



October 10, 2017

Macky McCleary
Administrator
Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

Carol J. Grant
Commissioner
Office of Energy Resources
One Capitol Hill
Providence, RI 02908

Re: Additional Considerations on Performance Incentive Mechanisms Straw Proposal and Initial Principles for Utility Proposals to Support Beneficial Electrification

Dear Administrator McCleary and Commissioner Grant:

Enclosed, please find comments from the Northeast Clean Energy Council (NECEC) and Advanced Energy Economy Institute (AEE Institute) in response to both your agencies' September 15 Initial Principles for Utility Proposals to Support Beneficial Electrification as well as the September 20 Performance Incentive Mechanisms Straw Proposal.

Our organizations remain available as a resource to you as efforts within the Power Sector Transformation Initiative move into their final stages this month. Please let us know if we can be of any assistance.

Sincerely,

Peter Rothstein, *President*
NECEC

Janet Gail Besser, *Executive Vice President*
NECEC

Lisa Frantzis, *Senior Vice President*
Advanced Energy Economy

Cc: Hannah Polikov, AEE
Coley Girouard, AEE
Maria Robinson, AEE
Jamie Dickerson, NECEC



Additional Considerations on Performance Incentive Mechanisms and Beneficial Electrification

The Advanced Energy Economy Institute (AEE Institute) and Northeast Clean Energy Council (NECEC) and would like to take this opportunity to summarize our positions and add comments related to a number of issues raised in the September 15 document entitled “Initial Principles for Utility Proposals to Support Beneficial Electrification” and the September 20 “Performance Incentive Mechanisms Straw Proposal,” along with topics raised at the September 25 Technical Session. These comments are intended to augment our earlier joint and individual comments and further clarify some positions.

NECEC is a clean energy business, policy and innovation organization. Our mission is to create a world-class clean energy hub in the Northeast delivering global impact with economic, energy and environmental solutions. NECEC is the only organization in the Northeast that covers all of the clean energy market segments, representing the business perspectives of investors and clean energy companies across every stage of development. Our members span the broad spectrum of the clean energy industry, including energy efficiency, demand response, wind, solar, combined heat and power, energy storage, fuel cells, and advanced and “smart” technologies. Many of our members are doing business and investing in Rhode Island, and many more are interested in doing so in the future.

AEE Institute is a charitable and educational organization whose mission is to raise awareness of the public benefits and opportunities of advanced energy. AEE Institute is affiliated with Advanced Energy Economy (AEE), a national business association representing leaders in the advanced energy industry. AEE supports a broad portfolio of technologies, products and services that enhances U.S. competitiveness and economic growth through an efficient, high-performing energy system that is clean, secure and affordable.

In the following sections, we offer additional commentary and recommendations relating to I) utility compensation, including multi-year rate plans and performance incentive mechanisms; II) distribution system planning and data access; and III) beneficial electrification.

I. UTILITY COMPENSATION

Multi-Year Rate Plans (MRPs) and Performance Incentive Mechanisms (PIMs)

As noted in our original submission, NECEC and AEE Institute see value in a multi-year rate plan, and recommend a three-year MRP as a reasonable length of time at this moment.

- Performance Incentive Mechanisms (PIMs): NECEC and AEE Institute reiterate the importance of establishing PIMs with financial consequences as part of a MRP to ensure alignment of utility, customer, and public policy objectives. We emphasize the importance of having the right information to establish PIMs and recognize that some of this information may not have been collected historically or may not be sufficient to establish a baseline to measure future performance. Therefore, it is important to require

the utility to collect this data in order to establish meaningful metrics even if initially it is not it tied directly to financial compensation to the utility.

From a high level, we believe that Rhode Island is focusing on the right outcomes. In terms of the specific metrics, the agencies have proposed a lot, with a number of them overlapping, so it is important to decide which ones should be tied to financial incentives and which ones should just be tracked as scorecard metrics. Many data elements may be important in determining the need for – and overall context – of specific activities, and in many cases they can help to further refine or direct specific programs. Top line systematic metrics (e.g., peak demand), give utilities more flexibility to hit targets and achieve real desired outcomes. We note that the most critical metrics relate to the overall impact on system efficiencies and impacts to customers, as discussed below. These metrics should be tied to financial consequences from the outset of the MRP. In terms of concrete next steps, NECEC and AEE Institute think it would be useful for Rhode Island to prioritize the list of metrics they have provided and then determine or develop a process to determine how much each one will be worth.

- Defining metrics and incentives: Financial incentives should be designed to offset any disincentives to support distributed energy resources (DERs) or non-wires alternatives. These incentives should be based on the desired outcome – which is the impact on overall customer demand, energy consumption, and system efficiencies. Therefore, NECEC and AEE Institute (and other commenters) note that it is essential to include percentage of load and energy usage as metrics in addition to percentage of customers. While quantifying the number of customers is helpful in determining program breadth, it is not sufficient to measure overall impacts.
- In the case of several metrics, the straw proposal is to target "reasonable" improvements to historic baselines. NECEC and AEE Institute recommend that this should be amended to say "reasonable and meaningful" so that there is more of an impetus for significant improvement from the status quo.
- System Efficiency (comments related to the Straw Proposal)
 - Time Varying Rates (TVRs): Similarly, the metrics applied to adoption of TVRs should reflect the percentages of energy and demand governed by TVRs. While quantifying the number of customers is helpful in determining program breadth, it is secondary to measuring and rewarding overall financial impacts.
 - DG-Friendly Substations: The proposed metric of DG-friendly substations to all substations may not be a useful metric if many substations are located in areas where few DG assets are viable or would be desired. Perhaps a more critical metric is DG-friendly substations relative to the population of substations where it is demonstrably beneficial to have a DG-compatible asset and where system benefits would ensue.
- Distributed Energy Resources
 - Demand Response: Likewise, metrics applied to demand response programs should be focused on the impact on overall demand, and not just the number and percentage of customers involved. While there is arguably potential value in

addressing larger numbers of customers, the critical metric is how much load was reduced at what cost to ratepayers.

