



separate and comprehensive effort to discern and shape the future of distributed generation valuation in Illinois. Given that a formal, more comprehensive Commission process is required by FEJA, ComEd's comments focus on issues related to the applicability of distributed generation compensation and valuation methodologies implemented or discussed in other states to Illinois and only present potential issues requiring Commission analysis and resolution within a formal valuation proceeding consistent with Commission practice and procedure.

In previously submitted comments, ComEd expressed that any valuation formula approved by the Commission must be consistent with the statutory directive requiring that the valuation formula "reflect the value of the distributed generation to the distribution system at the location at which it is interconnected, taking into account the geographic, time-based, and performance-based benefits, as well as technological capabilities and present and future grid needs."<sup>3</sup> Within responses to the questions posed to stakeholders by Staff of the Commission and PNNL representatives, ComEd provided Illinois-specific context for the future consideration of distributed generation valuation and compensation by noting several distinguishing Illinois-specific factors such as electric industry restructuring, retail open access, the current use of embedded cost-of-service studies, and the reliance on two Regional Transmission Organizations ("RTOs"). Any distribution system-level compensation mechanisms should be based on objective cost-benefit analysis that can be applied efficiently and have the appropriate flexibility to adapt to unforeseen circumstances that can occur with new and rapidly advancing technology. ComEd suggested that distribution system-level distributed generation compensation mechanisms should reflect the spatial and temporal contributions to the distribution system and adhere to certain guiding principles, including:

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<sup>3</sup> 220 ILCS 5/16-107.6(e).

- **Objective cost/benefit analysis is critical.** Regulatory policy and structural change should be guided by unbiased, objective cost/benefit analyses that correctly reflect costs to distribution system consumers and the distribution system as a whole. Decisions about how to value and compensate distributed generation should be grounded in such cost/benefit analyses. Objective and unbiased cost/benefit analyses generate information indispensable to parties, facilitating decisions that benefit society.
- **Dynamic Efficiency and Management Flexibility Are Essential.** The final model adopted must allow utility management the ability to adjust to changing circumstances; support and encourage innovation; allow timely implementation of technological advances; promote continuous efficiency improvement; and support long-term value for customers.<sup>4</sup>

Compensation mechanisms should be equitable, transparent, and efficient. Any methodology for distributed generation valuation and compensation should transparently send clear price signals to developers and customers and consider administrative efficiency. As Illinois' largest distribution utility and the builder, owner, planner, and operator of the distribution network covering northern Illinois, ComEd continues to recognize the critical role it is to play in discussions, workshops and the future Commission proceedings related to distributed generation. As it proceeds in supporting the integration of distributed generation technology into the distribution system, ComEd appreciates the opportunity to offer these Comments on the PNNL Whitepaper for Commission, Commission Staff, and other stakeholders' consideration in advance of the separate, comprehensive Commission effort to discern and shape the future of distributed generation valuation in Illinois.

## **II. The Future Energy Jobs Act (“FEJA”) and Illinois Commerce Commission Process**

FEJA requires electric utilities serving more than 200,000 customers in the State of Illinois to request Commission approval of a tariff to provide rebates valued at \$250 per kilowatt

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<sup>4</sup> ComEd Comments March 30 at 3.

of nameplate generating capacity, measured as nominal DC power output, to certain customers.<sup>5</sup> The aforementioned rebate value is fixed until the Commission approves subsequent tariffs or tariff revisions pursuant to the findings of an investigation into an annual process and formula for calculating the value of distributed generation to the distribution system at the location at which it is interconnected.<sup>6</sup> FEJA requires that the future distributed generation rebate valuation formula approved by the Commission “reflect the value of the distributed generation to the distribution system at the location at which it is interconnected, taking into account the geographic, time-based, and performance-based benefits, as well as technological capabilities and present and future grid needs.”<sup>7</sup>

In its Whitepaper, PNNL states that with respect to FEJA “there are some different, reasonable interpretations because of the varying language used in the law.”<sup>8</sup> Within the Workshop, PNNL listed resolution of this interpretation as a potential next step.<sup>9</sup> ComEd strongly disagrees. The language of FEJA is plain and moreover, based on representations from Commission Staff, it is ComEd’s understanding that these Workshops are designed to advance the conversation around distributed generation valuation in Illinois and lay foundations for Commission, Commission Staff, and stakeholder understanding of technical, financial and policy implications. Because formal Commission analysis and resolution is required, the Whitepaper and these workshops are not the appropriate forum for assessing or resolving the “reasonableness” of any one interpretation of the statutory language, be it “broad” or “narrow.” ComEd objects to any reference by PNNL in its Whitepaper, any future whitepaper, and/or final

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<sup>5</sup> 220 ILCS 5/16-107.6(b)-(c) and (f).

