Energy Efficiency and Resource Management Council Vote on National Grid's 2022 Energy Efficiency Plan

A Summary Report by:

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Working on Behalf of the

STATE OF RHODE ISLAND
ENERGY EFFICIENCY & RESOURCE MANAGEMENT COUNCIL

Submitted to the Rhode Island Public Utilities Commission

October 15, 2021

I. Introduction

The final draft of the 2022 Annual Energy Efficiency Plan (the "EE Plan") was distributed by National Grid (the Company) on September 8th. On September 16th, the Energy Efficiency and Resource Management Council ("EERMC" or "the Council") held a special meeting to discuss the EE Plan in detail. On September 23rd, the EERMC voted unanimously to not endorse the EE Plan put forth by the Company. Per the Least Cost Procurement (LCP) Standards[1], if the EERMC chooses not to endorse the EE Plan, it must document its reasons and submit comments on the EE Plan to the Public Utilities Commission (PUC) for its consideration in final review of the EE Plan. The EERMC's greatest concerns relate to whether the Company fully considered all cost-effective savings opportunities and the slow pace and incomplete responsiveness of the Company's data and information sharing during plan development. Section II of this memo documents the reasons Council members voiced in the discussion leading up to their decision to not endorse the EE Plan. Section III summarizes other comments and concerns that have been discussed by the Council during the EE Plan development process. Section IV summarizes and concludes.

The Council was clear during discussion that they strongly believe in the value and importance of energy efficiency in Rhode Island. The decision to not endorse the EE Plan reflects the specific concerns discussed below, and is consistent with the Council's view, as reflected in the findings of the Rhode Island Market Potential Study[2], that ample opportunities remain for robust energy efficiency programs in Rhode Island. The EERMC's decision also reflects a willingness to engage in continued dialogue and benefit from additional data that may be provided during the regulatory review process to inform further consideration of any proposed amendments to the EE Plan.

II. Reasons cited for EERMC Vote to Not Endorse 2022 EE Plan

A key concern that influenced the EERMC's decision to not endorse the EE Plan was that the Company did not sufficiently demonstrate that all opportunities to achieve cost-effective savings as identified in the Targets and the High Scenario for 2022 in the 3-Year Plan were given due consideration. The EERMC gave clear and consistent feedback to the Company regarding its expectations on this matter leading up to, and during, the development of the EE Plan. The Company's approach to developing the EE Plan – based on a constrained budget[3] – omitted the central step of identifying all cost-effective savings that could be pursued in 2022, and clearly documenting and justifying the reasons that a subset of those savings are not being pursued.

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[1] http://rieermc.ri.gov/wp-content/uploads/2020/08/5015-lcpstandards-final_8-25-20.pdf p.22
[2] http://rieermc.ri.gov/wp-content/uploads/2020/06/ri-study-final-report-volume-i-main-report-2020-06-10.pdf
[3] See Section 7.1.4 of the Main Text in the 2022 EE Plan.

Moreover, the Council does not believe the Company's stated adherence to a constrained budget at 5% above 2021 levels accurately reflects the Commission's intent. Planning in this way seems counter to the requirements and spirit of the Least-Cost Procurement mandate. Importantly, the Council fully recognizes that Rhode Island ratepayers ultimately fund efficiency programs. The Council's composition was specifically designed to represent various ratepayer constituencies in the execution of its statutory responsibilities. The Council is highly sensitive to the impacts of energy rates and bills on Rhode Island ratepayers. However, the budget constrained approach taken by the Company precludes full discussion of the appropriate balance to be struck in efficiency program development and prejudges this outcome both for stakeholders and for regulators. The EERMC and other stakeholders voiced this concern at numerous points in the Plan development process to no avail.

The Company's planning approach provides clarity only on those savings opportunities they propose to pursue. Without full, up-to-date information on the incremental savings opportunities that could have been captured with incremental spending, the Council felt that it did not have the necessary information to assess whether the proposed budget level appropriately balances the costs and benefits of energy efficiency in Rhode Island, nor, separately, whether the specific mix of proposed program activity is the optimal composition.

The Council also identified issues with the overall development process. The EERMC noted concerns about the timeliness and completeness of responses to feedback, especially given that many of the Council's key concerns were noted early in the planning process. The process and timing of the development of annual plans is well-known and understood by all parties, including the Company, and has been a successful method for developing robust EE plans in the past. The Council felt that a large company with a substantial performance incentive for delivering efficiency programs should be held to a high standard. Examples of areas raised for improvement or additional information during the EE Plan development process are included in Section III.

