



*Via electronic submission*

February 19, 2016

Cindy Wilson-Frias, Esq.  
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89 Jefferson Boulevard  
Warwick, RI 02888

Re: Request for Comments on a Docket to Investigate the Changing Distribution System

Senior Counsel Wilson-Frias,

On behalf of Northeast Energy Efficiency Partnerships (NEEP)<sup>1</sup>, please accept our comments regarding the scope of a docket to investigate the changing distribution system, submitted to the Commission on February 19, 2016. NEEP is a regional non-profit that works to accelerate energy efficiency in homes, buildings and industry across the Northeast and Mid-Atlantic states. Our Policy Outreach and Analysis group serves as an information resource for policymakers, program administrators, Commissions, and others to support the adoption and implementation of public policies and programs that advance energy efficiency.

## **1. Introductory Comments**

We congratulate Staff for their efforts to normalize least-cost procurement across all programs. Rhode Island's successful least-cost procurement policies and investments in energy efficiency have been an economic engine in the state, employing more than 5,000 workers, and providing a multitude of other direct energy benefits.<sup>2</sup> The request for comment asks stakeholders to address "What attributes are possible to measure on the electric system and why should they be measured."<sup>3</sup>

As a regional organization, NEEP tracks proceedings and developments throughout the Northeast and Mid-Atlantic region, and below offers observations from other jurisdictions also contemplating changing regulatory paradigms in the face of a changing distribution system.

## **2. Alignment of Costs and Benefits with State Policy, Across All Programs**

The Commission's Scoping Memorandum asks, "What are the costs and benefits that can be applied across all programs, identifying each and whether each is aligned with state policy?"<sup>4</sup> In response to this question, we observe that expansion of least-cost planning in a manner that includes costs and benefits associated strategic electrification would both fulfill Rhode Island's policy directives and follow a trend within the region.

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<sup>1</sup> These comments are offered by NEEP staff and do not necessarily represent the view of the NEEP Board of Directors, sponsors or partners.

<sup>2</sup> Commerce Rhode Island. 2015 Clean Energy Industry Report. Page 9. Available at: <http://www.energy.ri.gov/documents/News/2015%20Clean%20Energy%20Jobs%20Report.pdf>

<sup>3</sup> Rhode Island Public Utility Commission Memorandum. Request for Comments on a Docket to Investigate the Changing Distribution System. February 5, 2016.

<sup>4</sup> Rhode Island Public Utility Commission Memorandum. Request for Comments on a Docket to Investigate the Changing Distribution System. February 5, 2016.

## 2.1. Least Cost Procurement and Rhode Island's Policy Directives

As detailed below, expansion of least cost procurement to unregulated fuels would satisfy the policy directives of Rhode Island's state energy plan, the recommendations of Systems Integration Rhode Island, and fall within the least cost procurement standards already established by the Commission.

Rhode Island's State Energy Plan, Energy 2035, proposes that "[T]he state should extend the benefits of comprehensive energy efficiency services beyond electric and natural gas customers to all end users in all sectors—namely, *delivered fuel heating customers and the transportation sector. Developing an integrated Least-Cost Procurement strategy for these petroleum fuel-dominated market sectors could yield even greater benefits relative to current Least-Cost Procurement programs* by investing in cost-effective energy efficiency that displaces higher-priced and higher-carbon-emitting fuels than natural gas."<sup>5</sup>

Least cost procurement standards, as proposed by the Energy Efficiency Resource Management Council (EERMC),<sup>6</sup> and approved by the Rhode Island Public Utility Commission,<sup>7</sup> explicitly allows the least cost procurement to address "CHP, strategic electrification, integration of grid modernization, [and] gas service expansion." Acting upon this directive, program administrators have already begun active promotion of gas service expansion over electric resistance heat and delivered fossil fuels, and a strategy which has resulted in significant emission reductions. As such, precedent exists for the state's program administrators to pursue promotion of strategic electrification and associated emission reductions in a similar manner, through the least-cost procurement plan.

The Systems Integration Rhode Island Vision document also recommends that the PUC "[I]ssue a clarification on the status of fuel switching as a utility activity (under EE and also under ISR and other processes...develop a form of shareholder incentive that is suitable for switching to a high efficiency electric use... [and]...explore the implications of allowing for the purchase of stored energy back from electric vehicle owners (vehicle-to-grid)."<sup>8</sup>

In accordance with the policy directives embodied in the Rhode Island's state energy plan, current least cost procurement standards, and the Systems Integration Rhode Island Vision Document, we suggest the state expand least-cost planning in a manner that includes costs and benefits associated strategic electrification.

