about customer usage to inform those models and forecasts. The forecasts should not rely only on historical models. In 2017 and 2018, the Commission approved Entergy Mississippi's and Mississippi Power's proposals to install Advanced Metering Infrastructure (AMI). The Commission should ensure that the utilities are using this data to inform utility forecasts and their understanding of DER.

104.3- Identifying and Characterizing Supply-Side and Demand-Side Resources

The proposed rule maintains a bifurcation between demand-side resources and supply-side resources. This bifurcation fails to account for the significant changes occurring across the industry, including the ability of demand-side resources to act as a supply resource rather than a reduction in demand. Furthermore, it is unclear where new resources like energy storage would fit in this model. Energy storage can be used for many purposes that do not fall within traditional definitions of supply and demand.

R Street recommends using an all-resource request for proposals (RFP) to support the IRP in order to ensure that utilities consider all varieties of resources in meeting their system requirements. Maintaining a demand and supply split may make it difficult to consider DER as a supply resource that will affect the supply curve, which may increase overall costs. Using an all-resource RFP to meet IRP needs would allow DER—including customer-sited distributed generation and other generation resources—to compete, thus ensuring that the system is being planned, procured and operated efficiently at the lowest cost to customers.

[10] *Modern Distribution Grid Project*, Pacific N.W. Nat'l Lab., https://gridarchitecture.pnnl.gov/modern-grid-distribution-project.aspx (last updated Sept. 2019).

This section should also include opportunities for non-wires alternatives to meet or reduce the utility's forecast load requirements. Non-wires alternatives may include competitively procured resources used to mitigate or delay distribution investments. They may also reduce customer demand at certain locations. Ensuring that the IRP and the utility's distribution planning process share some alignment—such as considering non-wires alternatives—will be important because customer behavior will change as customers adopt DER. The utility will need to know both the location and the impacts of those changes on its IRP.

104.4- Development and Analysis of Multiple Resource Portfolios

The multiple resource portfolios should also include customer adoption forecasts of DER, such as electric vehicles, community solar and rooftop solar. In essence, these forecasts should account for both lower technology costs to the customer and customer adoption of these resources.

Section 105

R Street agrees that a three-year IRP cycle is appropriate, along with a 20-year forecast. This appears to be consistent with practices in other states. R Street recommends, however, that the IRP process include pre-filing stakeholder meetings. Additionally, R Street recommends adopting a more specific process for stakeholders to review the IRP, including opportunities for intervenors or other interested parties to field their separate IRP model. This option can be facilitated by ensuring opportunities for stakeholders to meet with the utility in advance of the filing of the IRP.

Section 106

R Street commends the Commission for including in this section a requirement that the utility consider a competitive solicitation to meet any needs above 75 MW. R Street supports the use of competitive solicitations to meet future needs.

Section 107

R Street supports the proposal to provide an annual delivery plan. However, R Street is concerned that this section does not provide sufficient guidance to utilities to ensure that the IRP is integrated with other technologies and planning processes. For example, since Mississippi Power[11] and Entergy Mississippi[12] both have AMI, there should be more clarity that the data generated by AMI is used in the analysis of DER. There must also be more clarity regarding the needs for future infrastructure spending, the location of needed infrastructure and, in the future,

[11] *Mississippi Power's AMI Filing Approved*, T&D World (May 23, 2018), https://www.tdworld.com/metering/mississippi-power-s-ami-filing-approved. The AMI rollout is expected to be completed by 2020.

[12] Press Release, Entergy Mississippi to Bring Advanced Meters to Homes and Businesses, Entergy News Room (May 4, 2017), https://www.entergynewsroom.com/news/entergy-mississippi-bring-advanced-meters-homes-businesses/. The AMI rollout is expected to commence in 2019 and be completed by 2021.

development of non-wires alternatives to defer new procurement of generation resources or new infrastructure.

Furthermore, the Commission does infer a need to align the IRP with a utility's distribution investments, but it should be more direct in articulating the need to align the IRP with the utility's distribution planning. Without aligning the planning processes—including IRP, distribution and transmission—investments, forecasts and assumptions may be misaligned.

Additionally, this section should be more specific on ensuring that the forecasts and plans are informed by the best available data, which includes the utility's AMI data. The use of AMI data will obviate the need for estimates as well as the overreliance on historical models and assumptions.

107.1- Demand Response and Energy Efficiency

R Street notes that DR and energy efficiency (EE) serve many more purposes than those identified in this Rule. We presume that the Commission's explanation on the role of DR and EE is not meant to limit the role, services and value of DR and EE, but rather to provide examples. R Street supports the Commission's description in 107.1(c) that EE and DR, and DER in general, can be used as a resource to the utility for more than reducing customer bills. Indeed, DER can be used to enhance system efficiency by minimizing the need for new infrastructure or procurement of unnecessary resources. The costs for DER technologies are increasingly becoming cheaper for customers to access through a variety of providers, and these resources should be counted and included in an IRP plan.

