



October 28, 2016

By Electronic Filing and Federal Express

David J. Collins
Executive Secretary
Maryland Public Service Commission
6 Saint Paul Street, 16th Floor
Baltimore Maryland 21202-6806

*Re: In The Matter of Transforming Maryland's Electric Distribution Systems to
Ensure that Electric Service is Customer-Centered, Affordable, Reliable and
Environmentally Sustainable in Maryland – Public Conference 44*

Review of “Initial Considerations for Grid Modernization in Maryland”

Dear Mr. Collins:

Enclosed please find an original and seventeen (17) copies of the Review of “Initial Considerations for Grid Modernization in Maryland” for filing in the above-captioned proceeding.

Please contact me if you have any questions. Thank you for your attention to this matter.

Sincerely,

Susan Stevens Miller by CKJ

Susan Stevens Miller
Clean Energy Attorney
Earthjustice

*Counsel for Maryland Solar United
Neighborhoods, Chesapeake Climate Action
Network, Fuel Fund of Maryland, and the
Institute for Energy and Environmental
Research*

BEFORE THE PUBLIC SERVICE
COMMISSION OF THE STATE
OF MARYLAND

IN THE MATTER OF TRANSFORMING
MARYLAND’S ELECTRIC DISTRIBUTION
SYSTEMS TO ENSURE THAT ELECTRIC
SERVICE IS CUSTOMER-CENTERED,
AFFORDABLE, RELIABLE AND
ENVIRONMENTALLY SUSTAINABLE IN
MARYLAND

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PC 44

REVIEW OF “INITIAL CONSIDERATIONS FOR GRID
MODERNIZATION IN MARYLAND”

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BACKGROUND

Pursuant to Merger Condition 14, Appendix A of Maryland Public Service Commission Order No. 86990, Delmarva Power & Light Company and Potomac Electric Power Company (collectively “PHI”) filed a request that the Commission initiate this proceeding in order to examine opportunities to transform the electric distribution grid in the State of Maryland. Merger Condition 14 states:

No later than July 1, 2016, Delmarva and Pepco shall make a filing with the Commission requesting that the Commission initiate a proceeding to examine opportunities to transform the electric distribution grid, including the incorporation of smart-grid technology, microgrids, renewable resources, and distributed generation. As part of this filing, the companies shall request formation of a collaborative stakeholder process to study relevant issues. Exelon shall fund up to \$500,000 for the Maryland Public Service Commission to retain a consultant to study relevant issues and/or facilitate the proceeding, and Delmarva and Pepco shall not seek recovery in utility rates of this funding.

In an effort to start the dialogue regarding opportunities to transform the electric distribution grid in Maryland, PHI produced and submitted to the Commission a paper titled: “Initial Considerations for Grid Modernization in Maryland,” dated June 30, 2016.¹

On behalf of Maryland Solar United Neighborhoods, Chesapeake Climate Action Network, Fuel Fund of Maryland, and the Institute for Energy and Environmental Research (collectively, “Public Interest Advocates”), Pace Energy and Climate Center has reviewed the “Initial Considerations” document and offers these comments and recommendations.

¹ PEPCO Holdings LLC, “Initial Considerations for Grid Modernization in Maryland,” filed in Maryland PSC Case No. 9361 (Jun. 30, 2016). (*Initial Considerations*).

FINDINGS

PHI has produced a useful document that addresses many of the issues and important considerations for beginning a process of mapping the utility transformation process. PHI provides a useful description of its view of the current state of its grid modernization efforts.² PHI proposes an incomplete initial roadmap for utility transformation, focused primarily on what the process means to PHI.³ The major flaw in the proposed roadmap is its failure to address a vision or alternative visions of an ultimate market and service structure that includes active and engaged customers, increasingly vibrant markets for distributed energy resources and services, active and innovative third party market participants, affordability and equity for low-income households, and an evolutionary path for market development. PHI also fails to discuss how the process of utility transformation can be joined to fulfill Maryland's other policy goals such as reducing greenhouse gas emissions in the energy sector. Finally, PHI's filing fails to create a path to consider the collective societal goals and opportunities that a modernized grid should offer, such as increasing the equity, efficiency, or reliability of the grid by examining different models, roles and responsibilities for all stakeholders.

PHI understandably focuses almost entirely on grid modernization from the perspective of the incumbent distribution utility,⁴ a view which, if adopted, could severely retard market development and could lead to the institutionalization of unintended obstacles to utility transformation. It is therefore vital that a clearly and fully articulated vision of the transformed utility as a distributed energy resources platform provider for the foundation form Maryland's utility transformation processes.

