Modernizing Energy Transmission: Benefits to Commercial and Industrial Stakeholders

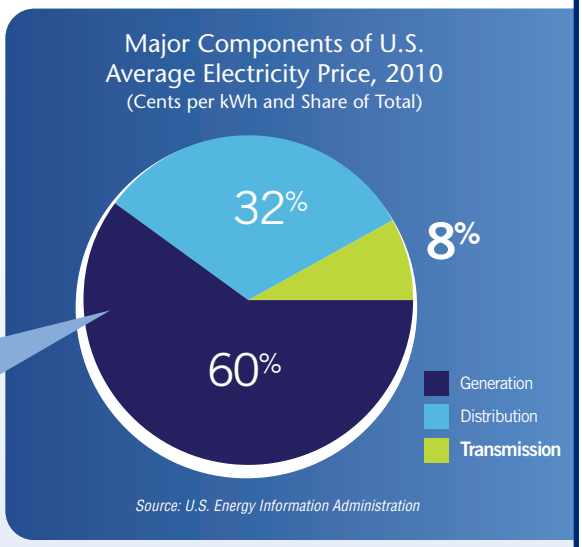
Michigan's large commercial and industrial companies pay hefty electric bills. Whatever rate agreement you might have, your operation stands to benefit from access to competitive wholesale energy markets.

Do you see red when you look at your electric bill? In the delivery of power to customers, there are three stages: generation at the power plant, transmission across high-voltage lines, and distribution to the end-user. Below, you can see the portions of an electric bill for large commercial and industrial customers in Michigan that the three stages take up, averaged between the two major utilities.

MICHIGAN	Power Generation	High voltage transmission	Distribution to end user
Commercial *average percent of bill*	66%	5%	29%
Industrial *average percent of bill*	85%	5%	10%

Calculations based on publicly available rate data from the Michigan Public Service Commission.

When you want to control costs in any process, you look for areas of greatest expense. Electric generation by utilities makes up about two-thirds of an electric bill. This is the portion of a bill that would shrink with increased access to the competitive wholesale energy market.



The solution: regional transmission development

- Regional transmission development is about opening energy markets to competition, transmitting cheaper forms of energy and driving energy prices down for customers. Strengthening the regional transmission grid will increase Michigan's competitiveness.
- New transmission projects save businesses from paying millions each year in unnecessary congestion costs.
- While there is a cost to transmission investment, there is a greater cost in continuing with the status quo. The electricity grid in this country is old and constrained. This congested and inadequate grid forces customers to pay for increasingly expensive power while keeping cleaner and cheaper alternatives out of the market.
- If we ultimately want to achieve a 21st century transmission system, designed to meet the needs of today's energy intensive economy, we will need a reliable, robust and adaptable power grid to address the interconnection of new generating sources as well as efficient energy transport, wholesale market competition and future adaptability.
- The Department of Energy called the modern electric grid "the interstate highway system for wholesale electricity commerce." Just as the interstate highway system is integral to the free flow of commerce and open markets, so too is regional power transmission.

The wholesale price of energy in Michigan is one of the highest in the Midwest. In 2010, Michigan had the highest average price in all of MISO because of west-to-east congestion.

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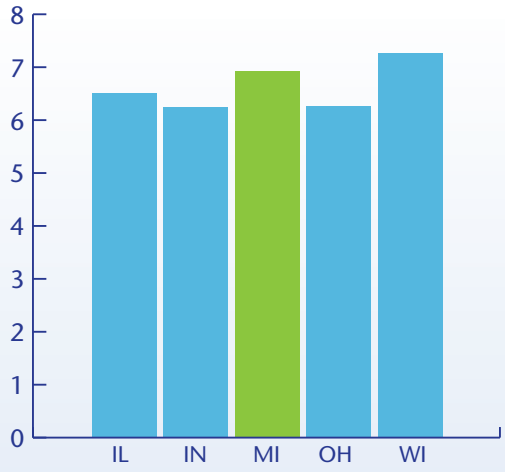
Regional power transmission planning

The process to develop a regional transmission cost allocation methodology for facilitating a regional transmission grid was vetted for almost two years by the Midwest Independent System Operator (Midwest ISO).

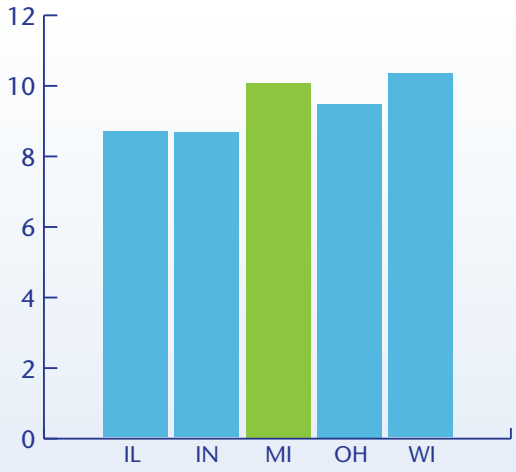
The resulting proposal, approved by the Federal Energy Regulatory Commission, provides for the designation of multi-value transmission projects (MVPs) that bring regional benefits to Midwest ISO participants (13 states including Michigan).

Stakeholders including Michigan's utilities, transmission owners, customers and state public service commissions participated in this transparent process.

RETAIL INDUSTRIAL RATES 2011



RETAIL COMMERCIAL RATES 2011



Source: http://www.eia.gov/electricity/data.cfm#sales – Table 5.6.A. Average Retail Price of Electricity to Ultimate Customers by End-Use Sector, by State, November 2011 and 2010

How commercial and industrial customers save money with new transmission

As a result of the region's multi-value transmission projects, our region will save $12.4 billion to $40.9 billion from enabling low-cost generation to displace higher-cost generation, according to data from the Midwest ISO.

If increased access to wholesale energy markets via a robust transmission grid provided a mere 2 percent reduction in power generation costs for the average large commercial or industrial business, the savings would fully offset the cost of regional multi-value transmission projects. The resulting access to competitive energy markets will deliver long-term benefits to these large businesses. Even businesses with special rates would see savings from the reduction in power generation costs. Multi-value transmission projects do not disadvantage one state over another.

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