- Behind-the-Meter Storage: Depending on its location, the same energy storage resource can provide markedly different economic benefits. Valuation of on-site (behind-the-meter) storage should include the system value created in order to incentivize investments in desired locations.
- Utility-Scale Storage: In a similar fashion, the metrics and incentives applied to utility-scale storage relative to the number of substations should apply only to substations where the application of storage is likely to be beneficial. In cases where deferring or mitigating investments that might otherwise be required (recognizing that this will likely be in a constant state of flux, based on surrounding loads as well as connected DERs), this storage should be incentivized.
- Network Support Services
 - Advanced Metering Functionality (AMF): NECEC and AEE Institute particularly support the metric of energy (and capacity served by) AMF. The number of customers is also an important metric, but must be supplemented with the metric of percentage of energy and capacity in measuring the potential for driving system efficiencies.
 - Access to Customer Information: We see this as an important metric, but again it is also important to track percentage of customer energy and load for which this information is made available. Incentives should be sufficient to move the utility to act promptly in this arena.
 - Interconnection Support: These proposed metrics are critical as they directly affect the ability of resources to access the grid, which has proved to be a limiting factor in many service territories. Incentives should be sufficient to drive positive utility action.

Partnership Models for Advanced Meters

NECEC and AEE Institute support utility ownership of advanced metering, but it should be tied to broad and rapid deployment and conditioned on providing data access to customers and third parties (with customer permission). Timely deployment and data access are essential for customers to get the full benefits of the AMI/AMF for which they will be paying. These benefits are significant enough – and the opportunity of delays costly enough – that they should be assigned metrics with financial consequences. If the utility does not act with sufficient speed, the agencies could consider whether there are third parties that have the capability and willingness to develop these capabilities. The utility should also be encouraged to engage third parties in its deployment of advanced meters and can be given incentives to do so.

II. DISTRIBUTION SYSTEM PLANNING (DSP)

- NECEC and AEE Institute endorse the proposal to move forward with a Rhode Island System Data Portal as quickly as possible in order to expedite the resulting benefits and system efficiencies.

- We are also confident that Hosting Capacity Maps And Heat Maps can offer a number of complementary benefits to the distribution system and entities seeking to efficiently integrate resources. These should therefore be implemented as soon as is practicable.
- We strongly support publication of detailed forecasting information through the Rhode Island System Data Portal and in the ISR and SRP processes. As noted by the agencies, the current model of a statewide forecast of peak hour net demand will be inadequate for future distribution system planning as DER deployment increases. In the future DSP dynamics will require net load forecasting on a near real-time basis.

III. BENEFICIAL ELECTRIFICATION

Without utility participation, the development of electric vehicle charging infrastructure will not move as quickly as it must in order to achieve state policy goals. Lack of charging infrastructure under the current market paradigm has slowed EV deployment. To date, Rhode Island does not have a robust EV market, nor is there currently sufficient charging infrastructure to support the desired growth. Therefore, NECEC and AEE Institute think that National Grid should be compensated for building all necessary infrastructure up to the charging station and that there are justifiable reasons for the utility to become more deeply involved in certain areas to foster a more robust EV market, and in some cases for National Grid to directly own charging infrastructure - such as in multi-family or low-income housing - where the private sector has been demonstrably slow to develop solutions. At the same time, charging technology is evolving quickly so steps, including adoption of interoperability standards, should be taken to limit exposure to technology obsolescence. Interoperability is a critical element of this approach, meaning that all charging stations are accessible to any individual or company, without unfair price discrimination. These interoperability standards should govern both ability to pay, as well as for charging stations to communicate with one another, with vehicles and with utility, irrespective of ownership or brand.

Conclusion

NECEC and AEE Institute would like to thank agency officials for consideration of these comments. Our organizations applaud the conversations and commentary that the Power Sector Transformation Initiative has spurred thus far, and we anticipate that the resulting proposals will substantially advance the transformation of Rhode Island's electricity system. As we have noted before, the Ocean State is in a unique position to accelerate this transformation to swiftly meet the needs of the advanced energy future we and our members envision. Moving ahead with the proposals previewed by agencies, in line with the recommendations we have offered here and in previous comments, will bring Rhode Island's power sector into the 21st Century with a framework and roadmap for achieving the core goals identified at the onset of this process: helping to control the long-term costs of the electric system, giving customers more energy choices, reducing environmental impacts, and building a smarter and more flexible grid.

NECEC and AEE Institute appreciate the ongoing efforts of your agencies and your consideration of these comments. We look forward to continued collaboration as the final stages of the Power Sector Transformation Initiative approach.