

RI Office of Energy Resources
One Capitol Hill
Providence, RI 02908



STATE OF RHODE ISLAND
**OFFICE OF
ENERGY RESOURCES**

Commissioner Marion S. Gold, Ph.D.

February 19, 2016

Ms. Cynthia Wilson-Frias
Deputy Chief of Legal Services
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02888

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

Dear Ms. Wilson-Frias:

The Rhode Island Office of Energy Resources (OER) strongly supports the Public Utilities Commission's (PUC) intention to open a docket considering issues related to the changing distribution system and appreciates the opportunity to comment on its potential scope.

In its February 5, 2016 memorandum, the PUC identified an important and appropriate objective of ensuring that Rhode Island's overall set of electric distribution investments are optimized in a least-cost fashion (i.e. "normalizing least-cost procurement across all programs"). Based on OER's understanding of the memo, the PUC wishes to develop a common benefit/cost framework as a means to compare various resource and distribution investment options that offer value to the system on an "apples-to-apples" basis with the goal of identifying the "true" least-cost overall portfolio for meeting distribution service needs and broader policy goals.

OER believes that these stated objectives provide a valuable frame for the PUC and stakeholders as they contemplate the opportunities and challenges posed by the changing distribution system. OER provides the following additional observations and recommendations for the PUC to consider as it further defines the scope of the docket:

Setting the context of Rhode Island's existing policy goals and mandates

OER believes that this docket will provide an important opportunity to explore how utility regulation and investment decisions will evolve in Rhode Island to support the achievement of established policy goals, to the ultimate benefit of consumers, the economy, and the environment. With that in mind, OER believes that the PUC should reference these long-term policy goals as a frame for the docket. Drawing this connection is important because we cannot realize desired outcomes for the state's energy system without a modernized, flexible, and interactive electric grid. Specifically, Rhode Island's long-term energy, economic, and environmental goals will require the widespread adoption of efficient, clean, and distributed energy technologies, which in turn will require a transition to a more distributed grid that values, integrates, and plans for growth in these resources.



OER offers some specific sources that establish the state’s existing policy goals and mandates. One such source is the recently adopted State Energy Plan.¹ The Plan establishes clear, long-term goals for energy, economic, and environmental outcomes for the state’s energy system. The vision of the Plan is to provide energy services across all sectors—electricity, thermal, and transportation—using a secure, cost-effective, and sustainable energy system. The Plan’s data-driven scenario modeling demonstrates that Rhode Island can: (1) increase fuel diversity in each sector above current levels, (2) produce economy-wide net benefits, and (3) reduce greenhouse gas emissions by 45 percent (below 1990 levels) by 2035 with an “all-of-the-above” clean energy framework to:

- Maximize energy efficiency in all sectors;
- Promote local and regional renewable energy;
- Develop markets for alternative thermal and transportation fuels;
- Make strategic investments in energy infrastructure;
- Mobilize capital and reduce costs;
- Reduce greenhouse gas emissions; and
- Lead by example.

In addition to the goals established in the State Energy Plan, the PUC could consider citing numerous energy policies and mandates codified in Rhode Island General Laws. The recently released Systems Integration Rhode Island (SIRI) Vision Document² contains a list of the major policies that guide the state’s energy/grid planning, procurement, and investment processes. These policies demonstrate Rhode Island’s long-term commitment to deep greenhouse gas reductions, promotion of distributed renewable energy, and the acquisition of all cost-effective energy efficiency resources that are less expensive than supply, among other energy and environmental goals. The SIRI report also offered a series of “foundations” relative to utilities and utility regulation, which describe the desired attributes in the state’s energy/grid planning, procurement, and investment processes that would enable the attainment of the state’s policy goals. These foundations include: enabling customers; managing costs; revealing, monetizing value; minimizing barriers; maintaining a strong, capable delivery utility; and simplifying the experience.

