

Renewable Energy Question 36: To what extent is distributed generation supplying the energy needs of Michigan customers?

Executive summary

1. Consumers Energy has two programs designed to encourage distributed generation, Net Metering and the Experimental Advanced Renewable Program (EARP). There are currently 1.3 MW of distributed generators operating under Net Metering and 2.3 MW of distributed generators operating under EARP.
 2. The transfer of electric system costs associated with distributed generation from participating to non-participating ratepayers results in unfair rate subsidization.
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Net Metering is a program that allows customers to generate electricity using renewable energy sources and send energy back to the Company's distribution system at times when their generation exceeds their load. The customer receives a credit for the generation that exceeds their load which is used to offset their use of energy supplied by the utility when generation is less than load. Currently there are 227 customers operating a total of 1.3 MW of generators participating in the Net Metering program. Since the majority of generators in the program are intermittent and the output of the generator offsets on-site load before delivering energy to the utility, it is difficult to determine the total energy supplied by these generators.

EARP is a program in which customers install solar photovoltaic (PV) generators and sell all of the energy generated directly to the Company. The Company purchases the entire output of the system under a long-term contract for a premium rate. The program began in 2009 and is scheduled to run through early 2015. The current program budget is expected to result in 5 MW to 6 MW of total installed generation capacity resulting in annual energy production of 5,700 MWh to 6,900 MWh. To date, 144 customers are operating 2.35 MW of generation capacity that is expected to produce approximately 2,600 MWh annually.

2. The transfer of electric system costs associated with distributed generation from participating to non-participating ratepayers results in unfair rate subsidization.

Net metering participants avoid the costs of transmission and distribution for their portion of the electric usage met by the distributed generation systems. These fixed costs are shifted to the remaining ratepayers and result in higher electric rates.

Response from Consumers Energy

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Transmission and distribution costs comprise roughly two-thirds of a typical customer's bill in Michigan. EARP participants are directly subsidized through the Renewable Energy surcharge placed on a customer's bill.

Refer to the industry response Renewable Energy Question No. 28 for additional information on the challenges of distributed generation and net metering.