



State of Rhode Island and Providence Plantations
Division of Public Utilities and Carriers

Joint Comments of the Rhode Island Office of Energy Resources and the Rhode Island Division of Public Utilities & Carriers in Docket #4684 re: EERMC's Proposed 2018-2020 Energy Efficiency Savings Targets & Standards

March 6, 2017

The Rhode Island Office of Energy Resources (OER) and the Rhode Island Division of Public Utilities & Carriers (DPUC) jointly submit these comments in regards to the 2018-2020 Energy Efficiency Savings Targets (referred to as "the 2018-2020 Targets") filed by the Energy Efficiency and Resource Management Council (EERMC) on December 22, 2016. The Targets filing also contains revised language to the Least Cost Procurement Standards and the System Reliability Standards (referred to as "the Standards"). In doing so, OER and DPUC have thoroughly considered compliance with the state's system reliability and least-cost procurement mandate, the State Energy Plan, and broader state energy policy goals. Based upon our participation in the development of the 2018-2020 Targets and the revised Standards, working in collaboration with the EERMC, the EERMC Consultant Team, National Grid, the Systems Integration Rhode Island (SIRI) Working Group, and the Collaborative, OER and DPUC urge the Rhode Island Public Utilities Commission to approve the 2018-2020 Targets and Standards filed in Docket #4684.

The 2018-2020 Targets

Rhode Island General Laws §39-1-27.7.1(f) establishes a role for the EERMC to submit proposed energy savings targets to the PUC.¹ The purpose of the Targets is to quantify the availability of cost-effective energy efficiency resources that the utility is required to acquire over the upcoming three year period, consistent with the requirements of the Least Cost Procurement law.

OER and DPUC support the proposed electric and natural gas energy savings targets for 2018-2020. OER and DPUC believe that the EERMC has proposed targets that reflect "prudent and reliable" levels of cost-effective electric and natural gas savings that Rhode Island can acquire between 2018 and 2020. Achievement of these targets will result in significant net cost reductions for Rhode Island's electricity and gas customers as well as economic development and environmental benefits for the state. The electric savings targets peak in 2018 and follow a slight downward trajectory, due in large part to the projected drop off in residential and income eligible lighting savings from changing federal lighting standards that could not be entirely offset by increased installation of other measures. The natural gas savings follow a modest increase over the same three years. OER and DPUC note that National Grid has exceeded electric and natural gas targets since the 2013 EE Program Year², which shows that Rhode Island's energy efficiency programs and delivery infrastructure have matured and consistently demonstrate success in meeting aggressive savings goals.

¹ RIGL §39-1-27.7.1(f) requires one specific filing date for energy savings targets in 2010, but the EERMC decided in conjunction with National Grid and other members of the Collaborative to continue development of proposed targets based on achievable potential to assist the development and evaluation of Three Year Plans.

² As of December 20, 2016, National Grid was projecting year-end results for the 2016 EE Program to exceed planned targets as well.



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OER and DPUC would also like to express confidence in the analysis and process used to develop the savings targets. The Targets reflect the input and review of multiple parties, and the research and analysis underlying the Targets is robust and based on quantitative analysis and evaluation. The previous round of target-setting (i.e., 2015-2017), was based on a top-down approach involving post-hoc adjustments to the 2010 KEMA potential study commissioned by the EERMC. In contrast, this round of target-setting is based on a bottom-up approach that projected out future savings potential from the current program portfolio, a more relevant baseline than the increasingly outdated 2010 KEMA potential study. Additionally, appropriate estimates of evolving trends and expected innovation were factored in to supplement the base estimate to create a final achievable potential that informed the proposed targets. OER and DPUC believe that this approach is appropriately granular, credible, and reliable to form a solid underlying basis for the estimates of cost-effective potential for 2018-2020.

OER and DPUC recognize that uncertainty is an inherent part of projecting into the future. In its *Recommended Targets for Electric and Natural Gas Energy Efficiency Programs & Proposed Amendments to the Least Cost Procurement Standards for the Years 2018-2020*, the EERMC notes several uncertainties in this three-year planning cycle, including savings from lighting measures. We are comfortable that the targets reflect the best information available to date. We also recognize that we will have the opportunity to make further adjustments during the more detailed Three-Year and annual planning processes.

Also, we note that the costs and cost-effectiveness of achieving the proposed savings targets are important inputs into the planning process. The EERMC has not yet prepared budgets that would be required to support the proposed energy savings targets. These budgets will be developed in future efficiency plans to be submitted to the Commission. As we have done in the past, OER and DPUC will work closely with the EERMC, National Grid, and Collaborative members to develop more detailed savings targets and budgets for the Three-Year Plan and annual plans for each of the three years.

Our agencies also submit that the implementation of these targets will offer the opportunity to address a number of state policy objectives in innovative and cross cutting ways. For example, we look forward to working with our partner stakeholders to further enable low and moderate income consumers to control their energy bills and to take advantage of new energy management tools and programs, connecting our most vulnerable customers with the emerging opportunities of the “grid edge.”

The Standards

Per Rhode Island General Laws §39-1-27.7(a)(2)(b), the EERMC proposes revisions to the Standards for system reliability (“System Reliability Procurement Standards,” or “SRP Standards”) and energy efficiency and conservation procurement (“Energy Efficiency Standards,” or “EE Standards”) in support of the PUC’s legislated responsibility to review the Standards not less frequently than every three years after adoption. The purpose of the Standards is to provide detailed guidance to the utility regarding acquisition of cost-effective energy efficiency resources and implementation of system reliability through the three year and annual plans. The Standards address key aspects including, but not limited to: program plan components, cost-effectiveness screening, funding sources, utility shareholder incentive design.

