HOUSE BILL NO. 4256

March 09, 2023, Introduced by Reps. Hill, Byrnes, McKinney, Rheingans, Hood, Paiz, Morse, MacDonell, Wegela, Martus, Morgan, Price, Wilson, Andrews, Mentzer, Farhat, Arbit, Brabec, Coffia and Aiyash and referred to the Committee on Energy, Communications, and Technology.

A bill to amend 2008 PA 295, entitled

"Clean and renewable energy and energy waste reduction act,"

by amending sections 1, 5, and 7 (MCL 460.1001, 460.1005, and 460.1007), as amended by 2016 PA 342, and by adding sections 101 and 103 to subpart D of part 2, by amending the heading of subpart D of part 2, by designating sections 111 and 113 as subpart E of part 2, and by adding a heading for subpart E of part 2.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 1. (1) This act ~~shall be known and~~ may be cited as the

"clean and renewable energy and energy waste reduction act".

(2) The purpose of this act is to promote the development and use of clean and renewable energy resources and the reduction of energy waste through programs that will cost-effectively do all of the following:

(a) Diversify the resources used to reliably meet the energy needs of consumers in this state.

(b) Provide greater energy security through the use of indigenous energy resources available within the state.

(c) Provide more reliable and resilient energy supplies during periods of extreme weather.

(d) ~~(c)~~ Encourage private investment in renewable energy and energy waste reduction.

(e) ~~(d)~~ Coordinate with federal regulations to provide improved air quality and other benefits to energy consumers and citizens of this state.

(f) ~~(e)~~ Remove unnecessary burdens on the appropriate use of solid waste as a clean energy source.

(3) As a goal, not less than 35% of this state's electric needs should be met through a combination of energy waste reduction and renewable energy by 2025, if the investments in energy waste reduction and renewable energy are the most reasonable means of meeting an electric utility's energy and capacity needs relative to other resource options. Both of the following count toward achievement of the goal:

(a) All renewable energy, including renewable energy credits purchased or otherwise acquired with or without the associated renewable energy, and any banked renewable energy credits, that counted toward the renewable energy **credit** standard on ~~the~~

~~effective date of the 2016 amendatory act that added this subsection,~~ **April 20, 2017,** as well as renewable energy credits granted as a result of any investments made in renewable energy by the utility or a utility customer after ~~that effective date.~~**April 20, 2017.**

(b) The sum of the annual electricity savings since October 6, 2008, as recognized by the commission through annual reconciliation proceedings, that resulted from energy waste reduction measures implemented under an energy optimization plan or energy waste reduction plan approved under section 73.

Sec. 5. As used in this act:

(a) "Electric provider" means any of the following:

(*i*) Any person or entity that is regulated by the commission for the purpose of selling electricity to retail customers in this state.

(*ii*) A municipally owned electric utility in this state.

(*iii*) A cooperative electric utility in this state.

(*iv*) Except as used in subpart C of part 2, an alternative electric supplier licensed under section 10a of 1939 PA 3, MCL 460.10a.

(b) "Eligible electric generator" means a methane digester or renewable energy system with a generation capacity limited to the customer's electric need and that does not exceed the following:

(*i*) For a renewable energy system, 150 kilowatts of aggregate generation at a single site.

(*ii*) For a methane digester, 550 kilowatts of aggregate generation at a single site.

(c) "Energy conservation" means the reduction of customer energy use through the installation of measures or changes in

energy usage behavior.

(d) "Energy efficiency" means a decrease in customer consumption of electricity or natural gas achieved through measures or programs that target customer behavior, equipment, devices, or materials without reducing the quality of energy services.

(e) "Energy star" means the voluntary partnership among the United States Department of Energy, the United States Environmental Protection Agency, product manufacturers, local utilities, and retailers to help promote energy efficient products by labeling with the energy star logo, educate consumers about the benefits of energy efficiency, and help promote energy efficiency in buildings by benchmarking and rating energy performance.

(f) "Energy storage contract" means a type of contract designated by the commission under section 101, entered into by an electric provider and the owner of an energy storage system, and under which the electric provider receives services from the energy storage system.