## 2.2. Regional Trends toward Strategic Electrification

Expansion of least cost planning to include the costs and benefits associated with strategic electrification would comply with the traditional aspects of utility rate design as outlined by James Bonbright, and as recognized by other regulators within the region through their support for strategic electrification. Two notable cases of such support exist in New York and Vermont.

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<sup>5</sup> Rhode Island Division of Planning. State Energy Plan: Energy 2035. Page 71. (Emphasis added) Available at: <http://www.planning.ri.gov/documents/LU/energy/energy15.pdf>

<sup>6</sup> Rhode Island Energy Efficiency Resource Management Council. 2011 Least Cost Procurement Standards with Proposed 2014 Revisions. Available at: [http://www.ripuc.org/eventsactions/docket/4443-EERMC-LCPS-Final\\_5-27-14.pdf](http://www.ripuc.org/eventsactions/docket/4443-EERMC-LCPS-Final_5-27-14.pdf)

<sup>7</sup> Rhode Island Public Utility Commission. Docket No. 4443. Order 21767 Appendix B. Available at: [http://www.ripuc.org/eventsactions/docket/4443-EERMC-Ord21767\\_12-31-14.pdf](http://www.ripuc.org/eventsactions/docket/4443-EERMC-Ord21767_12-31-14.pdf)

<sup>8</sup> Rhode Island Office of Energy Resources. Systems Integration Rhode Island Vision Document. (January 2016) Page 50-60. Available at: <http://www.energy.ri.gov/documents/siri/Systems%20Integration%20Rhode%20Island%20Vision%20Document%20January%202016%20FINAL.pdf>

In New York, regulators recently reiterated support for NYSEERDA's fuel neutral programs, which are funded through a systems benefit charge placed solely on electric bills.<sup>9</sup> These programs consider the costs and benefits of MMBtu savings associated with fuel switching. Additionally, in their role as the Distributed System Platform Provider, Con Edison noted in a letter to the Public Service Commission that they were seeking business partners who can help formulate additional demonstration projects in the area of transportation electrification, with plans to issue a Request for Information (RFI) later this year.<sup>10</sup>

In Vermont, regulators are in the midst of promulgating final regulations for Act 56, legislation which encourages the state's utilities to facilitate the state's ambitious emission reduction goals by, amongst other things, electrifying the heating and transportation sectors.<sup>11</sup> Tier III of Act 56 sets targets for fossil fuel consumption reductions by distribution utilities—known as energy transformation projects—at 2% of retail sales in 2017, rising incrementally to 12% of retail sales in 2032. Like energy efficiency measures, Energy Transformation Projects will be screened for lifecycle cost-effectiveness under the societal cost test using a descendant of the recently created energy transformation project planning tool,<sup>12</sup> and against an alternative compliance payment of \$0.06/Kwh, adjusted for inflation. Projects satisfying the energy transformation requirement include, but are not limited to:

- Home weatherization or other thermal energy efficiency measures;
- Air source or geothermal heat pumps
- Increased use of biofuels
- Biomass heating systems
- Support for transportation demand management strategies
- Infrastructure for the storage of renewable energy on the electric grid

New York and Vermont offer just two examples of regulators who found strategic electrification in compliance with their duty to provide for just and reasonable rates, while also complying with their mandated greenhouse gas emission reduction goals.

### 3. Quantifying Costs and Benefits across the Energy System, and Utility Rates

The Commission's Scoping Memorandum asks "At what level should these costs and benefits be quantified—where physically on the system and where in cost-allocation and rates?"<sup>13</sup> To provide insight on how other jurisdictions are approaching this question, we direct the Staff toward recent filings within New York's Reforming the Energy Vision Proceeding.