In addition to the key factors above, the Council expressed other concerns that influenced their decision to not endorse the EE Plan, including those related to the EE Plan's responsiveness to recent underperformance in the income eligible single-family program and income eligible and market-rate multifamily sectors. Council members were also concerned about the signal it would send if it approved a plan that did not do enough to address recent underperformance in those areas, especially in an era of renewed focus on equity and climate justice.

The Council also raised the EE Plan's intersection with issues around climate change. Given the pace at which Rhode Island must slash its economy-wide greenhouse gas emissions, the Council noted concern around the continuation of providing incentives for fossil fuel equipment, as well as the overall pace of savings needed to reduce greenhouse gas emissions more broadly.

Additionally, the Company's reliance on a single large, combined heat and power (CHP) project was a consideration. The Council was not confident that the project was adequately justified, especially considering that the $10 million in incentives allocated to this project could be used to support efficiency for a substantial number of different customers and projects if invested in a different manner. This concern is especially salient when the Company had indicated the EE Plan was developed under a budget constraint, and represented that alternative investments are available for that same funding if the CHP project does not move forward. The Company was also aware that the Division of Public Utilities & Carriers review and pending decision on whether to support the project would be a late decision in the process, yet refrained from offering specifics in the EE Plan regarding alternative investments should this project not move forward.

III. Other Areas of Concern

In addition to the reasons council members voiced leading up to the EERMC's decision to not endorse the EE Plan, the Council, with the support of their Consultant Team (C-Team), discussed several other areas of concern during the planning process. This section outlines a representative summary of several additional areas of concern.

Rate and Bill Impact Models

Energy efficiency programs' impacts on customer rates and bills is an important factor to consider when assessing the EE Plan. Despite the clear request that these models be shared for review alongside the first draft of the EE Plan, the rate and bill impact models were not shared until just before the final draft EE Plan was made available for review. Unfortunately, the lack of responsiveness to this clear request, and the late delivery of this aspect of the EE Plan, has resulted in several computational concerns being raised after the final draft EE Plan was issued.[4] Though the Company met with the Council's C-Team and the Rhode Island Office of Energy Resources to discuss these concerns before the Council's vote, no responses were provided prior to EE Plan filing. The process and timing for sharing these models and resolving possible issues has adversely impacted the Council's ability to adequately consider these analyses in their assessment of the EE Plan.

Income Eligible and Multifamily Program Performance & Equity Working Group Recommendations

The Council has repeatedly expressed concerns to the Company regarding recent poor performance in the income-eligible and multifamily sectors' participation levels and savings achievement under current efficiency programs. In part motivated by these concerns, the Council identified equity commitments as a priority in the EE Plan development process. As

[4] These concerns are unresolved as of the development and filing of these comments.

with the rate and bill impact models described above, the Company was unable to provide significant detail on their commitments related to improving the equity of EE in Rhode Island in the first draft EE Plan, instead opting to wait to articulate these commitments in the final draft EE Plan. Consequently, the Council did not have an opportunity to suggest improvements, additions, or clarifications.

Despite this limitation, the Council did request specific reporting commitments as part of the expanded equity commitments anticipated in the final draft EE Plan, which were not sufficiently addressed in the final draft. The Council fully embraces the importance of equity in energy efficiency and appreciates the broad mandate of the Equity Working Group (EWG) to consider equity in many aspects of program design and implementation. However, the Council has consistently called attention to the track record of poor performance in the income eligible and multifamily sectors in recent years. Despite this, the Company did not provide evidence that the EE Plan contains right-sized commitments that have the potential to meaningfully improve performance in these important sectors.

Moderate Income Eligibility Verification

During the development of the EE Plan, it was requested that the Company provide greater detail on how they would verify eligibility in the newly established moderate income offering. It was important to be as specific as possible here given that the Commission rejected this offering last year,[5] citing concerns about approving an initiative without significant detail, particularly around how income would be verified. The Company indicated that they would be using a third-party income verification vendor but fell short of describing how they might conduct their verification with or without a third-party vendor.

