

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of a Commission Investigation
into the Potential Role of Third-Party
Aggregation of Retail Customers

Docket No. E999/CI-22-600

INITIAL COMMENTS OF WALMART INC.

Walmart Inc. ("Walmart") submits these initial comments pursuant to the *Notice of Comment Period* issued by the Executive Secretary on December 9, 2022 ("December Notice"), as directed by the Public Utilities Commission of Minnesota ("Commission") in its Order issued March 15, 2022, in Docket Nos. E-002/M-21-101 and E-002/M-17-401.¹ In response to the December Notice, Walmart is submitting these comments and appreciates the opportunity to provide input from the perspective of a large commercial customer with multiple facilities that participate in Demand Response ("DR") programs throughout the United States.

I. INTRODUCTION

Walmart is an international retailer headquartered in Bentonville, Arkansas. Within the State of Minnesota, Walmart maintains 80 retail locations including Supercenters, Discount Stores, Neighborhood Markets, and Sam's Clubs, and one distribution center. Collectively, Walmart employs more than 23,700 associates and supports more than 72,300 additional supplier jobs in Minnesota.²

¹ *In the Matter of Xcel Energy's Petition for Load Flexibility Pilot Programs and Financial Incentive*, Docket No. E-002/M-21-101 and *In the Matter of a Commission Investigation to Identify Performance Metrics, and Potentially, Incentives for Xcel Energy's Electric Utility Operation*, Docket No. E-002/M-17-401. Order Approving Modified Load-Flexibility Pilots and Demonstration Projects, Authorizing Deferred Accounting, and Taking Other Action, pp. 9-10 ("Xcel Peak Flex Credit Pilot Order").

² <https://corporate.walmart.com/about/minnesota>

Walmart is a large electricity customer in the State, consuming over 247.6 million kilowatt hours (kWh) of electricity annually. Walmart's facilities in Minnesota are primarily located within the service territory for Northern States Power Company d/b/a Xcel Energy (“Xcel”) but are also served by Minnesota Power and Otter Tail Power Company, as well as several smaller municipally-owned and member-owned utilities. In turn, Walmart's Minnesota facilities operate in the footprint of the Midcontinent Independent System Operator ("MISO"), who has authority over wholesale energy transactions for its region.

Walmart has set aggressive and significant company-wide renewable energy and sustainability goals, including (1) to be supplied 100 percent by renewable energy by 2035, and (2) zero carbon emission in its operations, including transportation fleet vehicles, without the use of offsets, by 2040.³ Participating in DR is consistent with Walmart's commitment, both operationally and financially, to environmental stewardship, including promoting renewable energy, reducing greenhouse emissions, and decreasing the energy it uses to power its facilities. Given the number of Walmart facilities, participation in DR can also have a significant impact on system load, reducing the total amount of energy and capacity needed to be produced. It also allows Walmart to actively lower its power bills while delivering a reliable, economical, and environmentally friendly resource that benefits all customers.

At present, Walmart has over a thousand stores participating in DR initiatives throughout the United States. These programs span multiple RTOs and Independent System Operators ("ISOs"), including: ISO New England ("ISO-NE"), New York Independent System Operator ("NYISO"), PJM Interconnection, LLC ("PJM"), Electric Reliability Council of Texas ("ERCOT"), MISO, and California Independent System Operator ("CAISO"). Walmart also

³ [Sustainability \(walmart.com\)](https://www.walmart.com/sustainability)

participates in dozens of local utility DR programs and, at utility or government request, has provided emergency responses outside of formal programs.

In light of Walmart's experience with DR programs, including those offered and/or facilitated by an Aggregator of Retail Customers (“ARC”) or its equivalent, Walmart believes that maximizing customers’ access to DR opportunities will give customers greater ability to help improve grid reliability, reduce grid stress, encourage the more efficient use of resources, potentially save money for all utility customers, and mitigate power outages/shortages and the need to construct additional capacity resources to serve load.

