

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID – ELECTRIC AND GAS : **DOCKET NO. 4770**
DISTRIBUTION RATE FILING - ELECTRIC :
PERFORMANCE INCENTIVE FACTOR FILING :

ORDER

On August 24, 2018, the Public Utilities Commission (PUC) approved a three-year rate plan (Amended Settlement) applicable to The Narragansett Electric Company d/b/a National Grid’s (National Grid or Company) electric and gas distribution rates.¹ The PUC approved a modified System Efficiency: Annual MW Capacity Savings performance incentive mechanism (PIM).² The PUC also approved a Performance Incentive Factor (Factor). The PIM was intended to reflect avoided demand coincident with the ISO-NE annual peak hour.³ Achievement of the PIM correlates with savings to customers by lowering capacity costs paid by customers in the following year. The PIM is designed to share anticipated savings between the Company and customers as set forth in the Amended Settlement.⁴

On February 28, 2020, National Grid submitted its 2019 PIM Annual Report and Performance Incentive Factor filing for effect July 1, 2020. National Grid reported that it had exceeded the maximum PIM target for 2019. It had curtailed 33.38 MW during the ISO-NE peak hour, primarily through curtailment related to Commercial and Industrial Demand Response.⁵ The

¹ Order No. 23823 (May 5, 2020); [http://www.ripuc.ri.gov/eventsactions/docket/4770-4780-NGrid-Ord23823%20\(5-5-20\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4770-4780-NGrid-Ord23823%20(5-5-20).pdf).

² The specifics of the PIM, copied verbatim from the Amended Settlement (<http://www.ripuc.ri.gov/eventsactions/docket/4770-4780-NGrid-ComplianceFiling-Book%201%20through%207%20-%20August%2016,%202018.pdf>) at Bates pages 70-71, is attached hereto as Appendix A.

³ Amended Settlement at 70.

⁴ *Id.* at 69.

⁵ Performance Incentive Mechanism Annual Report at 1; <http://www.ripuc.ri.gov/eventsactions/docket/4770-NGrid->

majority of the curtailment was related to metered demand response with some demand curtailment related to modeled demand response performance.⁶

The Company submitted testimony of Adam Crary, a Senior Analyst for Electric Pricing, in support of the filing. He explained that National Grid sought approval of a Factor of \$0.00005 per kWh, applicable to all customers. The Factor was designed to recover the calculated earnings of \$362,085 associated with System Efficiency Incentive for Calendar Year 2019.⁷ He calculated the Factor as the amount of earned incentive divided by the forecasted kWh deliveries for the recovery period, truncated to the fifth decimal point. The Factor is subject to reconciliation in the event the Factor collects more or less than \$362,085.⁸

National Grid responded to PUC data requests for additional data regarding compliance with the Factor. On May 20, 2020, the Division of Public Utilities and Carriers (Division) submitted a memorandum from John Bell, Chief Accountant. Mr. Bell summarized the PIM and the Company's calculated Factor. He concluded that the Company met the criteria for the maximum System Efficiency incentive, had calculated the factor properly, and recommended approval.

At an Open Meeting on June 25, 2020, the PUC reviewed the filings and approved the Factor as appropriately calculated. The PUC noted that the Company's performance in 2019 exceeded the maximum performance expected in the third year. The PIM was designed to encourage National Grid to attempt to achieve greater savings in each year and was meant to be a "reach" for the utility. The performance in year one suggests that the PIM may not have been designed as well as it could have been. The PUC's recently adopted Guidance Document

[PIM%20Annual%20Report%202019%20\(2-28-2020\).pdf](#).

⁶ *Id.*; National Grid Responses to PUC 1-1, 1-2, 1-3.

⁷ Crary Test. at 2.

⁸ *Id.* at 4

Regarding Principles to Guide the Development and Review of Performance Incentive Mechanisms in Docket No. 4943 may assist the utility, stakeholders, and the Commission in better understanding whether a proposed PIM is too high or too low.

Accordingly, it is hereby,

(23864) ORDERED:

The Narragansett Electric Company d/b/a National Grid's Performance Incentive Factor of \$0.00005 per kWh, filed on February 28, 2020, is hereby approved for effect July 1, 2020.

EFFECTIVE AT WARWICK, RHODE ISLAND, ON JULY 1, 2020, PURSUANT TO AN OPEN MEETING DECISION ON JUNE 25, 2020. WRITTEN ORDER ISSUED ON JULY 8, 2020.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson



Marion S. Gold, Commissioner



Abigail Anthony, Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven (7) days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.

Appendix A

a. *System Efficiency: Annual MW Capacity Savings.* The metric for this performance incentive mechanism will be the mega-watts (MW) of annual peak capacity savings. This metric is intended to reflect avoided capacity coincident with the ISO-NE peak hour. The proposed list of eligible resources for Annual MW Capacity Savings includes: (i) Demand Response, which will not be eligible for an incentive under the existing energy efficiency shareholder incentive; (ii) incremental net-metered behind-the-meter PV distributed generation in excess of Company forecast levels; (iii) incremental installed energy storage capacity; and (iv) any additional actions that the Company can identify to reduce peak demand, including non-wires alternatives expected to influence system peak that are not captured already under this or other metrics, and partnerships with third parties to provide peak reduction solutions. Achievement of the target is not based on any pre-determined mix of qualifying resources, but rather a total count of MW savings across all categories. The table below sets forth the targets and maximum earnings opportunity.

Annual MW Capacity Savings: Targets and Maximum Earnings Opportunity

	2019	2020	2021
Minimum	14	17	21
Target	17	21	24
Maximum	20	25	29
Earnings at Maximum (\$000)	\$362.09	\$622.37	\$944.14

For reporting performance on this metric, Narragansett Electric will submit resource-specific estimated MW savings. For existing eligible resources, Narragansett Electric will base savings on the following assumptions:

- For solar PV, Narragansett Electric will estimate the peak impact as the product of annual incremental installed capacity in excess of forecast levels available at the time of the ISO New England system peak, multiplied by a coincidence factor of 0.21. Narragansett Electric will report the forecast capacity and peak impacts of PV included in its annual peak forecast for the compliance year from the most recent annual forecast.⁹
- For residential Demand Response under the Company's Connected Solutions program, Narragansett Electric will report the number of participating customers multiplied by a deemed kW savings value per thermostat of 0.46 kW. Should the Company modify the structure of this program or otherwise expand residential demand response offerings, the calculation of savings will be appropriately modified. Any such modifications to the incentive calculation will be presented to the PUC for approval prior to the commencement of the relevant performance year.
- For commercial and industrial Demand Response, Narragansett Electric will report the average observed MW savings over called events.
- For any resources not listed above, Narragansett Electric will report the calculation of resource-specific savings and provide explanation of any underlying assumptions.

⁹ For example, the Company's 2018 peak forecast projects incremental peak impacts from load-reducing solar PV in 2019 of 7.41 MW (35.3 MW of incremental capacity) in 2019.