

Lynnea and the NextGrid facilitation team,

Please find below in the body of this email Advanced Energy Economy Institute's comments on the NextGrid report. We only provided feedback on specific chapters. Some of the comments have specific line edits, though most are higher level commentary since the PDF was not conducive to line edits. Please let me know if you have any questions on our feedback. Thanks for your facilitation of the process and your ongoing work on this effort.

Regards,  
Danny

#### Chapter 4 comments

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- Largely agree with the questions posed on pages 110-111, but the list is very long - could benefit from some prioritization and clustering to aid readers.
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- We agree that an emerging responsibility of utilities is better consumer education about energy options (p.112) but we also note that third parties have well developed customer engagement tools and services, and utilities should not be trying to do this "from scratch", but instead should consider the services of third parties, which are likely to be more robust and cost-effective.
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- In terms of data access (section 4.3), we agree that it should be easy for customers to authorize third parties offering energy services to access their energy use data include AMI data. Customers should know how to do this and should be made aware that they can do this.
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- Section 4.4: Roles of Utilities, ARES and Other Entities in the Provision of Services to Customers and Communities
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  - This is a complex topic and this section provides a brief overview of various views regarding the delineation of roles between competitive providers of services and the utility, in the context of an evolving electricity system. While the report takes no position, we would suggest that as IL moves forward to consider the changing landscape
  - that it pay careful attention to this issue to ensure that the market for competitive products and services is fair and level. There are clear roles for utilities in facilitating these markets, but IL should avoid creating the situation where its regulated
  - utilities and competitive suppliers are competing head to head to provide the same products and services to the same customers.
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- Section 4.11 DER Ownership
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  - We support the use of integrated distribution planning (IDP) to “ include coordination
  - with non-utility DER planning activities, through an integrated distribution planning (IDP) process.” (page 134). We agree that this is an important aspect of the evolving electricity system, and IDP will provide benefits to customers and is consistent with
  - the animation of markets for DER products and services that will provide the most value for customers by supporting system needs
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- Section 4.12 Transportation Electrification
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  - We agree this is a very important area of consideration, and offer
  - [AEE's issue](#)
  - [brief](#) as a good summary of the issues at play, including that of buildout of sufficient public charging infrastructure..
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## Chapter 7: Ratemaking

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- Suggest adding a bullet on page 190: “The need to send the right signals to utilities
- to optimise investment options. If a need can be met by a capital or service-based solution, do current incentives in cost-of-service regulation allow the utility to consider the two solutions on an even playing field?”
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- Suggest adding language between sentences “Some stakeholders pointed out that performance incentives can help to offset capital bias and that regulators can mitigate capital bias in various ways. [Insert new text here]. Such disagreements are not unexpected, given the diverse group of stakeholders who participated in the deliberations.
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  - One participant presented on the impact of capital bias on utility investment
  - decisions. The presentation pointed out that capital bias in regulation can favor utility investment in capital solutions over service-based solutions, which receive

no explicit return on investment. Examples of this disparity can arise when a utility considers

- a self-build IT systems vs cloud computing solutions or utility-owned storage vs obtaining dispatch rights on customer-owned storage. Several states are in the process of changing regulations to mitigate these uneven incentives so that a utility can choose
  - the most cost-effective solution, whether capital or service-based, without concern over potential earnings impacts. An example of this is the current ICC proceeding on the regulatory accounting treatment for cloud computing. Even if PIMs are effective in
  - producing specific outcomes, implicit capital bias in regulation may incent the deployment of capital-intensive solutions to achieve outcomes rather than service-based solutions, even if the service-based solution is more cost-effective.
- Other participants
- noted that ROE in IL is low compared to national peers due to formula rates and that the low ROE serves to limit capital bias.
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## Section 8: Concluding Remarks

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- Regarding the 3 specific recommendations:

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  - Generally, speaking given the breadth of what the NextGrid proces covered, these
  - 3 recommendations are somewhat narrow in scope.
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  - EV charging
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      - As noted above, this is a very important topic, and we encourage IL to address
      - this in a comprehensive manner, and support the creation of a docketed proceeding that covers the full range of issues.
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  - Energy storage
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      - We agree that this is an important emerging technology for the grid of the future.
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- IL could consider policies to promote storage, such as are being done in other restructured states MA and NY. Maintaining appropriate roles for third-parties and utilities in the deployment of storage is important to ensure a level competitive playing field.

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#### Data privacy

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  - We agree this is an important issue, but IL should not let concerns over data
    - privacy lead to unnecessary and overly burdensome rules and regulations that will stifle the use of data to achieve important policy objectives, greater innovation in energy products and services, and the creation of a vibrant, competitive market for energy products and services. Before embarking on “enactment of rules and regulations for customer data protection” (page 211), IL should examine best practices in other states and also review what current protections are in place generally via state and federal laws and regulations. As written the paragraph on data privacy seems to imply that there are serious deficiencies in privacy protections.
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  - Rules and regulations in relation to
    - customer data protection should not impede customers and third-parties with customer authorization from realizing the full value of enabling technologies that could revolutionize how consumers use energy, increase grid reliability and stabilize the grid for peak use. Illinois should adopt a similar approach as Texas which has the Smart Meter Texas central repository for information accessible to authorized parties. Utilities don't require customer consent to use customer data in the M&V of DR performance. This
      - allows customers to participate in DR without creating a burdensome enrollment process.
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