

Memo



To: RI Energy Efficiency & Resource Management Council
From: Mike Guerard
Date: September 18, 2018
Subject: 2019 EE and SRP Plan update

CONSULTANT TEAM

<i>Relevance of Topic</i>	The second draft of the 2019 EE and SRP Plans will be distributed on September 20 th , the day of the September Council meeting. To support the resulting discussion, this memo provides a high-level summary of the key changes the C-Team anticipates based on proposed modifications to the first draft provided by the C-Team, OER and other members of the Collaborative to National Grid. At the October 4 th EERMC meeting, the Council will be asked to vote on the final draft of the Plans prior to the deadline of October 15 th when National Grid must submit the Plans to the PUC.
<i>Content of memo</i>	This memo provides a high-level summary of the process, key issues and anticipated changes that will likely be in the second draft.
<i>Expected Outcome</i>	This early preview of the second draft of the Plans will help support Council members understanding of key changes in the Plans and will support further discussion and questions by Council members.

As presented at the August Council meeting, the C-Team cross-referenced the Core and Variable Factors of EE & SRP Plan development that were reviewed at the May EERMC Retreat. For consistency, this update is oriented to provide updates on all those key factors. The main message, however, is that after the engagement of the C-Team, OER and National Grid in reviewing all elements of the EE Plan, and the critical input and contributions of the Collaborative, it is anticipated that the second draft will *increase* the savings estimate for both the gas and electric portfolios, bringing both over the EERMC-established Targets, AND that the proposed budgets for both portfolios will *decrease* between the 1st and 2nd drafts.

Core Factors:

1. Targets & Resulting 3-Year Plan
 - a. Gas - The 1st draft of the 2019 Annual Plan exceeded the EERMC-established 2019 gas Target by about 11,000 MMBtu. Based on extensive review of Core Factors #'s 3, 4 and 5 to be detailed below, it is anticipated the 2nd draft of the Annual EE Plan will slightly increase gas savings above what was shown in the 1st draft, while seeing a budget decrease of more than \$600,000 between the 1st and 2nd drafts.
 - b. Electric – The 1st draft of the 2019 Plan did not meet the electric savings Target by about 2,500 MWh. Based on activities to be described below, it is now anticipated that the Target will be met and that the budget will decrease by approximately \$1 million. Notably, the increase in annual savings will also result in a strong increase in lifetime savings, which was a key objective for many of the stakeholders on the Collaborative.
 - c. SRP – There are still evolving discussions on the content and timeline of the 2nd draft of the SRP Plan. The C-Team will keep council members abreast of these developments.

2. LCP Standards
 - a. Based on the tracking matrix developed to confirm compliance, the C-Team has found that all key areas have been substantially addressed in the 1st draft. After reviewing the 2nd draft, the C-Team will fully populate the tracker and distribute to the EERMC prior to the October 4th EERMC meeting.
3. Previous year's results (*Full documentation will be provided after 2nd draft is reviewed*)
 - a. A comparison was completed between the 1st draft of the 2019 EE Plan and the 2018 Annual EE Plan estimates. This comparison looked at measure and program savings and unit costs. Based on this, certain areas like WiFi thermostats, heat pump water heaters, ductless mini-splits, small business participation estimates and C&I TLEDs were raised as areas where improvements could be made in the 2019 Plan.
4. Current year's implementation experience (*Full documentation will be provided after 2nd draft is reviewed*)
 - a. Based on the 2018 2nd Quarter program data including savings by measure and program, many, relatively minor recommendations were made to National Grid for incorporation into the 2nd draft of the 2019 Benefit/Cost Model (BC Model). While most of these were minor, they support the effort to maximize all available savings.
5. Program Evaluations
 - a. All Program Evaluations that had expected impacts on the savings and/or costs of program elements were tracked, monitored, and subsequently documented to have been appropriately applied in the 1st draft's BC Model. Cross referencing these updates into the 2019 Technical Reference Manual (TRM) is underway and will be finalized after the 2nd draft.
6. Avoided Energy Supply Component Study (AESC)
 - a. The AESC values set for the region were correctly applied in the 1st draft BC Model.

