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RI Energy Efficiency & Resource Management Council

**COMMENTS BY THE RI ENERGY EFFICIENCY & RESOURCE MANAGEMENT
COUNCIL ON A RI PUBLIC UTILITIES COMMISSION DOCKET TO INVESTIGATE
THE CHANGING DISTRIBUTION SYSTEM
FEBRUARY 19, 2016**

On February 5, 2016, the Rhode Island Public Utilities Commission (“PUC”) issued its *Request for Comments on a Docket to Investigate the Changing Distribution System*, (“Request for Comments”) wherein the PUC states that it is interested in understanding all of stakeholders’ interpretations of several baseline questions to ensure clarity when it defines the scope of a docket concerning Rhode Island’s distribution system.

Approved by vote held during an appropriately noticed Open Meeting on February 11, 2016, the Rhode Island Energy Efficiency & Resource Management Council (“EERMC”), hereby submits its comments in accordance with the PUC’s Request for Comments. The EERMC recognizes that many other parties will be providing comments, including the Rhode Island Office of Energy Resources (“OER”), the Acadia Center, and the Northeast Clean Energy Council (“NECEC”). The EERMC concurs with the comments of those three parties, and does not repeat many of the topics they address.

The EERMC is pleased that the PUC is considering the commencement of a proceeding to explore the range of issues that are under active discussion in Rhode Island. The EERMC agrees that a docket that attempts to look “across” a range of utility activities and consider costs, benefits, interactive effects, rate design and utility incentive design is needed. The goals of clearer understanding and a more unified perspective can provide real value to the varied energy policy, energy production, efficiency, delivery and management activities under way in Rhode Island. We believe this will help support the evolution of a cleaner, more resilient, more affordable and a more economically sound energy system.

Specifically, the EERMC advances three basic points it suggests should guide the subject proceeding:

- The proceeding should maintain a strong and consistent focus on the principles of Least Cost Procurement and System Reliability as articulated in Rhode Island legislation.
- Consideration of the full range of costs and benefits of all services, activities and options for providing energy service should be fairly considered on a consistent basis.
- Incentives for guiding utility investment and providing customer benefit should reflect both of the first two policy principles.

I. The proceeding should maintain a strong and consistent focus on the principles of state law concerning Least Cost Procurement and System Reliability

The policy framework within which this proceeding is to take place is of primary and fundamental importance. The multitude of issues and opportunities this proposed docket seeks to address needs the guidance of clear and consistent policy. The EERMC believes that Rhode Island’s Least Cost Procurement and System Reliability legislation should provide foundational guidance. This legislation was not intended to focus solely on advancing energy efficiency, but requires an innovative, integrated approach to planning and implementing the state’s regulated energy systems, both electric and natural gas. This approach includes efficiency, system reliability, conservation procurement, demand response, and renewable energy. (R.I.G.L. §39-1-27.7; *See also* R.I.G.L. §39-1-27-8 for guidance about how supply procurement is to be considered in relation to “system reliability and energy efficiency, and conservation procurement.”)

Almost a decade after the passage of this legislation, it is increasingly clear that it creates a framework that requires the integration of all these capabilities and strategies. After ten years of growing success and effectiveness in energy efficiency markets; dramatic changes in renewable energy affordability and reliability; new opportunities for load management; application of customer data and system data in real time, and; the potential for storage of electricity, the law should be drawn on for the overarching guidance it offers.

In addition, EERMC respectfully suggests that the PUC specifically look to the Rhode Island State Energy Plan for the policy guidance it provides. (See comments of OER). This plan looks beyond least cost planning in the regulated utility sector and offers a set of goals for applying the principles of least cost procurement to energy use in all its forms across the state. This is of particular importance as the walls between what have traditionally been considered “transportation” fuels and “delivered heating” fuels and the regulated energy markets begin to crumble. By these comments, the EERMC is not offering a full elaboration of what these principles should be, but their outline is clear, and an acknowledgement of them in the course of this proceeding will help provide consistency and guidance that will keep the proceeding on track.

II. Consideration of the full range of costs and benefits of all services, activities and options for providing energy service should be fairly considered on a consistent basis

The EERMC asserts that a consistent basis for comparing costs and benefits of different options and different strategies is essential to coming up with an informed and workable approach to establishing priorities and fair pricing structures. For example: in Rhode Island, the environmental effects of combined heat and power (CHP) systems are treated differently from efficiency, even though they are a part of efficiency programs. RI values economic benefits for CHP, but not for efficiency or renewables. RI considers environmental costs and benefits, but does not include all of them in our screening processes. We sometimes acknowledge that there are health costs and benefits to be considered but we do not treat them in any comprehensive way. We talk about economic and jobs benefits, but do not include them in screening for most measures. We do not have a consistent basis for comparing renewable energy to energy efficiency; load management to new poles and wires. We have no consistent basis for assessing whether there is a measureable benefit to integrating higher levels of distributed renewable generation. We struggle to decide how energy efficiency, new solar installations, and demand response might be integrated seamlessly in Tiverton/Little Compton. The assessment of how to identify costs and benefits needs to be broad and inclusive or existing silos will be hardened and new silos will be created. The EERMC urges that a full and thoughtful examination of costs and benefits be an essential part of this proceeding. It should then, in turn, inform pricing and rate-making structures.

This aspect of the Docket should also beneficially inform the process of setting new “Standards” to guide least cost procurement for the 2018-20 planning cycle.

III. Incentives for guiding utility investment and providing customer benefit should reflect both of the first two policy principles.

The process of designing new incentive mechanisms to guide and appropriately reward the utility is both an exciting opportunity and a major undertaking. The opportunity to design an incentive structure that will reward better utilization of the system, empowerment of customers, stimulation of innovation, and promotion of reliability, economic benefits and environmental and health improvement is a significant (and undoubtedly ongoing) effort. As the Acadia Center points out, many of the “good” things RI decides utilities should do get an “incentive” to promote them (efficiency, renewable energy, distributed generation), but there is no real framework for assessing how various of these “good things” might work together to do even better things. Some measures like savings from Conservation Voltage Reduction (CVR) don’t seem to fit any of the existing silos and so the utility has no clear incentive to pursue them, even though CVR might yield significant energy savings. Other strategies like the integration of more renewable energy, the development of demand response capability, and the promotion of storage capability are not fully valued, and thus not considered as a utility priority. In a similar manner, it is not clear that the current system rewards utilities for linking better system utilization to a strategy for securing lower standard offer prices for customers. The EERMC welcomes the design of an incentive structure that will consistently and aggressively advance the policy goals established/clarified at the beginning of this proceeding.

In response to the PUC statement contained in its *Request for Comments* that “[i]n addition, the PUC desires to ensure all rates are consistent with traditional Bonbright principles and the new principles set forth in the Renewable Energy Growth Program,” the EERMC respectfully suggest that there be a discussion of the traditional Bonbright principles and an examination of what modifications to them might be appropriate in light of the significant changes in the utility system that have taken place and are continuing. These include new and evolving energy system, the new capabilities of data acquisition and management, and the system’s change from being simply a delivery system to a networked system with different forms of customer and market participation, and new opportunities for customer, system, and societal benefit.

The EERMC thanks the PUC for the opportunity to engage in the comment process and is available for further input, should the PUC seek additional comments or discussion.