<sup>6</sup> 220 ILCS 5/16-107.5(e).

<sup>7</sup> 220 ILCS 5/16-107.6(e).

<sup>8</sup> Whitepaper at 2.

<sup>9</sup> Homer and Orrell, Illinois Distributed Generation Rebate Calculation Considerations, <https://www.icc.illinois.gov/downloads/public/DG/ICC%20SH%20Workshop%20Jun%2028%20final.pptx> (Pacific Northwest National Laboratory, June 28, 2018), at 29.

report to statutory interpretations related to the value of distributed generation under FEJA. The appropriate forum for such legal interpretations is the future Commission proceeding mandated by FEJA.

### **III. Select Whitepaper Issues**

#### **a. Data Transparency, Privacy, and Availability**

In the Whitepaper, PNNL identifies data privacy, transparency, and accessibility as issues that need to be addressed in the valuation process, and in particular balancing the need for transparency, communication, and collaboration with protecting customers' privacy and the sensitivity of business data.<sup>10</sup> PNNL also proposes data types that likely will be needed to understand the locational and temporal value of distributed generation in Illinois.<sup>11</sup>

A number of proceedings at the Commission have addressed, and are addressing, customer data issues.<sup>12</sup> Illinois utilities recognize their obligations toward the stewardship of data and continue to enable the energy ecosystem of utilities, third-party vendors, customers, and others. ComEd, for example, has consistently been proactive in making data available to customers through Green Button Download My Data, retail suppliers through the supplier portal for access to AMI Historical Interval Usage, and third parties through Green Button Connect, each of which requires Commission authorization. Third-party vendors performing services on behalf of the utility to implement programs have access through secure data protocols. Also, ComEd offers anonymous data usage services where customer identifiers are not revealed.

As the penetration of DER and other new technologies increases, information sharing will continue to be balanced with security, privacy, and overall cost and efficiency. As the grid

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<sup>10</sup> Whitepaper at 5.

<sup>11</sup> Whitepaper at 19.

<sup>12</sup> See generally, ICC Docket Nos. 14-0701, 13-0073, and 13-0506.

is the foundational platform for the integration and eventual valuation of distributed generation, the unparalleled expertise of the utilities in operating and planning the grid, along with Illinois' regulatory oversight mechanisms, make them uniquely positioned and qualified to fairly and effectively manage that information sharing function.

In the Whitepaper, PNNL focuses on hosting capacity as a model for how other states have dealt with data privacy. While a fundamental understanding of the current infrastructure's capabilities assists stakeholders in making informed siting decisions, it does not provide the locational, temporal, and performance-based factors necessary for valuation of distributed generation. The PNNL Whitepaper identified a "wish list" of possible data sets that could be useful in establishing an approach to distributed generation valuation.<sup>13</sup> PNNL was not able to identify any one particular state that is utilizing the data sets set forth to determine the value of distributed generation. ComEd submits that it would be more useful to first establish the valuation framework through the Commission process established by FEJA, and then implementing it gradually, a process which may include pilot programs, test cases, peer review processes (that could include PNNL as well as other external industry experts), and other means to validate the approach. Once the components of distributed generation value (both positive and negative) are identified in the context of Illinois, a determination on what data is necessary to support the valuation calculations can be made. The methodology developed and calculations that support the locational, temporal and performance based factors necessary to determine the components of the valuation should be shared, so long security and privacy concerns are addressed. Data on own would not provide the locational, temporal and performance based factors necessary for valuation.

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<sup>13</sup> Whitepaper at 19.

**b. Stakeholder Engagement Process**

With respect to a stakeholder engagement process to determine the valuation of distributed generation, PNNL cites comments provided after the March 1, 2018 workshop suggesting establishment of stakeholder working group(s) to determine the rebate valuation methodologies and calculations, similar to what other states have done.<sup>14</sup> PNNL suggests such a working group format could establish some common ground among stakeholders, and therefore minimize the number of contested issues brought before the ICC during formal proceedings.<sup>15</sup>

ComEd reiterates its comments in response to the first PNNL whitepaper, and again emphasizes that FEJA has already identified the process for determining the value of distributed generation in Illinois.<sup>16</sup> While a stakeholder process may potentially result in limited, high-level consensus around guiding principles for distributed generation valuation, any resulting valuation methodology must have the legal and regulatory imprimatur of the Commission, and any additional process suggestions or considerations are more properly reserved for subsequent, formal proceedings. However, there may be topics outside of the scope of the Commission's investigation of the value of distributed generation to the distribution system that would benefit from separate stakeholder engagement workshops.