Variable Factors

1. Innovation and Program Enhancements
 - a. While all planning cycles seek to maximize "innovation" in the design and goal setting, the 2019 Targets and resulting 3-year plan featured a unique element of a 25,000 MWh Innovation line item in the BC model. This was a consensus agreement by the Collaborative and EERMC, and approved by the PUC, to set a goal based on developments anticipated to evolve between the target setting process in 2016 and 2019. The average cost for this tranche of savings was set to come in at the average cost per kwh of the rest of the portfolio. The first draft of the 2019 Plan did not quite reach this 25,000 MWh innovation goal, but during the analysis and discussions leading up to the 2nd draft, it is now anticipated that this gap will be filled and that the targets will be met at a cost substantially below the estimated average kwh cost.
2. Regulatory: PUC & Division
 - a. There are three main areas where regulatory developments will impact the 2nd draft:

- i. The PUC’s ruling on the cost of efficiency and supply, and its resulting update to the LCP Standards, will be documented in the Main text of the 2nd draft. The Plan’s compliance with the Least-Cost Procurement legislation to be “cost-effective and less than the cost of supply” will be determined by this criteria.
 - ii. The Rate Case and Power Sector Transformation (PST) docket cases reached a settlement in August. The main impact on the 2019 EE Plan from this docket relates to strategic electrification, specifically electric heating. The initial PST settlement assumed that the EE program would cover the funding for an initial volume of electric heat upgrades (primarily ductless minisplits), and that PST would supply additional funds, separate from EE funds, to cover additional air-source heat pump units. The PUC ruling, however, stated that all of the funding for cost-effective electric heating should be both run *and* funded by EE. Accordingly, the 2nd draft of the EE Plan includes an increase in these measures to add the estimated volume that would have been funded through PST.
 - iii. A series of discussions undertaken recently by the Division, OER, Grid and the C-Team to review National Grid’s notification to the PUC of its intent to commit future funds to the Navy CHP project will result in slight modification to the Plan’s text regarding the process for notification when CHP incentives will exceed \$3 million. The language change is also expected to commit the Company to reviewing in 2019 the process and conditions by which incentives and commitments are offered to large CHP projects. Relating to this and for EERMC member input, the 1st draft of the EE Plan included a commitment of \$3 million for the Navy CHP even though the project will not be completed until 2020 or 2021. The total incentive should be in the range of \$7.5 million when the project is complete. By starting to collect funding to support the full incentive in 2019, National Grid will mitigate a future increase in required SBC collections in the year the full amount is due. Whether this “pre-funding” is prudent is a matter for consideration by the EERMC.
3. State & local policy objectives
 - a. The Plan effectively addresses concerns regarding GHG reductions, equity, and economic development. OER continues to review the Plans with these policy goals in mind and actively coordinates with the EERMC C-Team on any issues or concerns.
4. Other State agencies
 - a. The main agency impacted by the 2019 Plan is the Rhode Island Infrastructure Bank (RIIB). A continued commitment of \$5 million for the Efficient Building Fund (EBF) is in the 1st draft, and recent discussions have supported the documentation of planned projects and savings from EBF. Therefore, these dollars are expected to remain allocated to the Efficient Buildings Fund in the 2nd draft. However, how these dollars are represented in the budget tables will be enhanced via a more detailed projection of current and planned use of funds in table E-10.

5. Legislative

- a. The General Assembly directed OER to undertake an Evaluation Study to review the process and assumptions used by National Grid in tracking, evaluating and reporting energy savings from program implementation. OER has assembled a working group with membership prescribed by the legislation, with the intent to issue an RFP for a vendor to conduct the study. The legislation directed that the cost of the study be added to the 2019 EE Plan, and the 1st draft has an estimated cost of \$225,000 included in Table E-2. It is expected that the 2nd draft of the EE Plan will increase this estimated cost to \$275,000 based on working group discussions.

Once the 2nd draft of the Plans are distributed, the C-Team will complete a comprehensive comparison between what is included in the 2nd draft 2019 Plans and the EERMC-approved Targets and Grid's 3-Year Plan. The C-Team will continue to provide more quantified reporting on the results of these comparisons and will be sending individual memos to council members highlighting relevant areas of the Plans for their review.