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Carol Grant, Commissioner Office of Energy Resources
Macky McCleary, Administrator, RI Division of Public Utilities and Carriers

Re: Initial Proposals for Distribution System Planning Improvements

Dear Commissioner Grant and Administrator McCleary,

In response to your request for stakeholder feedback on the Initial Proposals for Distribution System Planning Improvements, I offer some general thoughts that can hopefully help inform the entire utility transformation effort.

1) The appropriate role of regulated monopolies

Utilities were originally granted monopoly status to address a specific natural monopoly function: The provision of the distribution system. Providing local wires and related equipment and services to every building would be inefficient, unwieldy and ugly as a multisystem competitive market service.

Regulated monopolies are completely different from conventional businesses that are subject to market competition. They face neither the accountability of the market nor are they directly subject to the accountability of the democratic process.

The regulatory system that monopoly utilities work under is highly complex and the regulators, though quite good in Rhode Island, are vastly underfunded and understaffed relative to the utilities themselves. Increasing complexity implemented in the name of serving rate payers actually serves to create outcomes favorable to the monopolies themselves and to the consultants who are necessary to manage and interpret that complexity.

Over the years, mission creep has enabled utilities to expand into all sorts of arenas that can actually be far better served through market participants. What were once relatively small companies have consolidated into large international conglomerates in a manner that gives them unfair competitive advantages as they shape energy markets for their own benefit.

As we envision the utility transformation process, it is important to have a clear end goal in mind, though it may take years or even decades to fully transform the system. A key element of that end goal is that the distribution utility should be constrained to providing only those functions that are natural monopoly functions: planning, owning and maintaining wires, transformers, substations, etc. Distribution utilities should be prohibited and required to divest from any other functions related to energy services of any kind within the New England ISO, including transmission, energy conservation, storage, generation, electrical vehicle charging stations and any other services which can be sensibly provided through

competitive market players. Being a distribution utility should be a safe, boring, conservative business with only one very limited and narrow function: keeping electricity delivery as reliable and low cost as possible while providing a secure platform for independent service providers of all kinds to deliver energy and energy related services.

In that future, with all of their very talented people, I would expect National Grid would want to divest of the distribution business and stay in the more dynamic and lucrative energy markets. While writing the regulations encouraging the separation of distribution companies from other market focused services, regulators should consider how to best facilitate a smooth transition to that future.

2) Utility Cost Control and Outsourcing

Today, the cost-plus utility business model encourages National Grid to spend as much as possible so they can earn as much as possible. That has led to a situation where utility funded interconnection line upgrades cost two to three times what the same lines would cost from private contractors. There are companies like Grid Unity that in a couple days can provide interconnection studies that take the utilities months, at a fraction of the cost utilities currently charge. It is likely most other utility costs are similarly inflated because such inflation is very clearly encouraged in the current regulatory model.

Much as National Grid has insisted on competing and bidding in the REG program, distribution utilities should themselves be similarly subject to market forces and the cost constraints imposed by competition. To the degree possible, all utility services should be put out to bid rather than done in-house in order to keep down costs to ratepayers, including even such basic services as installing wires, upgrading transformers, etc.

3) Lawyers and Lobbyists

One of the real challenges to reforming the utility sector is that utilities have armies of very talented lobbyists and lawyers paid for as reimbursable costs to rate payers. Monopoly distribution utilities should not be allowed to charge their costs of lawyers, lobbying or membership in organizations like Edison Electric Institute to ratepayers. Those should be considered shareholder expenses and such activities by any company granted monopoly status should be constrained by the PUC as much as possible.

4) Prioritizing clean local energy resources

As the future energy system is planned, any resource provided within Rhode Island borders or using non-polluting solutions should be favored over imported resources or polluting resources. Any service that can be provided at the distribution level should be favored over services requiring transmission services. This inherent competition between transmission dependent energy and local independently owned resources is a primary reason that distribution companies should be required to divest from owning or being financially affiliated with transmission providers.

5) Data access and data ownership:

As a ratepayer funded monopoly, any system data, aggregate data and other information collected by the distribution utility should be considered and treated as public information and made easily accessible, easily usable by the public without charge. Data such as heat maps, existing feeder maps and information on feeder and substation protection systems should be publicly available to help lower the cost of developing independently owned energy facilities.

Any customer level data collected should be considered owned by the customer and provided free of charge to that customer and to any third parties the customer may designate.

Data regarding energy pricing, demand, power quality, etc. should be provided in real time in standardized machine-readable formats back to all customer sites in order to enable new services and innovative new ventures.

6) Metering and meter data:

Utility ownership and control of metering stifles innovation and emerging energy services, encourages overspending on metering and subjects ratepayers to risk of technology obsolescence. Advanced meters providing critical functionality identified by the PUC and meeting ANSI C-20 standards, should be provided by independent meter providers. Meters should be a tool that distributed energy resource providers of all kinds can provide in ways that optimize their services and the value that customers choose to purchase from them, without having to double meter. By standardizing meter data interfaces, the information from those meters can be used for distribution company billing along with the specialized services provided by the supplier of the meter.

7) Default service

The distribution company should not be the provider of default service. In order to keep down costs to rate payers, this is another portion of the energy business that should be subject to competition and put out to bid by the PUC on a regular interval to qualified providers with adequate financial capacity to guarantee delivery.

In closing, I will suggest that there are numerous other similarly fundamental changes to the current utility paradigm that need to happen in order to transform monopoly distribution companies into unbiased providers of platform services that enable independent transactions of all kinds between energy and energy service providers and their customers.

While National Grid does a good job compared to most utilities at enabling many of the emerging services of the 21st century, in order to create the future utility system everyone seems to be wanting, the company will really need to make a fundamental decision as to whether they prefer to be a far more constrained regulated distribution monopoly and divest of all their other business functions in New England or would prefer to transition out of the distribution business and instead compete in the markets for all kinds of emerging energy services. Their current role of straddling both worlds is very unfair to both other energy service providers and to rate payers.

We won't achieve a successful transformation working within the current utility paradigm. I hope you are able to embrace the vision of the future platform model for distribution utilities, along with all the fundamental changes needed to get there. I look forward to helping you in any way I might be helpful.

Thank you for considering this feedback.

Fred Unger
President