



Working Group 4: Customer and Community Participation

Meeting No. 1

April 18, 2018

MEETING SUMMARY

[Note: descriptions of comments and discussion are condensed summaries and paraphrases]

Agenda Item I: Opening, NextGrid Background, Purpose, Process

Working Group Leader Marty Cohen welcomed participants, introduced himself and described his 33-year background in Illinois energy issues. He reviewed the meeting agenda, which he explained would be devoted to group discussion intended to identify issues for the group to focus on in its upcoming work. He introduced ICC Executive Director Cholly Smith. Mr. Smith thanked the working group members for their participation and presented an overview of NextGrid as highlighted in the accompanying ICC Resolution and Project Description.

Mr. Cohen explained that the initial task of the working group is to identify salient issues affecting customers and communities (some of which may overlap with the subject matter of the other six working groups), to study and consider these issues, to discuss their implications and potential responses to them, and to draft a report for presentation to the Facilitator -- University of Illinois at Urbana-Champaign -- to use in compiling its final draft report to the Commission, which will finalize and publish the NextGrid study. He further explained that NextGrid working groups were operating under the "Chatham House" rule under which views expressed would not be attributed to any particular individual or group.

Agenda Item II: Participant Introductions

WG4 Members in attendance introduced themselves.

Agenda Item III: Overview of WG4 Subject Matter

Mr. Cohen shared his view that the core subject matter of WG4 involves consideration of a future in which new technologies and markets may require consumers to develop a deeper understanding of how they use energy in order to make choices from a wider array of regulated and unregulated product and service offerings. A typical household may eventually have an electric vehicle in the garage or on the street, access to distributed generation such as photovoltaic panels on the roof or in a community solar

facility, battery or thermal energy storage in a basement or closet, and a “smart home” with internet-connected controllable appliances and electric devices. However, connection to a reliable grid at affordable cost will be needed by all customers in order to have adequate power when needed, to provide distributed services to the grid, and to transact with other customers and providers.

The pace of change is accelerating but unpredictable, and will depend on regulatory and environmental policy at the state and federal levels, technology development and cost factors, and market forces driven by customer choices and behaviors. Access to new technology will not be uniform, particularly in its early stages, when those able to afford initial investment and who are well-informed about energy options can be anticipated to become early adopters. Therefore, one social and regulatory task will be to ensure that all customers, particularly those in low-income, vulnerable, and underserved communities will benefit from new technology, new markets, and new options.

Agenda Item IV: Response to Initial Questions and Scope of Issues Discussion

With the above overview in mind, prior to the meeting Mr. Cohen had provided WG4 members with five questions to ponder and discuss:

1. *What is the key issue for your stakeholder group raised by emerging changes in the way electricity is produced, delivered, and used in Illinois?*
2. *Looking out to a reasonable horizon – 10/15 years? – what is your optimistic view of how this issue may be addressed and what would be the positive outcome for your stakeholder group (and its implications for customers and communities)?*
3. *What is your bad-case scenario, if the issue is addressed poorly or not at all?*
4. *What is the first thing that should be done? (a policy/action/initiative that would jump-start movement in the right direction).*
5. *What information/perspective/analyses do we (in WG4) need to study/ponder/evaluate to inform our consideration of relevant issues? (presentations, reading materials, etc.)*

Many participants volunteered to share their responses with the group. (Any additional or expanded responses submitted in writing will be posted to the WG4 shared drive). Participants’ individual verbal responses, in order of presentation around the room and on the phone, are summarized (and paraphrased) as follows:

- 1) Glad we are starting with a discussion instead of a presentation. Key issues revolve around the tools consumers will have to manage their bills and costs, and how equity for all customers will be maintained. The system will have to be designed to accommodate a wide range of customer needs and desires, balancing those who can access new technologies and those who can’t. Success of community solar is an important early test. Technology and energy management options are trickling down from the largest customers but it will be a challenge to reach everybody with these choices. The danger is that we will overbuild or make the wrong investments and have uncontrolled costs to recover. To make policy work we should start by seeking agreeing on principles and goals.
- 2) Equity and affordability remain the goals of regulation. EIMA and FEJA provide guarantees to utilities but benefits for consumers are speculative, not adequately measured, and haven’t

appeared yet. We need more transparency in how decisions are made and a greater community voice.

