_____ BILL NO. _____

INTRODUCED BY _____

BY REQUEST OF THE ENERGY AND TECHNOLOGY INTERIM COMMITTEE

A BILL FOR AN ACT ENTITLED: “AN ACT ESTABLISHING GRID UTILIZATION METRICS AND REPORTING REQUIREMENTS; REQUIRING REGULATED UTILITIES TO SUBMIT A GRID UTILIZATION IMPROVEMENT PLAN TO THE PUBLIC SERVICE COMMISSION; PROVIDING DEFINITIONS; PROVIDING TIMELINES; PROVIDING RULEMAKING AUTHORITY; AND ALLOWING INCENTIVES.”

WHEREAS, growing electricity demand, rising power bills, and the cost of maintaining and expanding aging grid infrastructure present significant challenges for Montana's energy system; and

WHEREAS, electric grid infrastructure and utility planning processes are designed in significant part to meet periods of peak demand, leaving substantial existing grid capacity underutilized during other hours of the year; and

WHEREAS, emerging technologies, programs, and operational practices can help utilities identify and make better use of available capacity across transmission and distribution systems and on both sides of the meter; and

WHEREAS, while new generation, transmission, and distribution infrastructure will continue to be needed, improving the utilization of existing grid infrastructure can help meet growing demand more quickly and cost-effectively, reduce pressure on customer rates, and support economic development.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Short title.** [Sections 1 through 4] may be cited as the "Montana Grid Utilization Act".

NEW SECTION. **Section 2. Definitions.** As used in [sections 1 through 4], unless the context clearly indicates otherwise, the following definitions apply:

(1) "Average retail rate" means a commission-established metric representing the average price paid for retail electric service by the customer class.

(2) "Grid utilization" means the extent to which existing electric grid infrastructure is used across locations and during all hours of the year to meet customer needs while supporting safe, reliable, and affordable electric service.

(3) "Regulated utility" means a public electric utility regulated by the commission under Title 69, chapter 3.

NEW SECTION. **Section 3. Grid utilization metrics -- rulemaking.** (1) No later than April 1, 2028, the commission shall establish grid utilization metrics that provide sufficient information to assess the utilization, performance, and average retail rate impacts of each regulated utility's transmission and distribution systems.

(2) Metrics must include information necessary to assess grid utilization. At a minimum, the metrics must contain:

(a) system throughput, including:

(i) total megawatt hours delivered;

(ii) total potential deliverable megawatt hours; and

(iii) system losses;

(b) system performance during peak and minimum load periods, including:

(i) megawatts delivered;

(ii) potential deliverable megawatts;

(iii) duration of peak and minimum load periods; and

(iv) identification of system constraints;

(c) asset and reliability risk, including:

(i) the number of assets operating outside normal operating conditions or design criteria;

(ii) the frequency and duration of abnormal operating conditions for the assets; and

(iii) the frequency and duration of any mechanical breakdowns or other maintenance-related disruptions that result in a grid asset going offline; and

(d) any other information the commission deems necessary.

(3) In establishing grid utilization metrics and reporting requirements, the commission shall, through rulemaking, establish reporting standards sufficient to support the assessment of grid utilization, the establishment of grid utilization improvement targets, and the evaluation of utilization over time. The commission's metrics and reporting guidance must:

(a) establish core reporting requirements, including:

(i) requiring each regulated utility's initial grid utilization filing to include metrics for the preceding 3 years;

(ii) defining peak load periods, minimum load periods, and seasonal periods;

(iii) coordinating transmission and distribution reporting to support integrated planning and a comprehensive assessment of grid utilization; and

(iv) ensuring the security of the electric system, including through data aggregation, anonymization, and the use of confidentiality designations; and

(b) provide guidance on the standards for reporting, which may include:

(i) rates that are annual, seasonal, hourly, or a combination of these;

(ii) reports that are system-wide or specific to a substation or lateral, feeder, or transmission line;

(iii) reports that account for weather normalization and other known external influences; and

(iv) any other guidance the commission deems necessary.