**c. Incremental Approach**

There appears to be broad stakeholder consensus, or at least not much disagreement, that a gradual approach to the valuation process that keeps Illinois' particular market and policy goals in perspective throughout the process is appropriate in Illinois, consistent with the approaches taken in other states. ComEd concurs. Any timetable for implementation should be realistic and

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<sup>14</sup> Whitepaper at 7-8.

<sup>15</sup> Whitepaper at 7 (citing ELPC, *et al.*)

<sup>16</sup> ComEd Comments March 30 at 6.

reasoned, with time taken to incorporate lessons learned throughout the process and from the experiences gained in other jurisdictions that are moving along similar paths.

**d. Valuation Components**

PNNL presents a survey of the various value components used by other states in their calculations.<sup>17</sup> However those value components are often, if not always, based on state-specific policy goals or legislation.<sup>18</sup> In that respect, the Whitepaper fairly summarizes published reports and the efforts of various states to date. It is worth noting however that to date no state has established a locational value of distributed generation to the distribution grid at a location more granular than the distribution substation.

ComEd agrees that many of the values of distributed generation listed as “valuation components” and applied in particular states, as in the California Locational Net Benefit Analysis (“LNBA”) tool example, potentially reflect value in varying degrees to distributed generation owners, consumers, society at large, and to the energy markets. These values may manifest themselves in energy cost savings, emissions reductions, or wholesale market price impacts. However, it is clear from the examples in the Whitepaper that the value of distributed generation *to the distribution system* have yet to be quantified.

In Illinois, the value of distributed generation to be measured and compensated in utility rates, as defined by FEJA, is the value of that distributed generation to the distribution system. ComEd acknowledges that there are examples, several of which are cited in the Whitepaper, where distributed generation may deliver additional value streams and societal benefits, and the

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<sup>17</sup> Whitepaper at 9-15.

<sup>18</sup> Whitepaper at 9.

value of distributed generation to the distribution system may only be a subset of the total value the installation and operation may bring.

Recognition of the distinction between the universe of values of distributed generation and the value specifically attributable to the distribution system avoids potentially “double counting” (*e.g.*, compensating the same value components in both the wholesale markets and in customer rates at the distribution level) the value components of distributed generation when determining valuation, or creating unfair cross-subsidies among customers. Valuing distribution system benefits is just one of several mechanisms that compensate distributed generation for the value that it provides, as other values may be compensated through renewable portfolio standards, wholesale energy and capacity markets, ancillary service markets, and tax and other incentives. For example, the Whitepaper dedicates some discussion to ancillary services value.<sup>19</sup> But just like the valuation of other distributed generation value components, there must be assurance that the ancillary services benefits that the distributed generation will provide are not compensated both in distribution rates and through markets or other existing or future mechanisms.

Given the various compensation mechanisms available to distributed generation, the determination of "the value of distributed generation to the distribution system" to set the rebate value cannot be done in isolation. It must be done from a more holistic perspective, considering all of the mechanisms that compensate distributed generation, to be sure that the overall compensation for distributed generation is sufficient yet not excessive, and to consider any appropriate policy changes to any of the compensation mechanisms. Again, in Illinois, FEJA only authorizes the Commission to approve a valuation methodology that compensates

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<sup>19</sup> Whitepaper at 13-14.

distributed generation for value (including both benefits and costs) to the electric distribution system by wholly encompassing recoverability of costs within distribution system rates.<sup>20</sup>

#### **IV. Conclusion**

In addition to the Workshops and the PNNL Whitepapers, the Commission has posted on their website a number of suggested questions to be addressed in stakeholder comments. Many of those questions, to the extent they are within the scope of the Workshops, have already been addressed by ComEd in these and previous Comments to the PNNL Whitepapers; others are more appropriately dealt with in the context of the subsequent, formal Commission proceedings. ComEd appreciates the opportunity to offer comments on the PNNL Whitepaper and these workshops designed to advance the conversation around distributed generation valuation in Illinois and lay foundations for Commission and stakeholder understanding of technical, financial and policy implications, and looks forward to addressing many of the issues raised in the Whitepaper in formal Commission proceedings. However, ComEd holds firm that these Workshops are not the appropriate venue for legal interpretations related to the value of distributed generation under FEJA and opposes such references in the current Whitepaper and/or final PNNL work product.

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Respectfully submitted,  
COMMONWEALTH EDISON COMPANY

By: 

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<sup>20</sup> 220 ILCS 5/16-107.6(h)(2).