- 3) The central issue is how we can better use DER – broadly defined to include EE, microgrids, EVs, DG technologies, storage and others. Need to identify how their expansion is hindered by policies and conditions and make changes. Best solutions are local. A positive outcome will be a much more efficient and cleaner electricity system. DER means solving issues locally and compensating accordingly. A bad outcome would result in inefficient use of resources and therefore higher costs and worse environmental outcomes. The first priority is to improve planning so resources are located where and when they are needed.
- 4) It is a big challenge to convince people to take interest in how they consume electricity. It is viewed by most consumers as a simple commodity with no need to control usage except for convenience of the user and to a far lesser degree – cost. Whatever the goals – environmental, efficiency, or anything else – we must make it easy and simple for people to get what they need. People are indifferent to energy and must be persuaded and educated as to its importance. Compare it to high-speed internet service, which is available and doesn't require anything except to connect to it. To have a positive outcome, we have to avoid making energy a complicated subject for customers.
- 5) In order to make this work for residential customers, we have to identify the choke points and make it easy for people to access what they want; we have to convince them to do it and show them how.
- 6) First, we should have policies to ensure that all investments in grid performance – such as cloud computing – be treated equally. We also need to increase visibility at the grid edge – full transparency is necessary. A positive outcome will result from aligning the incentives and interests of providers and customers. Utility investment decisions are based on incentives, so for example if we want a clean outcome, it must be the favored outcome from all perspectives.
- 7) Retail suppliers want to participate with customers and communities to provide what they want in a competitive market. Energy retailers don't build systems but our customers need information and the ability to participate.
- 8) If we want a positive outcome, first we need to identify the problem we are trying to solve – so far NextGrid hasn't done that. The number one future issue for consumers remains affordability. Low-income representatives may not be equipped to participate in NextGrid working groups but their interests remain central to concerns of government agencies and advocates. We need to identify the net benefits that will actually result from any investment or policy before it is made. If it doesn't benefit low-income consumers and communities, the outcome is negative. An optimistic view is that lower electricity usage due to energy efficiency, technology, and economic trends should mean lower electric rates.
- 9) In response to the last assertion: The math doesn't add up that way. Lower usage volume does not translate into lower rates, though it may mean lower costs to customers if we concentrate on maximizing net value. If we only focus on cost minimization, many avenues of value are closed. It's important to focus on maximizing overall value but also to make sure that all customers benefit -- we agree that affordability must always remain very high on the list of objectives. A good outcome will include more services available to customers and more opportunities to create and derive value from the grid. A bad outcome would be the opposite: if customers fail to realize added value from change. The first step should be to reimagine what the utility platform should look like, as it hasn't changed much in 100 years and needs a new

vision to suit new reality, and reimagine what utilities can do to provide value to customers. We would benefit from having communities as more active participants, as they understand local needs, including low-income consumer perspectives.

- 10) Mass transit agencies operate 24/7, are already substantially electrified, and spend enormous amounts on energy. Our chief concern is affordability of transportation service for riders, which is also a primary concern of all communities because we connect people with jobs, schools, and families (and other things). Predictable costs are essential to our planning and the only way to make budgets work, so we need a transparent planning process. Electrification of the bus fleet is in the pilot stage, but we can already predict that large scale e-bus deployment will require extraordinary reliability of electric service to keep them running all the time. We need steady, affordable, and predictable supply and a bad-case scenario is any breakdown in service or infrastructure that results in stopped buses or higher costs.
- 11) The key question for large users is: What should be done to maximize the benefits to customers? Customers pay for the grid, and thus the electricity system should -- first and foremost -- be designed and operated to benefit customers, rather than utilities or other third parties. Any new technology or market changes affecting the way electricity is produced, delivered, and used in Illinois should be examined to determine whether and to what extent net benefits can be realized by customers -- either through lower rates, increased reliability, enhanced customer convenience, expanded customer choice, or other criteria. Assessing customer benefits requires an acknowledgement of different types of customers. In addition to residential customers, there are tens of thousands of commercial, industrial, and institutional customers that constitute the economic backbone of Illinois. Significant beneficial outcomes can often be accomplished from changes by a single large customer. A positive outcome will include continued development of competitive energy markets, spurring innovation and creating new customer benefits. A bad-case outcome will mean higher costs without corresponding benefits. So we should look beyond utilities to create value and ask utilities to facilitate markets. It's important to first understand the baseline -- where investments are being made and what will happen without further outlays. And we should define basic principles and goals.
- 12) The central focus of energy regulatory policy should be to reduce pollution from energy sources in order to protect public health and to decarbonize the atmosphere to make it sustainable. These goals can be advanced by setting the right goals and empowering all consumers large and small to participate in the energy system. We need not be paternalistic, but can expect competition and peer-to-peer options and transactions to result in positive outcomes. Consumers are more sophisticated than some people think and can make good energy choices that will further their interests as well as advance social goals. We should examine the common assumption that consumers aren't engaged and only see electricity as a commodity. We should also question whether we need a utility monopoly. A bad outcome would be if regulated investments are made that do not produce benefits.
- 13) The way to move forward is to provide consumers with the tools they need to manage costs -- including those without the time or expertise to do it for themselves. We need to make sure that benefits go even to those who do see electricity as a mere commodity. There should be a focus on providing low-cost access to renewable energy sources for all customers through such programs as community solar, and other innovative options. We should look at the broader concept of household and community energy burdens, and go beyond just immediate costs to look at affordability, job effects and economic development associated with energy. That means we need improved metrics to measure the outcomes of programs, initiatives and policies.

