

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

THE NARRAGANSETT ELECTRIC COMPANY :
D/B/A NATIONAL GRID'S 2022 ANNUAL : **DOCKET NO. 5189**
ENERGY EFFICIENCY PLAN :

EERMC'S RESPONSES TO NATIONAL GRID'S FIRST SET OF
DATA REQUESTS DIRECTED TO ENERGY EFFICIENCY
RESOURCE MANAGEMENT COUNCIL
(Issued December 15, 2021)

- 1-1 Based on the Report and Order 24225 in Docket 5076, do you believe the Company's proposed performance incentive in the filed 2022 Annual Energy Efficiency Plan stems from a reasonable and appropriate application of the performance incentive mechanism contained within Order 24225 in Docket 5076? Please explain.

The proposed performance incentive in the filed 2022 Annual Energy Efficiency Plan is consistent with the application of the performance incentive mechanism that is contained within Order 24225 in Docket 5076.

- 1-2 Is the Company's application of the performance incentive mechanism and resulting proposed performance incentive in the filed 2022 Annual Energy Efficiency Plan consistent with your interpretation of how the performance incentive mechanism was to be applied for 2022 based on Order 24225? If not, please explain.

As stated in the response to National Grid 1-2, the EERMC finds that application of the performance incentive mechanism is consistent with Order 24225 in Docket 5076. Order 24225 in Docket 5076 did not discuss performance incentive levels, but the EERMC would note that the resulting proposed performance incentive levels included in the filed 2022 Annual Energy Efficiency Plan is consistent with historical levels.

- 1-3 Is there another interpretation of the performance incentive mechanism contained in Order 24225 that would more effectively drive the objectives of Least Cost Procurement to customers compared to the Company's interpretation of the performance incentive mechanism which resulted in the Company's proposed performance incentive? If yes, please explain the pros and cons of the potentially more advantageous interpretation compared to the Company's interpretation.

The EERMC did not consider alternative interpretations of the performance incentive mechanism contained in Order 24225 in Docket 5076 when reviewing the 2022 Annual Energy Efficiency Plan. The Commission recently approved the performance incentive mechanism

contained in Order 24225 in Docket 5076 for program years 2022-2023 and noted that it expected that parties would plan for the approved mechanism to be applicable for 2022 unless the parties brought forth evidence that clearly warranted modification or adjustments.

- 1-4 Given your understanding of the calculation of energy efficiency program benefits in Rhode Island, is it possible that a program plan that is identical in terms of program design, budget, and gross annual savings from one year to the next could nevertheless yield significantly different amounts of benefits between the two years? Please explain your answers.

It is possible for a program plan that is identical in terms of program design, budget, and gross annual savings from one year to the next to have different amounts of benefits between the two years. For example, this could happen through adjustments made to measure inputs such as measure life and net-to-gross ratios (NTG) as a result of findings from evaluation, measurement, and verification (EM&V) studies. In either case, programs in two consecutive years could be identical in terms of program design, budget, and gross annual savings from one year to the next and yet yield different net lifetime benefits.

- 1-5 Should the absolute dollar amount of earning opportunity in an energy efficiency plan be an input to the performance incentive mechanism or an output as the product of a fixed payout rate and eligible net benefits? If the latter, on what basis should a fixed payout rate be determined and how often should that payout rate be examined and potentially adjusted? Please explain.

A key principle underlying performance incentives for energy efficiency program administrators is to drive program administrators to operate in a way that is expected to lead to desired program outcomes. So long as a performance incentive mechanism is designed and managed appropriately, the mechanism can be effective whether the absolute dollar amount of earning opportunity is an input or an output of the mechanism.