COMMENTS IN RESPONSE TO QUESTIONS POSED IN DECEMBER NOTICE

1. Should the Commission permit aggregators of retail customers to bid demand response into organized markets?

The subject matter of Question No. 1 is being addressed by Walmart in two parts:

- a. Benefits of DR.
- b. How ARCs can increase DR opportunities for customers in Minnesota.

a. Benefits of DR.

In times of grid stress, which can occur due to high usage, weather specific events, or unexpected outages, there are limited options available to balance the grid prior to customers suffering outages. The grid can either call upon generation resources to produce more energy, or it can call upon customers to reduce their usage through DR opportunities. DR is an effective tool for balancing the grid in times of grid stress and oftentimes more cost effective and environmentally friendly than dispatching generation resources. Keeping the power on benefits all customers, and DR is a tool needed to achieve that goal. The importance of DR is only expected to increase. In looking to the future, wholesale markets are going to look to DR resources with increasing frequency to help balance the grid and maintain reliability.

Additionally, DR resources have shown that they can be cheaper than generation resources that might otherwise be called upon to perform during periods of high energy usage or grid stress, which ultimately benefits all customers in the form of lower prices. These lower prices benefit all customers and the utility by lowering the cost for power that customers pay and by lowering overall costs for utilities. Thus, not only do customers in Minnesota participating in DR receive direct benefits for their participation, but all other customers within the State are indirectly benefitted by DR through lower power costs.

b. How ARCs Can Increase DR Opportunities for Customers in Minnesota.

Although the benefits of DR are clear, ARCs are not currently authorized to participate in DR on behalf of customers in the State of Minnesota outside of the second tranche of Xcel's Peak Flex Credit pilot program as approved by the Commission in Docket Nos. E-002/M-21-101 and E-002/M-17-401.⁴ Because of an ARC's sophistication in the DR space and the ability to absorb the risk of non-performance (both of which are discussed in more detail below), ARCs will drive increased DR participation in Minnesota.

However, the extent to which an ARC can actually increase DR participation will depend upon the capacity in which ARCs are authorized to participate in wholesale DR. Specifically, ARCs are typically able to participate in the wholesale DR market in either or both of the following capacities:

- i. An ARC has the authority to contract directly with customers and to bid any DR from those customers into the MISO market; or
- ii. An ARC can act through the incumbent utility via an approved tariff like the second tranche of Xcel's Peak Flex Credit pilot program.

⁴ See Xcel Peak Flex Credit Pilot Order, p. 27, ¶ 1(a).

Walmart believes that a more expansive role for ARCs -- where they can directly contract with customers and bid that load into the wholesale market -- is most likely to maximize the benefits of DR described above. In order to participate in and realize the benefits from DR, Customers need access to DR opportunities that are feasible and economical. However, because retail customers are not homogeneous in their needs, energy usage, size or location, any such opportunity is not necessarily a “one size fits all” approach. Instead, Walmart believes that customers are best served when they have access to all options available to them to participate in DR, including utilizing the services of an ARC to do so.

Without giving customers robust options to participate in DR, the few opportunities that are available may be under-utilized because of low customer participation. For example, where a utility offers a DR product that is not economically beneficial to participating customers, customers may decide not to participate in that program and, with no other options, are unable to realize the benefits of DR. This is where ARCs can help by filling a need that the utility may not be able to meet. In this example, i.e., the customer who otherwise would not participate in DR because the utility-offered program does not fit the customer’s need, an ARC could work directly with this customer to find a DR program that does work. Indeed, allowing ARCs to participate in the process may even improve the quality of utility-sponsored DR programs by providing the utilities with incentive to develop better, more competitive DR products for its customers.

