



September 8, 2017

via electronic submission: DPUC.powertransformation@dpuc.ri.gov

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: NEEP Comments Regarding Initial Considerations on Utility Compensation and Grid Connectivity and Capabilities Work Streams

Dear Administrator McCleary and Commissioner Grant,

On behalf of Northeast Energy Efficiency Partnerships (NEEP), I am pleased to submit comments in regards to the initial proposals for considerations on utility compensation and business model. NEEP has combined comments for the grid connectivity and capabilities work stream with the business model comments because advanced metering infrastructure (AMI) is an essential part of the new utility business model. NEEP is a non-profit whose mission is to serve the Northeast and Mid-Atlantic to accelerate energy efficiency as an essential part of demand-side solutions that enable a sustainable regional energy system. Our vision is that the region will embrace next generation energy efficiency as a strategy to meet energy needs in a carbon-constrained world.

NEEP thanks the Rhode Island Public Utility Commission (PUC), the Division of Public Utilities and Carriers (DPUC), and the Office of Energy Resources (OER) for the opportunity to participate in the Power Sector Transformation Initiative. Rhode Island has been a leader in energy efficiency programs and policies for several years, scoring a four on ACEEE's state energy efficiency scorecard in 2016. The state has contributed to regional market transformation for years and the Power Sector Transformation Initiative is the next wave in regional leadership.

NEEP is pleased to assist the PUC, DPUC, OER, and other Rhode Island state agencies and stakeholders in establishing the utility business model that will help meet the State's efficiency, clean energy and carbon emission reductions goals. NEEP commends Rhode Island for the initiative the state has taken by presenting a thorough proposal for the utility business model. The following comments are based on the questions posed in the August 15 Notice.

Utility Compensation Framework

NEEP commends Rhode Island for examining the utility compensation framework. The combination of the multi-year rate plans and the performance incentive mechanisms will enable the transition to the utility of the future with a focus on the long-term rather than short term investments. A utility model that moves beyond one-way capital investments to a system that encourages non-wires alternatives and an information-based infrastructure will enable Rhode Island to provide resiliency and security to its population. During this transition metrics will be vital to ensure the transition is accomplishing goals. The framework detailed in docket 4600 will help guide the



transition based on policy goals, as well as guide the selection of metrics based on utility, participant, and societal benefits and costs.

Distributed Energy Resource Metrics

A cluster of metrics that Rhode Island may consider adding to this list is the percent of energy efficiency participants enrolled in demand response programs, have EVs, and/or energy storage. This would round out the list of metrics and create a connection between the different types of DERs. In addition, it may be helpful to know each of these metrics one by one if the resources are expected to be significant and may touch different segments of efficiency customers. Rhode Island may also want to consider metrics to track beneficial electrification. EV's are included in the metric list, but air source heat pumps (ASHP) would be another metric to consider as would the percent of customers switching from fuel oil to ASHPs.

Advanced Metering Infrastructure

NEEP recently published [a report](#) analyzing the different cost-benefit analyses completed throughout the region on AMI deployment plans. This report will be useful in evaluating the qualitative and quantitative costs and benefits of AMI as it looks at what has and has not worked throughout the region. One challenge in evaluating AMI is that there is not a straightforward answer to the question of whether the benefits of AMI outweigh the costs or vice versa. This is due to the different types of available metering systems and functionality, as well as program-specific deployment drivers, market structure, and methodology used in analyzing the costs and benefits.¹ Functionality that will enhance the level of benefits include time-varying rates and smart devices at the customer level that interact with AMI. This provides customer control around energy usage and cost².

When conducting a cost-benefit analysis, the [National Standard Practice Manual](#) finds that stranded costs do not belong in forward-looking cost-effectiveness analyses. This is something Rhode Island may want to consider because the report that NEEP completed found that some utilities include stranded costs, but would not encourage that for Rhode Island's analysis, especially for a forward-looking state like Rhode Island.

With any pending embrace of AMI, customer education will be vital to achieve real change in how customers use electricity and think about energy pricing in order to accomplish maximum peak load reduction benefits. Rhode Island may consider deploying a customer education and outreach plan, similar to what was done in Maryland³, to ensure maximum benefits are realized through customer engagement. This plan provides employee training and a customer awareness and education approach. Adopting a similar approach in Rhode

¹ Haney, A. et al., Smart Metering and Electricity Demand: Technology, Economics and International Experience, University of Cambridge, Electricity Policy Research Group, (February 2009), Available at: <http://www.econ.cam.ac.uk/dae/repec/cam/pdf/cwpe0905.pdf>

² NEEP, Advanced Metering Infrastructure: Utility Trends and Cost-Benefit Analyses in the NEEP Region, (February 2017), Available at: <http://www.neep.org/sites/default/files/resources/AMI%20FINAL%20DRAFT%20report%20-%20OCT%20format.pdf>

³ BG&E, BGE Smart Meter Customer Education and Communication Plan, (June 2011), Available at: <https://www.smartgrid.gov/files/060111-BGESmartMeterCommPlanFINAL.pdf>



Island may help increase the level of customer benefits including reduced peak load, bill savings, customer satisfaction, and more.

Conclusion

NEEP commends the PUC, DPUC, and OER for their continued leadership. The Power Sector Transformation Initiative seeks to shape the ongoing transformation of the electric grid and NEEP hopes to continue to provide resources that can assist Rhode Island in doing so. We would be pleased to provide further information to assist in the distribution system planning work stream.

Sincerely,

A handwritten signature in black ink that reads "Samantha Caputo".

Samantha Caputo
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Northeast Energy Efficiency Partnerships