² *Initial Considerations* at pp. 5-8.

³ *Initial Considerations* at pp. 8-10.

⁴ *Initial Considerations* at pp. 12-14.

PHI's "Key Principles"⁵ provide a good, but insufficient starting point for development of key principles that can be adopted by the Commission in this proceeding.⁶ PHI advances the view that it is largely ready for interconnection, Distributed Energy Resources ("DER") management, Net Energy Metering ("NEM") programs, customer service, and some advanced functionality, and that it has begun the process of assessing control systems, and staff training and development for working in the context of a modernized grid.⁷ To the extent that PHI has already come to a view on how a modernized grid will be configured and operate, this raises a concern about whether PHI's vision aligns with that of the Commission and the people of Maryland.

For example, PHI describes its initial modernization efforts for DER integration and visibility from a somewhat narrow view. The PHI paper seems to operate from the assumption that the universe of distributed energy resources is equal to the universe of distributed generation, and that increased deployment of distributed generation poses a wide range of challenges that will have to be addressed almost entirely through utility-controlled planning, interconnection, siting, operational, and upgrade functions.⁸

What is missing in the PHI paper in this regard is an integrated view of markets and resources in which the utility maintains its obligations to ensure safe and reliable operation of the grid alongside a robust market environment. In preparing for the modernized grid, PHI needs to view DER not just as cost-causers, but also as resources to help defer costs and mitigate operational challenges. The planning that PHI has begun to perform should be open, transparent,

⁵ *Initial Considerations* at pp. 10-11.

⁶ *Initial Considerations* at pp. 10-11.

⁷ *Initial Considerations* at p. 14.

⁸ *Initial Considerations* at pp. 14-19.

and engaging. None of the platform preparation activities that PHI describes should be undertaken in a black box approach.

PHI's document does not provide sufficient consideration of low-income customers beyond the context of existing assistance programs or all parties paying "their fair share." For instance, PHI does not discuss the lack of affordability issue or how affordability could be improved as the grid and rate structures evolve.

Finally, PHI's description of pilot and demonstration projects reaffirms the utility-centric approach inherent in the Initial Considerations paper.⁹ Overall, these projects look at technologies in isolation, start with the assumption that DER deployment will create problems and not solutions, and that DER deployment should only follow from extensive grid investments made by and for the benefit of PHI.

Notably missing from the PHI discussion are the hallmarks of a vision of a realized future—performance standards and earnings adjustment mechanisms, characterization of new customer services, achievement of greenhouse gas reduction goals, increasing resilience as a form of adaptation to climate change, implementation challenges and solutions for achieving affordability and for opening new opportunities for low- and moderate-income customers, and rate design concepts for a more transactive utility market.

⁹ *Initial Considerations* at p. 22-45.

RECOMMENDATIONS

The processes of grid modernization and utility transformation are arguably the most important to confront policy makers, regulators, utilities and consumers in a very long time. Whether viewed as the completion of a process of market animation launched decades ago with supply competition, or the realization of a new dream of distributed energy resource markets addressing the operational, economic, social, and environmental imperatives of our day, the planning and implementation process for grid modernization must be inclusive, transparent, iterative, equitable, and visionary.

PHI has set the stage for discussion with the view from the incumbent monopoly distribution utility in its *Initial Considerations* paper, and has met its obligation under Merger Condition 14 to request the initiation of this proceeding. But PHI has not yet presented a vision of market transformation or a roadmap for how to achieve this transformation. In order to ensure that the process realizes its potential, the Public Interest Advocates believe that more must be done to comprehensively set the stage for a full utility transformation agenda. In that spirit, the Public Interest Advocates offer the attached document, entitled “**The Utilities of Maryland’s Future – An Agenda for Transformation.**” The whitepaper is intended to serve as a more balanced and complete blueprint for launching and guiding the Commission’s important work ahead. It draws heavily on experience gained in other jurisdictions, notably in New York, where the New York Public Service Commission has been leading its “Reforming the Energy Vision” process for the past several years.

CONTINUED FOR SIGNATURES

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of October, 2016, I electronically filed a copy of the foregoing **Review of “Initial Consideration for Grid Modernization in Maryland”** with the Maryland Public Service Commission. In addition, the signed original, as well as 17 copies, were sent by Federal Express on this date to David J. Collins, Executive Secretary, Maryland Public Service Commission, William Donald Schaefer Tower, 16th Floor, 6 Saint Paul St., Baltimore, Maryland 21202. Copies were also mailed on this date via First Class mail, postage prepaid, to:

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