

MN DG Rate Group, Docket No. E999/CI-01-1023

**DISTRIBUTED GENERATION
MENU OF SERVICES
FROM CUSTOMER TO UTILITY**

DG has many benefits to Minnesota Customers:

There is little dispute that DG has the potential to provide significant benefits to electric customers in Minnesota. These benefits have been recognized by the Legislature in its enactment of Sec. 216B.1611 and by the Commission in several regulatory orders. In its order approving NSP's Dispersed Generation Plan, the Commission said that "dispersed generation" or distributed generation's "potential for improving system reliability, reducing transmission and distribution losses, and nurturing new technologies cannot be overlooked."¹

Some of these benefits are summarized below.

- Customer Choice
- Improved Reliability
- Reduced Capacity Shortfalls
- Improved Power Quality
- Environmental Benefits
- Foster development of new technologies
- Higher Efficiency
- Lower Overall Energy Bills
- DG allows electric utilities to Avoid Costs:
 - Reduce Line Losses
 - Minimize Distribution and Transmission System Investments
 - Minimize Distribution and Transmission System Constraint
 - Increased Generation Diversity
 - Reduce Need to Build New Generation

Additional DG Benefits:

- DG typically offers greater flexibility in accelerating completion of a project with a valuable outcome.
- DG allows capacity expansion decisions to become more routine and hence lower in transactions costs and overheads.
- Smaller, shorter lead time, more modular units tend to offer cheaper and more flexible options to planners.

¹ Docket E-002/RP-91-682 In the Matter of the Petition of Northern States Power Company for Approval of its 1991 Resource Plan, Order Approving Dispersed Generation Plan, page 2, Issued April 5, 1993.

- DG has a modular capability where most of the costs can be recovered if the project does not proceed.
- DG physical portability will typically achieve a higher expected value than an otherwise comparable non-portable resource if circumstances change.

Because DG will be beneficial to Minnesota electric customers, credits would be fair and reasonable to provide DG operators.

Here are some of the credits that would apply appropriately to DG facilities:

- Energy and capacity, firm and non-firm
- Transmission credit
- Distribution credit
- Diversity credit for generation, transmission, and distribution
- Physical assurance credit
- Distribution/transmission line loss credit
- Credit on services provided to the customer taking third party (unbundled) service:
 - Reactive Supply and Voltage control
 - Regulation and frequency response
 - Operating reserve
 - Black start service

Options to consider - Promoting DG in Minnesota²:

- Allow customers using onsite generation to pay no fixed standby charges if they sign a contract providing the utility with physical assurance of no load imposition on electric system. Should be applicable for both capacity additions and for existing load.
- Provide option of Interruptible Standby Services if a customer offers physical assurance.
- Provide time of use standby rates that provide appropriate price signals for DG customers to operate their generation in a manner consistent with demand peaks in the local distribution system.
- Provide option of usage sensitive standby charge.
- Provide diversity credits for generation, transmission and distribution.

² Sec. 216B.1611 provides that its purpose is “to promote the use of distributed resources in order to provide electric system benefits”

- Reflect diversity of numerous small DG facilities in the standby reservation charges.
- Minimize the contract capacity ratchets. (i.e. one time penalty instead of ongoing charges).
- Allow intra-site wheeling without penalty.
- Expand net metering beyond the current 40 kW limit.
- Because DG is a socially beneficial method of producing electric power (i.e. environmental benefits, higher efficiency), Minnesota should adopt regulatory policies that both remove current barriers and provide incentives for DG.

Respectfully Submitted by:

John Bailey	Institute for Local Self-Reliance
John Jaffray	Prairie Gen
Carl Michaud	On behalf of Hennepin County
Larry Schedin	On behalf of Hennepin County
Marie Doyle	CenterPoint Energy Minnegasco
Rafi Sohail	CenterPoint Energy Minnegasco