



October 26, 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: Final Considerations on Power Sector Transformation Draft Principles and Recommendations

Dear Administrator McCleary and Commissioner Grant:

The Northeast Clean Energy Council (NECEC) and the Advanced Energy Economy Institute (AEE Institute) would like to commend you and your teams for having developed a series of recommendations that should go far towards improving the overall efficiency of the power grid and creating the opportunity for various actors – including the utility, its customers and third-party advanced energy solutions providers – to contribute to the Rhode Island Power Sector Transformation Initiative. We have greatly appreciated the opportunity to participate through our comments and in meetings in this process and look forward to working with you, National Grid and other stakeholders to accomplish Rhode Island’s objective to serve the public interest:

- To control long-term system costs;
- Enhance customer choice; and
- Provide the necessary flexibility to incorporate greater clean energy resources.

We also stand ready to work with you to achieve Rhode Island’s broader clean energy and environmental goals as this effort advances into the next phase.

With these goals in mind, we offer here some overarching comments and several additional suggestions and recommendations concerning various approaches, performance metrics, and the associated compensation framework.

General Comments

At a general policy level, we offer the following recommendations:

- We are pleased to see recommendations that move toward **outcomes-based regulation** and urge the agencies to commit to this path long term.
 - A three-year Multi-Year Rate Plan (MRP) should include Performance Incentive Mechanisms (PIMs) to align and achieve utility, customer and public policy objectives

- Basing rates on cost of service with a focus on incentives for priority outcomes is a reasonable first step, but it should not be the endpoint.
- To that end, the agencies should have a plan (and commitment to execution) to move towards more comprehensive performance/outcomes-based regulation.
- The proposed study of TOTEX for a 2020 rate case is an encouraging sign of commitment. Follow through on implementation – whether TOTEX or another outcomes-based framework – is essential to realize the value of the Power Sector Transformation initiative.
- We are pleased to see recommendations for **stakeholder input** at many key points in all four work-streams. The creation of a transparent process to encourage and incorporate *meaningful* input will be critical to ensuring outcomes that meet the needs and expectations of customers, policymakers and stakeholders.
 - The process should make it easy for stakeholders to provide input before, during and after development of proposals by the utility; collaborative processes are generally preferred over adjudicated or litigated proceedings wherever possible.
- **Data access** is a critical element in advancing the process of power sector transformation. Provision of timely, accurate, and relevant data is important for the following reasons:
 - It is vital in aiding customers and third parties looking to create solutions to utility problems – including opportunities to use and leverage private (non-ratepayer) monies.
 - It is essential for providing customers with choice of a wide variety of value-added products and services – again leveraging private monies.
 - It is necessary for determining the value-added products and services that utilities can provide and in justifying what utilities can charge for those services, both to third parties and to customers.
 - Customer access to timely, relevant, and personalized data is also critical to engage customers in the modern electric grid and empower customers to better manage their energy use. This engagement is foundational for driving customers to participate in and adopt programs that achieve Rhode Island policy objectives, such as energy efficiency, demand response, time of use rates, and DERs.
 - It is the indispensable foundation necessary to support and enable innovation to move towards a modern grid and achieve Rhode Island’s stated objectives.

Specific Comments

- NECEC and AEE Institute support the requirement for the utility to provide a plan for and include costs of resources to improve Distribution System Planning (DSP) in the upcoming rate case.
- We support the utility seeking approval of a plan for data access in the upcoming rate case
 - This plan should include a process for soliciting and incorporating meaningful stakeholder input to determine how, when, and what types of data can and should be accessed
- We support the combining of the SRP/ISR processes and the recommendation that it apply only to the types of costs not included or anticipated in rate cases, in order to maintain integrity of incentives of MRP and PIMs.
- We support the use of PIMs to achieve certain policy goals:
 - However, it will be important to further refine PIMs (as well as the detailed

- supporting metrics) to ensure an appropriate focus on Rhode Island's stated objectives to serve the public interest.
- There is also a need to analyze carefully the potential interaction of existing incentive mechanisms (e.g., for energy efficiency) and proposed PIMs (e.g., peak load reduction) to ensure they do not overlap or result in unanticipated levels of compensation.
 - Since the desired end state is generally focused on grid efficiencies, PIM-related metrics should focus on specific key metrics such as percentage of load and capacity impacts, in addition to other metrics such as number of customers affected. (A few customers of a certain type can have a greater effect than many customers of another type.)
- We support a continued emphasis on DER Value and Compensation.
 - In order to develop valuations that will be broadly accepted, stakeholder input, especially from DER companies, will need to be incorporated in the process.
 - There will also be a need to grandfather existing DER under current compensation mechanisms.
 - It will also be important to align DER program objectives with the Power Sector Transformation Initiative to provide the necessary flexibility to incorporate greater clean energy resources. This is especially the case as these resources continue to become increasingly economical. For example, the bumping up against existing caps may unnecessarily slow the achievement of RI clean energy goals.
 - We agree with the agencies' conclusion that Advanced Metering is needed in order to meet the goals of the Power Sector Transformation Initiative.
 - Specifically, we agree with the recommendation that Rhode Island should invest in advanced metering in order to unlock the suite of customer advantages it provides and to improve grid efficiencies, provided the broad long-term benefits exceed costs. We also support the proposed policy goals relating to greater connectivity; two-way information flow; and enhanced cyber-security. It will be important to develop and review proposals in a transparent process involving all interested and affected stakeholders. NECEC and AEE Institute support utility ownership of advanced metering conditioned on the utility providing streamlined, timely access to data to customers and third parties (with customer authorization). The agencies should consider recommending that National Grid include a detailed customer engagement plan as part of the advanced metering proposal to ensure the full customer benefits are realized during and post implementation.
 - NECEC and AEE Institute support requiring the utility to make a proposal regarding Beneficial Electrification (electric vehicles) in the upcoming rate case.
 - The proposal should focus on enabling a third party/private competitive EVSE market and building infrastructure up to the charging station itself.
 - We support some level of direct utility ownership - such as in multi-family, low-income housing - where the private sector has been demonstrably slow to develop solutions as the Rhode Island EV market has been slow to develop, hindered in part by lack of charging infrastructure.
 - In addition, the beneficial electrification of heating is important. We support initially addressing it in energy efficiency programs but note that attention will need to be paid to its impacts in DSP, among other things.

Conclusion

Our organizations are available as a resource to you as efforts within and beyond the Power Sector Transformation Initiative continue to develop and progress. Please do not hesitate to let us know if we can be of any further assistance.

Sincerely,



Peter Rothstein, *President*
NECEC



Janet Gail Besser, *Executive VP*
NECEC



Lisa Frantzis, *Senior VP*
Advanced Energy Economy

Cc: Jamie Dickerson, NECEC
Ryan Katofsky, AEE
Hannah Polikov, AEE
Coley Girouard, AEE