(4) In addition, supplementary transmission system metrics may include information necessary to assess the impacts of utilization-focused improvements during the prior year. This information must be calculated using sufficient hourly data to reflect the actual operating conditions of the relevant infrastructure and may include:

(a) transmission congestion frequency, duration, location, and magnitude;

(b) curtailment of generation or load attributable to transmission constraints;

(c) incremental transmission capacity enabled;

(d) changes in delivered energy;

(e) costs for each megawatt of incremental transmission capacity enabled; and

(f) any other information the commission deems necessary to assess the impacts of transmission utilization improvements.

NEW SECTION. **Section 4. Grid utilization review -- grid utilization plan -- incentive.** (1) On or before October 1, 2028, the commission shall establish a grid utilization docket to review and assess each regulated utility's grid utilization performance and to establish grid utilization improvement targets to reduce average retail rates while considering reliability and load growth. The commission shall review changes in grid utilization metrics and update improvement targets at least every 3 years.

(2) On or before April 1, 2029, and every 3 years after that, a regulated utility shall file a grid utilization improvement plan in the grid utilization docket to achieve the commission-established grid utilization improvement targets. The plan must include:

(a) a portfolio of commercially available technologies, customer incentives, programs, operations, and investments designed to address system needs and improve grid utilization to reduce average retail rates. The portfolio must be designed to provide meaningful opportunities for participation across customer classes. Technologies may be owned by a regulated utility, a customer, or a third party and may include but are not limited to:

(i) front-of-the-meter utility-side energy resources and behind-the-meter customer-side energy resources;

(ii) flexible load;

(iii) advanced transmission technologies; and

(iv) enabling investments.

(b) detailed descriptions of how the regulated utility plans to incorporate grid utilization metrics and improvement targets into existing planning and procurement, cost-recovery, and utility demand-side management programs pursuant to Title 69, chapter 3.

(3) Within 120 days of a plan filing, the commission shall approve, deny, or modify the plan, in whole or in part, to ensure that the proposed actions, programs, and investments, together with incorporation of grid utilization metrics and improvement targets into existing regulatory processes, are sufficient to reduce average retail rates while considering reliability and load growth.

(4) The commission shall establish a process to annually review the implementation of the grid utilization plans, including:

(a) progress toward the commission-established grid utilization improvement targets; and

(b) incorporation of grid utilization metrics and improvement targets into existing regulatory processes.

(5) At any time, a regulated utility may propose one or more grid utilization pilot projects that include technologies, programs, incentives, and operational strategies designed to improve grid utilization, reduce average retail rates, and inform future grid utilization improvement plans. The commission may establish an expedited process for reviewing these pilot projects and may establish appropriate limitations regarding their duration, scope, and cost.

(6) The commission shall allow the regulated utility to recover the reasonable costs of an approved grid utilization plan. Grid utilization improvement plan costs may include:

(a) capital expenditures;

(b) program and operating costs;

(c) customer incentives; and

(d) any other expenses the commission deems appropriate.

(7) The commission shall establish regulated utility incentive mechanisms that appropriately value the cost-effective improvement of grid utilization for both plan costs and any nonplan spending. The regulated utility incentive mechanism must ensure that:

(a) the majority of utilization benefits are provided to ratepayers; and

(b) the regulated utility incentives are sufficient to encourage appropriate levels of grid utilization and pilot programs.

(8) (a) When utilization improvements enable the integration of new, incremental load into the system at lower-than-embedded costs, the commission shall design a revenue-sharing mechanism to apportion the associated revenue between regulated utility incentives and rate reductions.

(b) The mechanism must assess the differences between baseline embedded costs to serve at current rates and the costs of utilization-improvement investments to determine a potential revenue-sharing pool.

(c) The revenue-sharing pool must be apportioned to provide:

(i) incentives for utilization improvement investments that exceed regulated utility returns within

embedded costs to serve under current rates; and

(ii) meaningful average retail rate reductions for customers.

NEW SECTION. **Section 5. Codification instruction.** [Sections 1 through 4] are intended to be codified as a new part in Title 69, chapter 3, and the provisions of Title 69, chapter 3, apply to [sections 1 through 4].

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