Addressing Pre-Weatherization Barriers

Addressing pre-weatherization barriers was identified by the Company in the 3-Year Plan[6] as a key obstacle to customer participation in deeper energy retrofits. The C-Team provided several lines of comments, including a recommendation to conduct an assessment to begin to address this core issue more comprehensively. The Company has made some strides in the EE Plan, but the commitments made are not a detailed, coherent strategy to overcome this barrier to further cost-effective savings.

Alternative Virtual Assessment Models

The Company has been encouraged to research alternative virtual approaches, including approaches to conducting assessments and exploration of virtual pre-assessments. The

[5] ripuc.ri.gov/eventsactions/docket/5076-NGrid-Ord24225%20(9-21-2021).pdf pg. 34

[6] http://rieermc.ri.gov/wp-content/uploads/2020/10/3yp-only-2021-ap-and-2021-2023-3yp-combined-filing.pdf. See section 9.4.1.3 starting on pg. 92.

Company did not include any new language committing to research alternative comprehensive approaches to conducting virtual assessments in the EE Plan. The Virtual Home Energy Assessment that is being offered in 2022 is a continuation of the offering that was developed on the fly as a response to COVID-19. There are more comprehensive approaches available, and it is important that the Company explore these, because this program can no longer rely on cheap direct install lighting to drive savings. Many customers do not take advantage of deeper savings measures (e.g., weatherization) and it is costly to send in-person auditors to those customers' homes.

Specifics on Support System for Community Action Program (CAP) Agencies

Leading up to and during the development of the EE Plan, greater detail was requested around enhancements planned for the 3rd party support model that the CAP agencies are able to use. The Company indicated that the model would serve as a resource for CAPs that fall below performance thresholds including quantity of outstanding jobs and waiting time for customers to be served. They indicated that these metrics would be determined during Q1 of 2022. These metrics were expected to be identified in the EE Plan itself, rather than determined during implementation of the EE Plan.

Lighting Transition

The Council remains concerned about the slow pace at which the Company is willing and able to transition away from the lighting market, particularly in the Commercial & Industrial (C&I) sector. The EERMC acknowledges that the EE Plan narrative describes a pivot to other non-lighting end uses; however, the EE Plan shows non-lighting savings increasing by very small margins compared to past years. The Council has repeatedly expressed support over several years for the Company to pivot C&I programs to non-lighting opportunities and strongly encourages the Company to set more ambitious plans for achieving those savings.

Approaches to Delivering More C&I HVAC Savings

The Council's C-Team expressed concerns with the Company's overreliance on simple point-of-sale rebates for HVAC savings (as opposed to custom retrofit projects and/or early replacement measures). Significantly more HVAC savings can be achieved through a more comprehensive approach to retro-commissioning and energy management system (EMS) controls upgrades and optimization. The Company does not propose significant utilization of independent commissioning agents to ensure these savings are identified and realized.

More Detailed Concerns on CHP

The Company has proposed a large CHP project as a significant element of the electric C&I portfolio in the EE Plan. While the Council has not taken a position either for or against this project, concerns have been raised related to the low benefit-cost ratio of the project (which falls below the critical threshold of 1.0 without the inclusion of economic development multipliers), and the large share of electric C&I incentive spending (approximately 25%). In the context of a plan that was developed with a constrained budget, it is clearly important to understand why this specific project was proposed rather than allocating these incentive dollars elsewhere, especially considering that it is likely that a much larger number of individual customers would be supported by this spending if not allocated to this capital-intensive project. It is notable that clarity regarding the activity that could be supported in lieu of the CHP project has not been made available to the Council despite the fact that the Company has represented that they have a contingency plan for this spending should the CHP project not move forward. In short, the Company seems to have this information in hand, but elected not to include it in the EE Plan or make it available to the Council or other stakeholders for their consideration prior to the Council's vote on the EE Plan.

IV. Conclusion

On September 23rd, the EERMC voted unanimously to not endorse the EE Plan put forth by the Company. This memo serves to meet the Council's statutory obligation to document its reasons and submit comments to the PUC on its decision to not endorse the EE Plan. The Council raised several concerns with the final draft of the EE Plan, many of which are documented in this memo. Ultimately, the Council's primary reasons for not endorsing the EE Plan related to the lack of information needed to assess whether the Company fully considered all cost-effective savings opportunities, and poor responsiveness to requests for that information, as well as other areas of Council feedback during the plan development process.