There are also certain instances where it makes sense for a customer to use an ARC to participate in DR notwithstanding the availability of utility-sponsored programs. Customers like Walmart, for example, who have multiple sites spanning across multiple utility territories, could be better served by being able to work with a single entity -- an ARC -- versus numerous utilities. Thus, even if all utilities in Minnesota offered viable DR programs, the myriad sets of curtailment

instructions that need to be received and implemented from multiple entities, all of which may have their own rules and triggering events, can make participating in DR through traditional utility programs more cumbersome, which, in turn, could reduce customer DR participation. Because ARCs provide customers like Walmart with a single point of contact for DR participation, ARCs increase the efficiency and value of the process.

Because DR benefits all customers and the State as a whole through improved grid resiliency and the deployment of more environmentally friendly resources, i.e., reduced demand, and ARCs are likely to improve DR opportunities in the State, Walmart supports allowing ARCs to market and sell DR into the wholesale markets directly in addition to utility-offered DR programs.

2. Should the Commission require rate-regulated electric utilities to create tariffs allowing third-party aggregators to participate in utility demand response programs?

While Walmart believes there are benefits to direct participation in wholesale markets by utilizing an ARC, Walmart is not proposing that ARCs supplant utility-sponsored DR. Rather, in order to respond to customer demand for greater choice and to harness the benefits of third-party aggregators, Walmart believes that allowing ARCs to operate in Minnesota alongside traditional providers of electricity will increase competition and ensure that the benefits of DR recognized above are realized by a greater percentage of Minnesotans. The question is, however, should ARCs be limited in their ability to bid DR into the market through a utility-sponsored program that essentially allows the ARC to act as an intermediary between the customer and the utility.

An additional benefit to ARC participation in wholesale markets is risk mitigation. ARCs bear the risk of non-compliance by shielding participating customers from non-performance penalties. This is in contrast to utility-sponsored programs that penalize a DR participant for non-compliance when a DR event is called. One way to address this risk issue is to allow an ARC to

essentially 'sit' between the customer and the utility for the purpose of absorbing this non-performance risk. This type of option could be viewed as a compromise between allowing ARCs to directly bid DR into the wholesale market and banning ARC participation in favor of utility-only programs with no ARC involvement. However, the effectiveness of any such utility/ARC program is dependent upon the economics created through such a program for both the customer and the ARC. Not surprisingly, each party involved in a three-tiered program, i.e., utility-ARC-customer, will participate in the program only if it makes economic sense to do so. From a customer perspective, the value proposition of such a program is measured by the net credit payable to the customer. If the value of the credit is reduced to compensate the utility and the ARC to the point where it no longer makes economic sense, then customer participation will decline.

On whether the Commission should require utilities to offer DR programs that include ARCs, Walmart does not take a position on this type of requirement. However, Walmart supports customers having a robust suite of DR program options that include utility-sponsored programs and ARC-provided DR programs in order to increase both the number of customers and the number of facilities owned by a customer that are able to participate in DR in order to fully realize the benefits of DR discussed earlier.

3. Should the Commission verify or certify aggregators of retail customers for demand response or distributed energy resources before they are permitted to operate, and if so, how?

Walmart has no objection to a reasonable application or certification process that gathers relevant operational and financial information from ARCs seeking to operate in Minnesota. By requiring this information up front, the Commission can have assurance that ARCs have the legitimacy and operational wherewithal and responsiveness to "market and sell" DR in the State of Minnesota.

4. Are any additional consumer protections necessary if aggregators of retail customers are permitted to operate?

Although Walmart, as a consumer, appreciates a balance between consumer protections and providing a business environment that encourages ARCs to operate within the State of Minnesota, it does not take a position on specific additional consumer protections.

II. CONCLUSION

Walmart believes that customer choice and competition in the provision of DR products is in the best interests of customers and the State of Minnesota. Allowing ARCs to provide, market, and sell DR services will insure the availability of the broadest array of opportunities for customers (whether through ARC or expanded utility offerings) and will incent growth in DR that benefits all customers. Accordingly, Walmart supports allowing ARCs to provide DR within the State of Minnesota. Walmart appreciates the Commission initiating this docket and looks forward to participating in this matter on an on-going basis.

Respectfully submitted,

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Dated this 13th day of March 2023