

MMA Comments to House Energy Committee on HB 4236 (Markkanen) Distributed Generation

Mr. Chairman, and committee members, thank you for the opportunity to share our views on HB 4236 (Markkanen), regarding distributed generation and cost-of-service rates.

MMA represents the largest sector of the Michigan economy by gross state product at 19% and represents 29% of electricity sales in Michigan. With such energy demand, the cost of energy is a critical factor in the competitiveness of Michigan's manufacturing sector. Our members have vital interest in both the cost and reliability of the energy system. We believe net metering and distributed generation can negatively impact both cost and reliability.

Currently, distributed generation is limited to 1% of the average state peak load. At this level, the impacts to price and reliability are marginal and of little concern to ratepayers. However, if that amount grows above 1%, our concern grows as well.

The impact involves both price and reliability. On reliability, distributed generation is predominantly solar or other renewable sources that bring the inherent risk of intermittency. As intermittent sources increase as a percentage of the grid, questions about reliability of the system increase. Reliability is hampered as other baseload generation sources are unable to match the fluctuations resulting from intermittency.

On price, ratepayers are forced to buy power that does not contribute to reliability, which is an unnecessary cost increase. Most distributed generation is not considered dispatchable power by MISO, which means ratepayers cannot rely on that power to meet capacity and reliability standards. Ratepayers must pay for other generation that meets the reliability standards, therefore having to also pay for distributed generation is a duplicative and unnecessary cost burden.

By removing the cap on distributed generation, marginal issues grow into larger concerns for manufacturers. We are concerned that this bill removes the cap on the distributed generation program, delegating the policy decision to the commission when such important policy decisions ought to remain in the hands of the legislature.

As manufacturers restart operations and face new cashflow challenges and new costs associated with personal protection equipment and best safety practices, we encourage policymakers to avoid adding potentially new costs on the largest sector of the Michigan economy.

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