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While Michigan's Electricity Rates Increase, Reliability Suffers

By Jason Hayes

Summary

Consumers Energy has increased its electricity rates for certain times of the day, touting it as a market-based response to climate change. In reality, this is the utility's way of coping with the inherently unreliable nature of the green energy sources it favors.

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More use of renewable energy means higher electricity rates and less reliable service.

As of June 1, Consumers Energy has finalized the rollout of its new summer peak rate, which increases electricity rates by 50% during hours of expected peak electricity demand. With this new program, the utility takes another step away from providing reliable, affordable electricity toward an organizational ethic of offering electricity service that leaves Michigan utility customers exposed to the whims of weather.

The key feature of summer peak rate programs is that, at times of peak energy demand, customers are charged prices much higher than Michigan's already well-above-average rates. Increased demand typically occurs on hot summer weekdays, especially in the afternoon and early evenings. That's when people are returning home from work and turning on their air conditioning, cooking dinner, doing laundry, etc.

Beginning on June 1, 2021, all households with a smart meter installed will be charged 50% more for electricity they use between 2 p.m. and 7 p.m., from June through September. Off-peak rates are set at \$0.10 per kilowatt-hour. Peak rates are set at \$0.15 per kWh.

The Michigan Public Service Commission argues that this new rate program will "better reflect cost-of-service for residential customers" and send "clear pricing signals." It suggests that this plan will "empower customers" to save money by shifting the use of energy-intensive appliances to times when electricity demand is lower.

It has always been true that utility customers can reduce their costs by limiting their use of energy. But it is essential for Michigan residents to realize that their ability to choose is being restricted as utilities build an electrical system that now operates on much thinner margins.

Intermittency and unreliability are unavoidable qualities of a system designed around energy sources powered by the often-changing weather. So moving the electricity grid to these sources means that customers will need to stop expecting consistent and reliable electricity. And one way a utility can deal with unreliable electricity is to discourage demand for it by raising rates.

Steve Holiday, the former chief executive of Britain's National Grid explained this idea in a 2011 article in *The Daily Telegraph*. Holiday said that as more green energy was brought online, the electric grid in 2020 and

2030 would look “very different.” Utility customers, he argued, would need to change their behavior, learning to “consume [electricity] when it is available.”

This guiding principle was mirrored in the thoughts of Rutgers anthropology professor David McDermott Hughes in an October Boston Review article last year. Hughes said that Americans would need to “give up the demand for constant electricity.” He went on to praise the unreliable electrical service in Zimbabwe and post-Hurricane-Maria Puerto Rico, citing them as models for North America’s changing electricity grid. He rejected the notion that people should expect to have access to luxuries like “continuous energy” and “business continuity.” Instead, he suggested, we should embrace delay, or “pause–full electricity” service, to help reduce the risks associated with climate change.

And, make no mistake, making electricity service less reliable is starting to have a profound impact, as our grid becomes dangerously unstable. Examples include: Texas’ rolling blackouts in February, California’s summer blackouts in 2019 and 2020, and Washington’s weeklong loss of wind energy in November 2019. Closer to home, Michigan’s experience during the January 2019 polar vortex also fits this pattern. Residents here were warned to reduce their thermostats to 65° or less to help avoid a systemwide failure.

Continuing with this theme, the 2021 Summer Reliability Assessment from the North American Reliability Corporation warns that portions of the North American electricity grid are at “elevated or high risk of energy shortfalls.” “Energy emergencies” are more likely, it says, as summer temperatures increase demand for electricity. Recently, the Midcontinent System Operator, which operates the Midwest’s regional grid, confirmed those concerns as it issued multiple “Maximum Generation Events” and “Capacity Advisory” warnings.

MISO warned that warm weather pushed the region’s grid well below the recommended 15% reserves of generation capacity to less than 5%. Unsurprisingly, during this time of limited energy supplies, wind energy reliably underperformed — only working at 6.5% of rated capacity to produce 2% of our electricity. At the same time, fossil fuels and nuclear did the real work of keeping the lights on and the air conditioning running.

Consumers Energy is putting the best spin possible on the summer peak rates, presenting them as a market-based opportunity for customers to go green and save on their utility bills. But rate increases and growing system instability are inherent in any system that relies on unreliable renewable energy sources. If the state continues along this path, we should expect to see more troubling developments — soon.

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