- 14) The key to measuring the success of any regulatory program is its effect on vulnerable communities. There is little awareness in the Latino community about energy issues. The information we receive is too top-down. We need a bilingual bicultural approach that speaks to the interests of individuals and makes people understand the economic effects on them and the community. It's important to consider the effects on both the incumbent workforce and the new workforce. Identifying and communicating best practices is very important, as is protecting consumers.
- 15) We should not think of customers as ratepayers. People and communities should be empowered partners who can derive value from information. Our firm provides data for customers to make the right choices among their energy options. We combine data, behavioral science, and technology to deliver value across the country. Policy and regulatory frameworks throughout the US are in need of change; and example would be the multiple uncoordinated budgets in some jurisdictions all focused on energy policy and programs. Market transformation is necessary to achieve real value but it doesn't fit with the typical program-based approach to energy efficiency.
- 16) We need better definitions of things like value, engagement, and empowerment; we may not be talking about the same things when we use these and other terms.
- 17) Time ran out before the following comment could be made and it was provided following the meeting: We need to consider all market factors when making recommendations on policy – regionally, nationally and internationally. Illinois does not exist in an economic vacuum, and the actions we take on energy could have serious ramifications on the health of the state's economy. Right now, Illinois ranks in the top 5 list of states people are leaving for other states. People are leaving because of high taxes and the high cost of living – we are competing with many other states and we need to be mindful of this as we are making recommendations on energy public policy.

Subsequent to the above remarks, further discussion ensued about some of the points that had been raised, including the overall of questions of how do we know what consumers want, and how do consumers know what they want. A referenced example was that people didn't know they wanted a smart phone until they were available and marketed. Innovative offerings of utilities and other marketers may spur consumer interest in new energy services and products that produce perceived value to customers.

A discussion also ensued about consumer experiences in energy markets to date, which have included exposure to misleading marketing by some unregulated providers and efforts by regulatory and law enforcement agencies to curb these activities, and the positive effect that could occur, in the opinion of several participants, if the RES industry were more involved in solving these problems. A further point was made that well-functioning markets should have sufficient oversight to prevent abuse, and that access to understandable and accurate information by customers and access to data by providers and customers are also essential to making markets work.

Agenda Item V: Next Steps

Cohen summarized what he heard as key themes of the meeting: that the group was mainly focused on issues addressing how all consumers and communities can benefit from emerging changes in the way energy is provided and used and avoid being burdened with unnecessarily high costs or inequitable outcomes. Unlike in the earlier working groups, WG4 members are focused less on technology and more

on customer engagement, education, and empowerment. He described core questions as: how customers can be engaged and informed sufficiently to understand their options and make good choices, and how policies can be designed to bring benefits of emerging opportunities such as DER to all customers, whether or not they are participants in new programs, markets, and technologies.

Discussion ensued about next meeting content and proposal to focus attention on current engagement, education, marketing and communications efforts. Participant made point that we should focus not on our opinions of what's being done right or wrong presently but on baseline information to use in considering future options. Cohen said he would invite presentations and put together a proposed 5/2 meeting agenda for circulation next week.