On the physical system, there seems to be a growing consensus around how costs and benefits can be allocated. Stakeholders in states like New York are contemplating similar questions, and have indicated that the starting point for the discussion be location-based marginal pricing, inclusive of specific distribution system benefits

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<sup>9</sup> New York Public Service Commission. Order Authorizing the Clean Energy Fund Framework. (January 2016) Page 56. Available at: <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7bB23BE6D8-412E-4C82-BC58-9888D496D216%7d>

<sup>10</sup> Con Edison Demonstration Project RFI Cover Letter. Docket 14-M-0101. February 5, 2016. Available at: <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7b9558DE24-C041-48D7-8355-58B50C850218%7d>

<sup>11</sup> An Act Relating to a Renewable Energy Standard. Available at: <http://psb.vermont.gov/sites/psb/files/Act%2056.pdf>

<sup>12</sup> Vermont Energy Transformation Project Planning Tool. Available at: <http://psb.vermont.gov/sites/psb/files/docket/8550-RES/Docket%208550%20Planning%20Tool%20103015.xls>

<sup>13</sup> Rhode Island Public Utility Commission Memorandum. Request for Comments on a Docket to Investigate the Changing Distribution System. February 5, 2016.

(LMP+D).<sup>14</sup> Rhode Island, through their system reliability procurement plan and Tiverton/Little Compton geo-targeting project, has already asserted themselves as a leader in this respect.

Within utility rates, there are a number of ways that costs and benefits could be quantified and allocated. For example, in New York, stakeholders have suggested revision of traditional cost-of-service regulation in a manner that more closely resembles performance-based ratemaking, utilizing many different types of Earnings Impact Mechanisms (EIMs) through which a utility or program administrator may earn an incentive. Perhaps the most comprehensive offering around possible EIMs was submitted by New York's Clean Energy Organizations Collaborative, and included several different EIMs for energy efficiency, demand response and dynamic load management, distributed generation, electric vehicles, peak reduction, customer engagement, rate offerings, affordability, and interconnection.<sup>15</sup>

#### 4. Delivering System Visibility Requirements

The Commission's Scoping Memorandum asks, "How can we best measure these costs and benefits at these levels—what level of visibility is required on the system and how is that visibility accomplished?"<sup>16</sup> Several states throughout the region are contemplating a similar question.

In Massachusetts' Grid Modernization proceeding, Unitil recently proposed adopting of a software solution, known as a Distributed Energy Resource Management System (DERMS) to monitor, manage, and control distributed energy resources across electric distribution system.<sup>17</sup> Such a system would likely require advanced metering functionality. Similarly, in New York, the Public Service Commission recently directed distribution utilities to develop Distribution System Implementation Plans, with a preliminary plan identifying what type of system visibility is currently available, and a supplemental plan suggesting steps to increase system visibility in a manner that facilitates third party solutions for distribution system constraints.<sup>18</sup>

#### 5. Conclusion

NEEP commends Staff, the Commission, and other interested stakeholders for their efforts to investigate the changing nature of the distribution system. While we make no specific recommendation of our own regarding the scope of the investigation, we do offer observations from similar proceedings underway throughout the region that could provide context as the Commission contemplates the scope of their investigation.

Please accept these comments in the spirit they are intended: to aid the Commission, and ultimately the people of Rhode Island, in securing a more affordable, reliable, cleaner and sustainable energy future.

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<sup>14</sup> New York State Department of Public Service. Staff Whitepaper on Ratemaking and Utility Business Models. Docket 14-M-0101. July 28, 2015. Available at: <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7b48954621-2BE8-40A8-903E-41D2AD268798%7d>

<sup>15</sup> Clean Energy Organizations Collaborative. Comments to New York State Department of Public Service on Track 2 White Paper. Docket 14-M-0101. October 26, 2015. Available at: <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={7865BDCD-C7C6-402C-BE2F-1BB2EC750131}>

<sup>16</sup> Rhode Island Public Utility Commission Memorandum. Request for Comments on a Docket to Investigate the Changing Distribution System. February 5, 2016.

<sup>17</sup> Unitil. Grid Modernization Plan. Page 37. Available at: [http://web1.env.state.ma.us/DPU/FileRoomAPI/api/Attachments/Get/?path=15-121%2fUnitil\\_GMP\\_Report\\_81915.pdf](http://web1.env.state.ma.us/DPU/FileRoomAPI/api/Attachments/Get/?path=15-121%2fUnitil_GMP_Report_81915.pdf)

<sup>18</sup> New York State Department of Public Service. Staff Proposal Distributed System Implementation Plan Guidance. Docket 14-M-0101. October 15, 2015. Available at: <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7bF3793BB0-0F01-4144-BA94-01D5CFAC6B63%7d>

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