

Distributed Generation—2000s

History

In the 2000s, many states across the country took steps to promote the adoption of renewable energy. These policies took many forms, one of which was to enable individuals to own renewable energy generation at their home or business. Michigan overhauled its energy policies with the passage of Public Act 295 in 2008 which, among other things, established the state's first **net metering program to allow residents to generate power onsite and sell the extra energy back to the electrical grid at the full retail price.** The net metering framework established an incentive for smaller, decentralized, customer-owned distributed generation to help support the emerging renewable technologies at the time.

The Problem

Due to technological limitations, net metering created some fairness issues. It allowed customers to sell excess power back to their utility for more than it would cost the utility to create, leaving others who don't generate their own energy with a higher burden to maintain the power grid that everyone depends on. So, in 2016, lawmakers directed regulators to determine how to appropriately value distributed generation resources and ensure that distributed generation programs are equitable for all Michigan residents.

A Working Solution

After many hours of stakeholder engagement and careful study, state regulators created a new compensation structure (called an inflow/outflow model), to replace the existing net metering policy. This new approach—commonly referred to as net billing in other states—effectively separates energy that customers consume and the energy they send back to their utility, and assigns each a different price. While net billing still enables individuals to own renewable energy systems for their homes and businesses, this structure ensures that distributed generation customers are accountable for the services they receive from the electric grid, helping to mitigate the infrastructure costs shifted to other customers.

This is a crucial time to renew the conversation about our energy future. Distributed generation is an important part of that future, but Michigan should work to ensure our modern energy policy encourages customers to conserve energy and adopt renewables in a fair, equitable, and accessible way.