OER respectfully recommends that the PUC identify these established policy goals as “boundary parameters” for the investigation of “least-cost procurement normalization.” This will provide clear direction to the utility and stakeholders that our conversations about the changing distribution system must take place within the context of—and have a direct impact on—clearly-established state policy objectives. In OER’s view, this would set the appropriate framework within which the PUC’s stated objective of identifying the least-cost mix of distribution investments to achieve these policy goals would be a constructive and valuable exercise.

¹ Available at: <http://www.planning.ri.gov/documents/LU/energy/energy15.pdf>

² Available at: <http://www.energy.ri.gov/siri/>.



Analyzing benefits and costs on the system

OER appreciates the PUC's desire to develop a common benefit/cost framework as a means to compare various resource and distribution investment options that offer value to the system (e.g. traditional "poles and wires" projects, distributed energy resources, etc.) on an "apples-to-apples" basis with the goal of identifying a least-cost overall portfolio of meeting distribution service needs and broader policy goals.

In response to the PUC's question #1 in the memorandum, OER believes that it is appropriate and constructive to identify the broadest set of costs and benefits at the outset and subsequently determine if consideration of a narrower set of costs and benefits is warranted.

Based on OER's understanding of the intent behind the PUC's questions #2 and #3 in the memorandum, the PUC is proposing to gather information that will allow stakeholders to understand what enabling technologies and/or capabilities on the distribution system are needed to reveal, measure, and capture the value of different distribution system investments, customer resources, and distributed energy technologies (e.g. advanced metering infrastructure to enable time-varying rate design; communication/sensor/control systems to enable grid visibility and management; Volt/VAR optimization to enable more efficient use of the system, etc.). In OER's view, this is a valuable exercise that should result in an outcome where stakeholders can compare various options with different respective price tags as well as different respective benefits, and then decide how to proceed in a manner that maximizes overall value to the Rhode Island electric grid and customers within the context of meeting established policy goals. Stated another way, OER believes it may be appropriate when considering various options to assess their benefits and costs broadly by taking into account all the policy goals they help achieve.

Addressing utility incentives

OER appreciates the PUC's observation that National Grid earns different monetary incentives for successful implementation of various programs, and that some programs have no incentives, whereas others allow for traditional rate-base earnings. As concluded in the SIRI report, there are specific opportunities in Rhode Island where expanded use of performance incentives for the utility should be explored (e.g. System Reliability Procurement). OER strongly believes that better aligning the utility's incentives across various processes with policy goals and priorities is a necessary ingredient to achieving the PUC's stated goal of normalizing least-cost procurement across programs. As long as the utility receives compensation for some activities and not for others, the utility will have a disincentive to pursue unrewarded activities, even when they present more least-cost solutions to distribution system needs. Therefore, the ultimate implementation of any normalized least-cost procurement paradigm would require a resolution of discrepancies between the utility's financial incentives for different programs.

OER respectfully recommends that the PUC consider this important issue within the scope of this docket. OER believes it would be valuable for the PUC to present stakeholders with their vision of how discussions around benefit/cost framework will ultimately inform and feed into considerations of aligning the utility incentives properly.

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Considering the changing distribution system on a statewide basis

As the PUC defines the scope of the upcoming docket, OER believes there would be value to inviting all electric distribution companies in Rhode Island to participate in the conversation regarding the changing distribution system. OER recognizes that Pascoag Utility District and Block Island Power Company may not be subject to all of the same statutory requirements and processes as National Grid. Nonetheless, OER believes that utilities in the state will share many of the same challenges and opportunities regarding utility planning, operations, costs, and investment decisions in a high distributed energy resource future. In OER's view, taking a statewide perspective involving all utilities would offer value and even open potential opportunities to explore demonstration pilots or other test concepts.

Thank you again for the opportunity to comment. OER looks forward to engaging with the PUC, stakeholders, and the utility on these very important issues in the coming months.

Sincerely,

A handwritten signature in blue ink, appearing to read "Marion S. Gold", written over a horizontal line.

Marion S. Gold, Ph.D.
Commissioner

Cc: Nicholas Ucci, Office of Energy Resources
Danny Musher, Office of Energy Resources