FOR IMMEDIATE RELEASE
June 27, 2017

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IEI Report: Rooftop Solar Systems Provide Economic Benefits to Michigan's Electric Grid

Robust Analysis Urged in Upcoming MPSC Study

LANSING – Utility customers with rooftop solar systems, known as solar distributed generation (DG), are providing economic support to Michigan's electric grid and should not be overcharged to support it. That is among the findings of an analysis by the Institute for Energy Innovation (IEI) entitled, **Solar Energy in Michigan: The Economic Impact of Distributed Generation (DG) on Non-Solar Customers**.

The report was completed in advance of a study to be undertaken by the Michigan Public Service Commission (MPSC) required under Michigan's new Clean and Renewable Energy and Energy Waste Reduction Act.

"The vast majority studies on the value of solar conclude that customers with solar DG systems who participate in 'net metering' programs represent a net benefit to all utility customers and the electric grid as a whole," said Dan Scripps, president of IEI. "While they receive credits that reduce or eliminate their monthly utility bills, the energy they generate provides real benefits to the power system and should be considered when evaluating the impact of solar DG."

Under the new law, which took effect April 20, 2017 the MPSC is tasked with developing a new rate structure that considers whether net metering customers are able to avoid paying for grid support services on which they rely and, therefore, are being subsidized by non-solar customers. The new rate structure must reflect the equitable cost of service that ensures fairness for ratepayers, with and without solar DG systems.

"Our report found that customers with rooftop solar systems are not only paying their fair share, they're actually helping to reduce costs for their neighbors as well," said Scripps. "Specifically, the benefits of solar DG exceed the retail cost of electricity and the value of solar is greater than the compensation solar DG customers receive under net metering programs.

"It's hard to justify adding additional costs to those already providing more benefit than they receive," he added.

In an effort to support the development of the MPSC study, IEI conducted a meta-analysis that (1) summarizes the national data related to evaluating the value of solar to the overall grid; and (2) outlines best practices for compensating net metering customers. The IEI evaluated more than

40 solar value studies from across the nation as well as nine additional studies not included in any previous meta-analyses.
A majority of the studies cited in the IEI report found:

- Customers participating in net metering programs represent a net benefit to the grid.
- While net metering customers receive credits that reduce or eliminate their monthly utility bills, solar DG provides measurable and monetizable benefits to the power system that should be considered when evaluating the true impact of solar DG and net metering on all ratepayers.
- Solar DG both reduces demand for power from the utility and provides power to the grid when the systems generate more power than is used at a residential or commercial site. This surplus power is generated at or near peak times when the cost to the utility of procuring additional power is most expensive.
- Net metering represents an attempt to balance the true costs and benefits of the energy being produced and that which is consumed in a way that is simple, fair, and convenient for both the utility and its customers. Any new rate structure covering distributed generation systems should fully compensate customers for the value their systems provide.

Based on these findings, the IEI report encourages the MPSC to:

- Conduct a robust analysis of the value of solar using the standard valuation methodology developed by the Interstate Renewable Energy Council (IREC) to allow for a transparent accounting and applies-to-apples comparison of the costs and benefits of solar DG with other studies, consistent with a recent MPSC order that called for issues associated with distributed generation to be examined as part of the MPSC's distributed generation and net metering study.
- Recognize that the majority of value-of-solar studies found that customers participating in net metering programs represent a net benefit to the grid.
- Develop rate structures that fully-compensate solar DG customers for the value of the energy they produce.
- Ensure that stakeholders have access to location-specific utility data as part of the development of new rate structures for customers with distributed generation systems, allowing for full and fair consideration of location factors that can affect solar valuations.

For a full copy of the IEI report visit: www.instituteforenergyinnovation.org

About the Institute for Energy Innovation:

The Institute for Energy Innovation (IEI) is a Michigan-based non-profit that works to promote greater public understanding of advanced energy and its economic potential for Michigan, and to inform the policy and public discussion on Michigan's energy challenges and opportunities. IEI provides independent and unbiased research, conducts stakeholder and community engagement, organizes informational and networking events, and develops recommendations to spur public debate.