Additionally, as noted above, DR can be used for more than peak reduction. The IRP should not inadvertently limit the ability of resources like DR and other DER to be used for more than one purpose.

R Street recommends that the Commission not make determinations related to cost-of-service ratemaking challenges in the development of IRP rules. Embedding presumptions of cost-effectiveness and authorizing enhanced recovery for successful implementations of EE and DR should be addressed in a separate proceeding. Potential subjects to address on this topic include implementing decoupling, performance-based ratemaking and third-party aggregation.

107.2- Distributed Energy Resources

R Street believes that the definition of DER used for this rule is too limiting. As a starting point, R Street recommends instead relying on the definition of DER from the NARUC DER Rate Design and Compensation manual:

"A DER is a resource sited close to customers that can provide all or some of their immediate electric and power needs and can also be used by the system to either reduce demand (such as energy efficiency) or provide supply to satisfy the energy, capacity, or ancillary service needs of the distribution grid. The resources, if providing electricity or thermal energy, are small in scale, connected to the distribution system, and close to load. Examples of different types of DER

include solar photovoltaic (PV), wind, combined heat and power (CHP), energy storage, demand response (DR), electric vehicles (EVs), microgrids, and energy efficiency (EE)."[13]

This definition covers several different types of DER as well as different types of ownership structures. An IRP should consider using both utility and third-party or customer DER.

107.3- Transmission and Distribution Systems

R Street reiterates the importance of increased visibility regarding the utility's distribution planning process and the alignment of IRP with transmission planning and distribution planning. A more robust discussion on utility distribution plans should be part of a separate proceeding to identify the current distribution planning practices of the utilities. This proceeding can inform the Commission and stakeholders about utility plans associated with their distribution systems.

Additionally, the Commission should not use this IRP process to allow recovery of certain costs without additional review by the Commission. For example, costs to implement North American Electric Reliability Corporation (NERC) requirements is one category of costs, but NERC requirements do not typically apply to assets located at 69kV or below. The Commission should ensure that those NERC-related costs are applied to assets that are truly under NERC authority. To ensure that those costs are recovered from only those assets under NERC authority, the Commission can require the utilities to identify those assets that are under NERC authority as well as the associated NERC-related costs.

107.5- Enabling Technology

The Commission rightly recognizes the important role that data can play in developing customer programs. However, the Commission should guarantee the right of the customer to access their usage data and to share it with an entity of their choice. This sharing should be done via an open standard, such as NAESB REQ.21, which supports the Green Button application. Both Entergy Mississippi and Mississippi Power are installing AMI across their service territories, and that data should be available to customers. Customers should not solely rely on the monopoly utilities for all their needs; indeed, customers who seek to install solar, purchase an electric vehicle, or purchase an internet-enabled thermostat may seek more granular information about their consumption and may want to share that data with a third party who can better tailor the choices for them.

The Commission also appropriately recognizes the value that customer data has. However, that value comes in many different forms. Unless and until the customer makes the choice to share their data, customer energy usage data that is identifiable to an individual customer should be protected. On the other hand, aggregated and anonymized data that has removed all identifiable components is also valuable and should be made available to assist cities and counties, other state agencies, researchers or other market participants. To realize the full benefit of the customers' investment in AMI, the data must be made available for use.

[13] Nat'l Ass'n of Regulatory Util. Comm'rs, *Distributed Energy Resources Rate Design and Compensation: A Manual Prepared by the NARUC Staff Subcommittee on Rate Design* (Nov. 2016), https://pubs.naruc.org/pub.cfm?id=19FDF48B-AA57-5160-DBA1-BE2E9C2F7EA0.

R Street proposes that an additional hallmark of lowest reasonable cost is that it enables customer choice. In this regard, R Street is not specifically referring to retail competition. Rather, R Street suggests that customer choice here include choice of products and services, choice of technology providers, choice of retail rate offerings, choice of installing solar or storage, choice of preferences and choice of engagement. Allowing the customer the freedom to choose a thermostat, rooftop solar panels, an electric vehicle, or any other number of customer options will drive down customer costs and customer bills. Some of those choices can come from the monopoly provider, but some can also come from other vendors or providers.