Rhode Island’s energy policy context has evolved considerably since the last update of the Standards in 2014, and OER and DPUC believe these revisions to the Standards align utility guidance for EE and SRP



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implementation more closely with the state’s current clean energy priorities. For example, the revised EE Standards replace the previously-used “Total Resource Cost” (TRC) Test with a new “Rhode Island Test” to include the consideration of benefits (namely, economic development and environmental) that better reflect the policy objectives of the state with regard to energy and its societal impacts.

OER and DPUC would like to highlight in particular important revisions made to the SRP Standards. The revised SRP Standards more accurately account for Rhode Island’s growing sophistication in EE implementation, where increasingly, the focus is on integrating the threads of distribution planning, energy efficiency resource acquisition, and development of distributed energy resource markets. OER and DPUC recognize that Rhode Island has achieved important strides in regards to the evaluation and applicability of non-wires alternatives (NWAs) over the past several years through the Tiverton/Little Compton pilot. The changes to the SRP Standards are key to enabling Rhode Island to advance to the next stage of advanced distribution planning, where integration and deployment of distributed energy resources becomes a seamless component of a more holistic utility investment decision making process. These revisions include:

- Maintaining a broad list of eligible NWA: The updated Standards allow for diverse technologies and strategies to qualify as NWA, including: (1) investments by customers on their side of the meter, encouraged through promotion by the utility or third parties; (2) utility investment in grid-side tools and technologies; and (3) combinations of utility and customer-side investments, as well as with traditional infrastructure investments.
- Using NWA to address new types of distribution system needs: The updated Standards encourage an expanded focus beyond the primary focus of SRP planning to date on load-growth related issues. Planners are directed to consider a broader set of potential NWA applications to address system needs such as voltage performance, reactive power compensation, and constraints related to distributed generation. This helps align SRP more consistently with salient distribution system cost drivers in Rhode Island, where in the context of flat load growth, system capacity issues are increasingly taking a backseat to contingency-related considerations.
- Moving toward deeper integration of NWA into system planning: To date, SRP has focused on the targeted application of NWA to defer discrete utility infrastructure projects, for example, in Tiverton and Little Compton. The updated Standards enhance this “hot spot” approach by allowing for consideration of NWA that reduce the scope of a traditional utility investment (rather than defer the entire project). Furthermore, the revised Standards propose to add a new “heat map” approach to NWA, where planners can proactively target “highly-utilized” areas of the distribution system with NWA to extend the life of existing equipment. Such highly-utilized areas are locations where no infrastructure projects have been proposed yet, but improvements will likely be needed in the future.
- More fully accounting for the costs and benefits of NWA: Historically, NWA have been screened under SRP according to the traditional TRC test, with the cost of the infrastructure project substituted in for the average statewide avoided distribution cost value. Under the revised Standards, the utility would instead conduct a separate benefit/cost analysis for both the infrastructure project and NWA (incorporating additional non-energy and non-infrastructure



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benefits such as environmental and economic development benefits), and compare the results. Where there is no traditional infrastructure project to screen against (such as in the “heat map” context), a straight benefit/cost analysis may be done for the NWA, consistent with the expanded set of benefits and costs of the “Rhode Island Test” established in the updated EE Standards.

- **Establishing the opportunity for rewarding SRP performance:** The updated Standards allow National Grid to propose an SRP performance incentive, which could help resolve the current incongruity where the utility earns a return on its capital projects, but not on SRP NWA solutions. OER and DPUC believe that design of metrics to determine a performance incentive should be undertaken in a way that supports the long-term evolution of the overall business model of the electric utility to include comprehensive performance-based metrics. We note that our agencies, with guidance from the Commission, have begun a broad review of the utility business model and intend for the design of metrics to be undertaken in conjunction with that review. We understand that incentives operate within an overall utility compensation scheme, so while the performance metrics designed as a part of the SRP may inform long-term business model metrics design, the incentives themselves will likely need to be adjusted upwards or downwards to reflect any potential future shifts in the way the utility is compensated.

Together with the important work in development in Docket 4600 and through related initiatives such as SIRI and the NGA Policy Academy, the improvements under the updated SRP Standards will provide the utility, stakeholders, and the Commission with better information and processes to make optimal distribution system investment decisions on behalf ratepayers than maximize consumer, economic, and environmental benefits.

In summary, OER and DPUC offer their strong support for the 2018-2020 Energy Efficiency Savings Targets and Standards because they:

- Derive from a bottom-up, transparent approach;
- Receive support from a diverse, representative stakeholder group due to a thorough and rigorous vetting process;
- Represent aggressive, yet achievable levels of energy savings at a cost to ratepayers that is lower than the cost of supply, consistent with the state’s Least-Cost Procurement mandate;
- Align with the State Energy Plan and broader state energy policy goals;
- Support growth in Rhode Island’s clean energy economy, while reducing energy consumption and emissions; and
- Integrate and expand deployment of distributed energy resources through the continued evolution of the utility investment decision making process.

On behalf of OER and DPUC, we believe these targets and standards lay the groundwork for Rhode Island’s continued leadership on energy efficiency and integrated distribution planning. We look forward to continuing our work with you and the state’s network of committed energy stakeholders over the next three years of this plan, as we translate this vision into results.



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Sincerely,

A handwritten signature in black ink, appearing to read "Carol J. Grant". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Carol J. Grant
Commissioner
Office of Energy Resources

A handwritten signature in black ink, appearing to read "Macky McCleary". The signature is cursive and stylized, with a large loop at the end.

Macky McCleary
Administrator
Division of Public Utilities & Carriers