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March 13, 2023

- Via Electronic Filing -

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: 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 Great River Energy

Dear Mr. Seuffert:

Pursuant to the Minnesota Public Utilities Commission's (Commission) February 6, 2023 Notice of Extended Comment Period, Great River Energy (GRE) respectfully submits its Initial Comments in response to the Commission's December 9, 2022 Notice seeking comments regarding third party aggregation of retail customers in this proceeding. GRE appreciates the opportunity to provide its perspective on the topics raised by the Commission.

Sincerely,

/s/ Jeffrey Haase

Director, Member Services, DER and End Use Strategy

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Procedural Background

On December 9, 2022, the Commission issued a Notice of Comment Period seeking input related to the Potential Role of Third-Party Aggregation of Retail Customers.[1] In particular, in its Notice, the Commission asked interested parties to comment on the following questions:

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

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

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?

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

In addition to providing more general comments, GRE briefly responds to topics 1, 3 and 4 below.

General Comments

As a generation and transmission cooperative that provides service to its twenty-seven (27) member owned cooperatives, GRE recognizes that it is in somewhat of a unique position. In particular, none of GRE's 27 member-owner cooperatives distribute more than 4 million MWh per year, the threshold at which utilities are to “opt-in” or “opt-out” of participation of demand response in distributed energy resource aggregations under Federal Energy Regulatory Commission ("FERC") rules adopted under Order No. 719. Specifically, FERC determined that an RTO/ISO must not accept bids from a distributed energy resource aggregator if its aggregation includes distributed energy resources that are customers of utilities that distributed 4 million MWh or less in the previous fiscal year, unless the “relevant electric retail regulatory authorities” affirmatively opts-in. For small utilities like GRE’s members, FERC action allowed the members’ boards of directors to make a decision regarding

[1] There is a long history of the role of Third-Party Aggregation of Retail Customers in Minnesota. As the Commission noted in its December 9 Notice, the Commission has previously addressed issues relating to the aggregation of demand response in relation to FERC Order 719 and 719-A in Docket E999/CI-09-1449.

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participation in demand response aggregation. GRE's members have decided to remain "opted-out." This fact has not, however, prevented GRE from active participation in load management and demand response programs.

GRE's long history of load management and demand response programs has provided value to member-owners and end-use members and is projected to continue doing so. It is GRE's opinion that its success with these programs historically will reflect the ongoing commitment and potential for future value from these programs. It is not necessary for third-party aggregation to realize these benefits.

Program	Number of Participants	Estimated Maximum Demand Reduction (MW)
Cycled Air Conditioning	122,580	120
Water Heating[2]	107,464	50
Irrigation	3,843	50
C&I Interruptible	1,393	160
Dual Fuel	65,573	330

Table 1. Participants and Estimated Demand Reduction

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

In addressing whether the Commission should require rate-regulated electric utilities to create tariffs allowing third-party aggregators to participate in utility demand response program, GRE does not have a position. However, GRE supports a Commission decision that this requirement is not imposed on cooperative utilities.

GRE has a long history of operating successful and innovative demand response programs, providing our members-owners with value and rate benefits in exchange for needed demand flexibility. Beginning in the 2022-23 Midcontinent Independent System Operator (MISO) planning year, a subset of these resources were formally registered as Load Modifying Resources (LMRs). Registration of LMRs was expanded for the upcoming 2023-24 planning year, providing even further value for GRE's member-owners through a net gain in accredited capacity. Imposing requirements on our member-owner's creates unnecessary duplication of the efforts that are already underway and creates potential

[2] GRE's water heating program includes electric thermal storage resources that charge exclusively off-peak as well as interruptible water heating resources that can be interrupted for up to 8 hours per day.

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confusion regarding the program rules and requirements. In addition, there would be a risk of reducing the retail benefits currently being realized by members who participate in the current suite of programs.

The wholesale rate paid by the member-owners of GRE incorporates the benefits of these demand side management programs. In essence, a tariff already exists to serve as the foundation for the benefit of these demand side management programs, including demand response. Creating an additional tariff for aggregator of retail customers (ARCs) to take these participants out of existing programs opens the opportunity for rates to increase for non-participants across GRE membership. This could result in the creation of two tariffs- one for ARCs, and another to realign the wholesale rates with a new rate structure, and one that shifts costs. The decisions made by GRE's board of directors and member-owners have been made with intent, and any external policy changes that impact the resources of member-owners of GRE and ultimately the rates paid by other member-owners creates potential conflicts of governance between GRE's board and the Commission.

The governance structure of the cooperative business model requires collaboration, communication, and collective decision making. As such, the DR and demand side management (DSM) programs of each cooperative are collectively built and stronger together. Allowing ARC participation at this time changes the collaborative and cooperative nature of how these programs are developed, facilitated, and run.

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?**

The Commission's May 18, 2010 Order notes that ARCs and utilities have similar roles and yet are regulated and treated differently.

> First, the Minnesota Public Utilities Act creates a comprehensive regulatory structure to ensure that all state providers of electrical service have just and reasonable rates and just and reasonable terms and conditions of service. It is unclear at this point how ARCs would fit into that regulatory structure and what mechanisms the Commission would use to ensure that their actions and practices met the "just and reasonable" legal standard and served the public interest.[3]

[3] May 18, 2010 Order, Docket No. E999/CI-09-1449, Page 5.

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In Minnesota, ARCs are not currently considered an electric utility, even though they occupy a similar role and are situated within the franchised agreement service territory of an electric utility regulated as such by the Commission. If ARCs are to operate within electrical service areas and yet fall outside of the regulatory framework within which they operate, then utilities are left with the consequences. These situations must be obviated, not retroactively made whole.

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

As noted above in Table 1, a large portion of end-use member consumers within the distribution membership of GRE's member-owners benefit from subscribing to a demand side management tariff. These tariffs represent the long-term value of DSM programs and aggregate benefits to the member-owner cooperative, which subsequently flow back to the end-use member consumer in the form of a lower rates, increased reliability and resiliency, as well as deferred distribution and generation upgrades. GRE is a not-for-profit cooperative, and any margins that GRE realizes are returned to its members annually in the form of capital credits. Margins provide equity for the member-owners and are allocated in proportion to their purchases of electricity during the year.

Without these robust programs, well subscribed across Minnesota, GRE's member-owners stand to lose the reliability, resiliency, and bill savings that these programs bring. Protections for these bill savings cannot be overstated, as they are a driving force of the collective strength of the cooperative model and the ability to put local resources to work in the wholesale market.

GRE's prudent planning of its portfolio has resulted in a long-term rate forecast that is flat in comparison with its rate forecast prior to the sale of Coal Creek Station. No new resources are needed in the portfolio in the next several years, and as such no upward rate pressure is expected on our member-owners' already competitive rates in Minnesota. GRE would oppose any decisions that would force additional costs or costs forced by inefficiencies of policies that include cooperative utilities.

GRE is also concerned about the potential of double counting. Put simply, FERC's guidance is that these programs are not to be paid twice for the same grid service. These programs currently offer retail benefits to distribution member-owners and the end-use member consumers themselves. If these services are brought to the wholesale level, they would be stripped of their retail value. Significant coordination with third parties would be required to undo these programs as they exist at the retail level. In other words, there's already a pathway to these retail benefits that exists as an economic rate delivered to end consumers.

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GRE does not doubt that there are likely areas of benefit for allowing third-party aggregators to play a role in the state. However, for the programs that GRE has developed with its member-owners, there are serious concerns about the impact on the value of these programs and to the cooperatives they currently serve today.

Conclusion

GRE appreciates the opportunity to provide these brief comments.