107.6- Annual Reporting Requirements

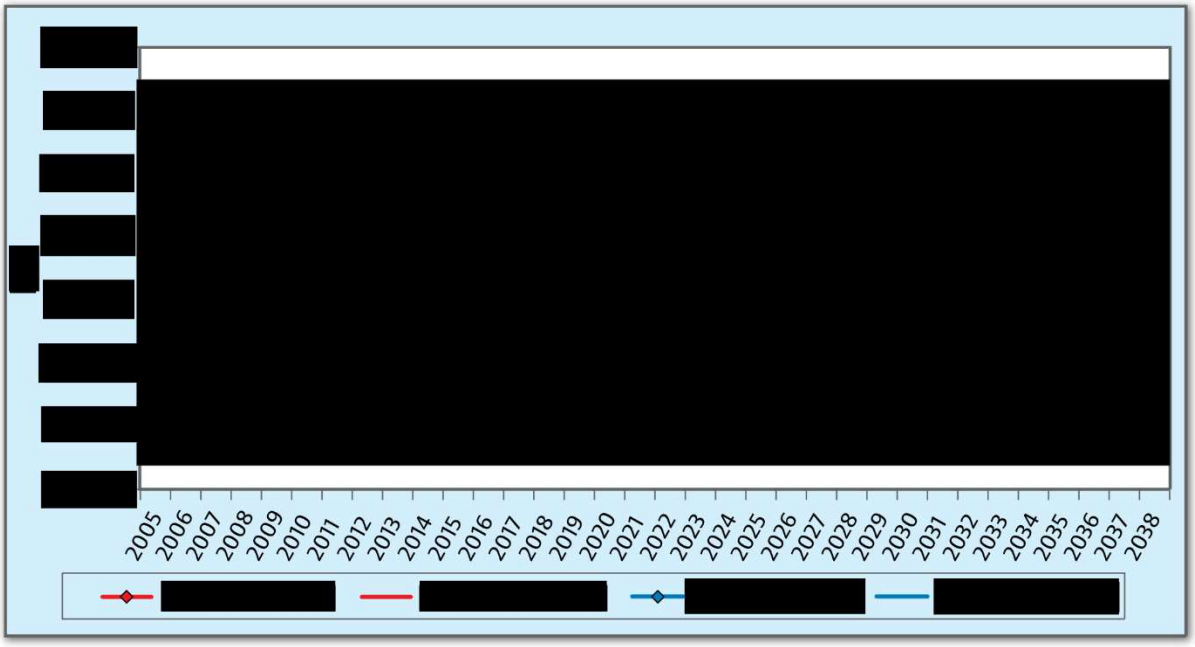
R Street recommends that this section include the amount of DER and generation procured via all resource RFPs. R Street also recommends that the utility show that it is using those investments. A utility may sign up customers from a particular program but may not actually dispatch them due to preferences for larger, capital-based resources. In other words, if a utility has a demand response program targeting peak reduction, the Commission should ensure that that DR program is used rather than a peaker plant.

Section 108

R Street cautions the Commission against treating too many materials as confidential. The public interest is better served by transparency and the visibility of certain types of data that a utility may prefer to not release. For example, Alabama Power's 2019 IRP contains redacted data related to Alabama Power's system peak and system capacity needs.[14]

[14] Ala. Power, *2019 Integrated Resource Plan Summary Report* (Public version 2019), https://www.alabamapower.com/content/dam/alabamapower/Our%20Company/How%20We%20Operate/Regulations/Integrated%20Resource%20Plan/IRP.pdf.

FIGURE III-B-1: Alabama Power Weather Normalized Historical Peak Demand with Forecast



Alabama Power Company 2019 IRP Summary Report
Public Version

IV. CONCLUSION

The 2019 IRP process has identified certain [redacted] capacity needs for Alabama Power. In particular, the Company's Winter Target Reserve Margin is well below its diversified winter target planning reserve margin guideline in the planning timeframe, signaling a significant need to add reserve capacity to address its winter reliability concerns. Consistent with its obligation to provide reliable service to its customers, the Company intends to pursue the necessary and appropriate measures to satisfy those needs. By doing so, Alabama Power will be in a position to continue meeting the demands of its customers in a reliable manner over the 20-year planning horizon, consistent with its statutory duty of service to its customers.

As these examples show, vital information about the basics of the utility's system peak and needs is not available to the public. The Commission's goal for an IRP is to ensure transparency

regarding the utility's resource planning. If utilities are allowed to keep information about their systems confidential, as one utility does in the above examples, then the Commission's goal cannot be realized.

The utilities are regulated monopolies and, as such, are protected from competition. Utilities cannot turn this protection around as a rationale for limiting visibility and transparency into their basic assumptions and functions.

Conclusion

R Street commends the Commission for opening this proceeding and considering the adoption of rules for IRPs in Mississippi. The proposed rule provides a valuable starting point for this discussion but may not result in a sufficiently open and transparent process that brings value to customers.

The proposed rule must ensure that Mississippi's utilities and their customers have a grid that is prepared for the electricity transition that is underway. If rules adopted today are too embedded with yesterday's assumptions, then Mississippi's customers will be unable to effectively adopt the technologies of tomorrow that are increasingly available to them. Ensuring that the utilities' IRP processes are aligned with distribution and transmission planning, that data about the system and customers are available to support customer demands, and that all resources have an equal opportunity to participate, will ensure that the state's customers fully realize the benefits of their investments, both of their own technology and their investments in the electricity system.

Respectfully submitted this 1st day of October 2019.

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