

**Michigan Office of Administrative Hearings and Rules
Administrative Rules Division (ARD)**

611 W. Ottawa Street
Lansing, MI 48909
Phone: 517-335-8658 Fax: 517-335-9512

REQUEST FOR RULEMAKING (RFR)

1. Department:

Licensing and Regulatory Affairs

2. Bureau:

Public Service Commission

3. Promulgation type:

Full Process

4. Title of proposed rule set:

Interconnection and Distributed Generation Standards

5. Rule numbers or rule set range of numbers:

R 460.901a-460.1026, but retaining use of numbers up to 460.1101

6. Estimated time frame:

12 months

Name of person filling out RFR:

Lisa Gold

E-mail of person filling out RFR:

goldl@michigan.gov

Phone number of person filling out RFR:

517-420-2291

Address of person filling out RFR:

7109 W. Saginaw Hwy, Lansing MI 48901

7. Describe the general purpose of these rules, including any problems the changes are intended to address.

Section 173 of Public Act 295 of 2008, MCL 460.1173(1) (Act 295), authorized the Commission to promulgate administrative rules governing net metering standards. In 2009, the Commission formally adopted administrative rules governing electric interconnection and net metering. See, Mich Admin Code, R 460.601a-460.656. Those rules focused primarily on small electric generators by dividing them into five categories; the first four categories apply to projects up to 2 megawatts (MWs) and the fifth category applies to projects greater than 2 MWs. In the December 20, 2012 order in Case No. U-15919, the Commission adopted procedures for interconnection of smaller projects (Categories 1 and 2), but has not yet adopted procedures governing the interconnection of larger projects (Categories 3 through 5). Those net metering rules are now outdated and need to be rescinded. A separate RFR has been submitted for that.

There have been significant changes in Michigan's energy landscape driven by rapidly advancing renewable energy technology, including solar, wind, and battery storage. There have also been changes in Michigan's energy laws with the passage of Public Acts 341 and 342 of 2016, which, among other things, amended Act 295. MCL 460.1173(1) now authorizes the Commission to promulgate rules governing distributed generation (DG). See also, MCL 460.1173(6)(b). Likewise, the Institute of Electrical and Electronics Engineers (IEEE) recently updated its technical standards for interconnection, the IEEE Standard for Interconnection and Interoperability of Distributed Energy Resources with Associated Electric Power Systems Interfaces (IEEE 1547-2018), which has prompted other states to revise their own interconnection rules and standards. Moreover, the Federal Energy Regulatory Commission (FERC) has recently addressed the integration of energy storage facilities in its Order 841 issued on February 15, 2018, which directs regional transmission organizations and independent system operators to establish market rules for energy storage facilities to participate in wholesale energy, capacity, and ancillary services markets. Order 841, 162 FERC ¶ 61, 127; 18 CFR 35.28 (2018).

Finally, in the October 27, 2015 order in Case No. U-17973, the Commission determined that it needed to update the standards applicable to utilities and qualifying facilities (QF) operating pursuant to the Public Utility Regulatory Policies Act of 1978, 16 USC 2601 et seq., 16 USC 824a-3 (PURPA). PURPA was enacted by Congress in 1978 to increase energy conservation and energy efficiency by allowing for renewable resources to interconnect with and sell their generation to utilities. PURPA is largely carried out by the states. 16 USC 2621(b)(2); 16 USC 824a-3(f). For example, the rates paid to QFs are set by the Commission. 16 USC 824a-3; MCL 460.6j(13)(b).

Thus, both PURPA and the new DG law (as well as the legacy net metering law) concern the topic of interconnection with the energy grid. Industry standards for interconnection have been updated since the 2009. The Commission's current rules are outdated and need to be replaced. The Commission expects that the new rules will decrease the time required to interconnect a distributed energy project into the electric distribution system. Larger generators tend to be interconnecting with the utility under PURPA requirements. In this rulemaking, the Commission will promulgate new rules addressing interconnection requirements for generators of all sizes, DG standards, and legacy net metering, to address the concerns described herein. Simultaneously, the Commission is rescinding the 2009 interconnection and net metering rules.

This proposed ruleset was previously included in 2019-087, which was voided on March 10, 2020.

8. Please cite the specific promulgation authority for the rules (i.e. department director, commission, board, etc.).

By authority conferred on the Commission by section 7(6) of 1909 PA 106, MCL 460.557(6), section 5 of 1919 PA 419, MCL 460.55, sections 4, 6(1), and 10e(3) of 1939 PA 3, MCL 460.4, 460.6(1), and 460.10e(3), and section 173 of 2008 PA 295, as amended by 2016 PA 342, MCL 460.1173(1).

A. Please list all applicable statutory references (MCLs, Executive Orders, etc.).

By authority conferred on the Commission by section 7(6) of 1909 PA 106, MCL 460.557(6), section 5 of 1919 PA 419, MCL 460.55, sections 4, 6(1), and 10e(3) of 1939 PA 3, MCL 460.4, 460.6(1), and 460.10e(3), and section 173 of 2008 PA 295, as amended by 2016 PA 342, MCL 460.1173(1).

B. Are the rules mandated by any applicable constitutional or statutory provision? If so, please explain.

By authority conferred on the Commission by section 7(6) of 1909 PA 106, MCL 460.557(6), section 5 of 1919 PA 419, MCL 460.55, sections 4, 6(1), and 10e(3) of 1939 PA 3, MCL 460.4, 460.6(1), and 460.10e(3), and section 173 of 2008 PA 295, as amended by 2016 PA 342, MCL 460.1173(1).

9. Please describe the extent to which the rules conflict with or duplicate similar rules, compliance requirements, or other standards adopted at the state, regional, or federal level.

The rules do not conflict with or duplicate similar rules, compliance requirements or other standards.

10. Is the subject matter of the rules currently contained in any guideline, handbook, manual, instructional bulletin, form with instructions, or operational memoranda?

Part of the subject matter is currently contained in R 460.601-460.656, for which the Commission has submitted an RFR to rescind those outdated rules.

11. Are the rules listed on the department's annual regulatory plan as rules to be processed for the current year?

Yes. This rulemaking was previously the subject of 2019-087, which was voided on March 10, 2020.

12. Will the proposed rules be promulgated under Section 44 of the Administrative Procedures Act, 1969 PA 306, MCL 24.244, or under the full rulemaking process?

Full Process

13. Please describe the extent to which the rules exceed similar regulations, compliance requirements, or other standards adopted at the state, regional, or federal level.

The rules do not exceed similar regulations, compliance requirements, or other standards.

14. Do the rules incorporate the recommendations received from the public regarding any complaints or comments regarding the rules? If yes, please explain.

These proposed rules have undergone an extensive stakeholder process involving dozens of meetings over a two-year period with interested parties including utilities, solar and wind developers, environmental groups, ratepayer organization, and business customers.

15. If amending an existing rule set, please provide the date of the last evaluation of the rules and the degree, if any, to which technology, economic conditions, or other factors have changed the regulatory activity covered by the rules since the last evaluation.

Net metering rules were last promulgated in 2009, but now the Commission finds it necessary to rescind the existing rules and promulgate new ones which address a much broader set of issues.

16. Are there any changes or developments since implementation that demonstrate there is no continued need for the rules, or any portion of the rules?

No.

17. Is there an applicable decision record (as defined in MCL 24.203(6) and required by MCL 24.239(2))? If so, please attach the decision record.

No