(g) "Energy storage system" means any technology that is capable of absorbing energy, storing that energy for a period of time, and then redelivering that energy.

(h) ~~(f)~~ "Energy waste reduction", subject to subdivision ~~(g),~~ **(i)**, means all of the following:

(*i*) Energy efficiency.

(*ii*) Load management, to the extent that the load management reduces provider costs.

(*iii*) Energy conservation, but only to the extent that the decreases in the consumption of electricity produced by energy conservation are objectively measurable and attributable to an energy waste reduction plan.

(i) ~~(g)~~ Energy waste reduction does not include electric provider infrastructure projects that are approved for cost recovery by the commission other than as provided in this act.

(j) ~~(h)~~ "Energy waste reduction credit" means a credit certified pursuant to section 87 that represents achieved energy waste reduction.

(k) ~~(i)~~ "Energy waste reduction plan" means a plan under section 71.

(*l*) ~~(j)~~ "Energy waste reduction standard" means the minimum energy savings required to be achieved under section 77 or 78(1), as applicable.

(m) ~~(k)~~ "Federal approval" means approval by the applicable regional transmission organization or other Federal Energy Regulatory Commission-approved transmission planning process of a transmission project that includes the transmission line. Federal approval may be evidenced in any of the following manners:

(*i*) The proposed transmission line is part of a transmission project included in the applicable regional transmission organization's board-approved transmission expansion plan.

(*ii*) The applicable regional transmission organization has informed the electric utility, affiliated transmission company, or independent transmission company that a transmission project submitted for an out-of-cycle project review has been approved by the applicable regional transmission organization, and the approved transmission project includes the proposed transmission line.

(*iii*) If, after October 6, 2008, the applicable regional transmission organization utilizes another approval process for transmission projects proposed by an electric utility, affiliated transmission company, or independent transmission company, the

proposed transmission line is included in a transmission project approved by the applicable regional transmission organization through the approval process developed after October 6, 2008.

(*iv*) Any other Federal Energy Regulatory Commission-approved transmission planning process for a transmission project.

Sec. 7. As used in this act:

(a) "Gasification facility" means a facility located in this state that, using a thermochemical process that does not involve direct combustion, produces synthesis gas, composed of carbon monoxide and hydrogen, from carbon-based feedstocks (such as coal, petroleum coke, wood, biomass, hazardous waste, medical waste, industrial waste, and solid waste, including, but not limited to, municipal solid waste, electronic waste, and waste described in section 11514 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.11514) and that uses the synthesis gas or a mixture of the synthesis gas and methane to generate electricity for commercial use. Gasification facility includes the transmission lines, gas transportation lines and facilities, and associated property and equipment specifically attributable to such a facility. Gasification facility includes, but is not limited to, an integrated gasification combined cycle facility and a plasma arc gasification facility.

(b) "Incremental costs of compliance" means the net revenue required by an electric provider to comply with the renewable energy standard, calculated as provided under section 47.

(c) "Independent transmission company" means that term as defined in section 2 of the electric transmission line certification act, 1995 PA 30, MCL 460.562.

(d) "Integrated gasification combined cycle facility" means a

gasification facility that uses a thermochemical process, including high temperatures and controlled amounts of air and oxygen, to break substances down into their molecular structures and that uses exhaust heat to generate electricity.

(e) "Integrated pyrolysis combined cycle facility" means a pyrolysis facility that uses exhaust heat to generate electricity.

(f) "LEED" means the leadership in energy and environmental design green building rating system developed by the United States Green Building Council.

(g) "Load management" means measures or programs that target equipment or behavior to result in decreased peak electricity demand such as by shifting demand from a peak to an off-peak period.

(h) "Long-duration energy storage system" means an energy storage system capable of continuously discharging electricity at its full rated capacity for more than 10 hours.

(i) ~~(h)~~ "Megawatt", "megawatt hour", or "megawatt hour of electricity", unless the context implies otherwise, includes the steam equivalent of a megawatt or megawatt hour of electricity.

(j) ~~(i)~~ "Modified net metering" means a utility billing method that applies the power supply component of the full retail rate to the net of the bidirectional flow of kilowatt hours across the customer interconnection with the utility distribution system, during a billing period or time-of-use pricing period. A negative net metered quantity during the billing period or during each time-of-use pricing period within the billing period reflects net excess generation for which the customer is entitled to receive credit under section 177(4). Under modified net metering, standby charges for distributed generation customers on an energy rate schedule

shall be equal to the retail distribution charge applied to the imputed customer usage during the billing period. The imputed customer usage is calculated as the sum of the metered on-site generation and the net of the bidirectional flow of power across the customer interconnection during the billing period. The commission shall establish standby charges under modified net metering for distributed generation customers on demand-based rate schedules that provide an equivalent contribution to utility system costs. A charge for net metering and distributed generation customers established pursuant to section 6a of 1939 PA 3, MCL 460.6a, shall not be recovered more than once. This subdivision is subject to section 177(5).

(k) "Multiday energy storage system" means an energy storage system capable of continuously discharging electricity at its full rated capacity for more than 24 hours.

SUBPART D.

~~MISCELLANEOUS~~ **ELECTRICITY STORAGE**

Sec. 101. (1) By December 31, 2029, each electric provider whose rates are regulated by the commission shall petition the commission for any necessary approvals to construct, acquire, or contract for the services of energy storage systems with a combined capacity of at least the electric provider's statewide load share of a total of 2,500 megawatts for all such electric providers combined. For the purposes of this subsection, an energy storage system must have been placed into service on or after the effective date of the amendatory act that added this subsection or approved by the commission before the effective date of the amendatory act that added this subsection. This act does not limit the amount of

energy storage capacity an electric provider may procure.

(2) At least 50% of the megawatts of energy storage capacity used by each electric provider whose rates are regulated by the commission to meet the requirements of subsection (1) shall be from energy storage contracts that meet all of the following requirements:

(a) The owner of the energy storage system is not an electric provider or an affiliate of an electric provider.

(b) The contract has a term of at least 15 years.

(c) The contract does not require transfer of ownership of the energy storage system to the electric provider.

(3) The commission shall, within 60 days after the effective date of the amendatory act that added this section, initiate a proceeding to designate the type of energy storage contract that electric providers must use under subsection (2). The type of energy storage contract designated must achieve all of the following standards:

(a) Identify products transferred and include other material commercial contractual terms.

(b) Allow energy storage systems owned by persons other than electric providers whose rates are regulated by the commission to participate in wholesale markets by providing all services that energy storage systems are capable of providing, including, but not limited to, energy, capacity, and ancillary services.

(c) Incentivize energy storage system owners and operators to economically optimize energy storage systems by ensuring that the owners and operators are compensated for performance and bear the risk of underperformance, based on prevailing wholesale electricity market conditions.

(d) Provide long-term contracted revenue sufficient to support third-party financing of energy storage systems.

(e) Increase value for electric customers when increased volatility in wholesale electricity prices allows energy storage systems to earn additional revenue.

(f) Meet the requirements of subsection (1) at a just and reasonable cost to electric customers.

(4) Within 180 days after the effective date of the amendatory act that added this section, the commission shall issue an order that designates a type of energy storage contract as provided under subsection (3).

(5) Within 90 days after issuance of the order under subsection (4), each electric provider whose rates are regulated by the commission shall submit to the commission for approval a standard energy storage contract form that complies with the order. The commission shall provide an opportunity for public review and comment on each such electric provider's standard energy storage contract form before final approval.

(6) An energy storage contract under subsection (2) shall be executed only after a competitive bidding process conducted pursuant to guidelines issued by the commission.

(7) An electric provider or its affiliate may not submit a proposal in response to an electric provider's request for proposals under this section.

(8) Within 180 days after the effective date of the amendatory act that added this section, the commission shall complete a study to determine procurement targets for long-duration energy storage systems and multiday energy storage systems. After the study is complete, the commission shall initiate a proceeding to establish,

based on the study, procurement targets for long-duration energy storage systems and multiday energy storage systems for each electric provider whose rates are regulated by the commission.

Sec. 103. By December 31, 2023, and each year thereafter, an electric provider whose rates are regulated by the commission shall submit a report to the commission documenting the centralized and distributed electricity storage systems in its service territory.

SUBPART E.

MISCELLANEOUS