

Memo



To: Matthew Ray / National Grid
From: Mike Guerard / C-Team
CC: Energy Efficiency & Resource Management Council (EERMC); Becca Trietch / OER
Date: July 3, 2020
Subject: First draft 3YP Review and comments

CONSULTANT TEAM

The EERMC Consultant Team (C-Team) provides the following comments and suggestions, as well as expectations for upcoming processes, on behalf of the EERMC based on discussions at EERMC meetings over the last year regarding the EERMC's legislated roles and responsibilities relating to Three-year Plan (3YP) Target development and strategic planning guidance and support to OER, other stakeholders and National Grid. These comments also reflect the C-Team's participation in multiple stakeholder discussions and understanding of their issues, which supports the EERMC's additional roles relating to stakeholder engagement and input.

The primary activity undertaken by the EERMC to support the 3YP development was the commissioning of a Market Potential Study, which was utilized to inform the 3YP Targets that the EERMC voted to recommend to the RI Public Utilities Commission (PUC), which the PUC approved. It was acknowledged by the EERMC and PUC during their approval processes that the proposed maximum achievable level of savings established in the potential study to inform the Targets did not factor in barriers generally categorized under the "prudent and reliable" label. As directed in the Least Cost Procurement Standards, the planning phases of the three year and annual plans are the appropriate period to fully identify, vet and apply quantifiable impacts relating to these barriers. Given that, the expectation was that the first draft of the plan would include every attempt to maximize the proposed savings goals relative to the approved Targets, and clearly indicate which, and to what degree, barriers impacted the savings goals if they were below the Target. That would serve the objective meeting Least Cost Procurement (LCP) law through procuring all cost-effective savings (and the resulting customer benefits) that are prudent and reliable, AND through identification of the barriers, the ability to create a "roadmap" to address the barriers over time in the pursuit of maximizing savings and benefits.

The C-Team finds that the first draft of plan requires significant enhancement to meet those objectives, as well as to better address other priorities raised by the EERMC and other stakeholders. As currently drafted, the Plan is substantially below what was expected for proposed savings and the identification of barriers. The proposed costs also do not seem accurate, and better documentation of the proposed budget requirements is needed. The next draft(s) will need to appropriately address a myriad of issues before the C-Team will be able to recommend to the EERMC approval of the Plan.

Post-receipt of the first draft, the C-Team has attempted to support enhancement of the Plan through facilitating a process to identify barriers and solutions to maximize savings, benefits, equity, customer needs among other objectives in support of LCP. The resulting in-process cataloguing of these issues in matrix-format are attached for the residential and C&I sectors, and we look forward to working together to enhance and expand on these strategies and tactics at the sector levels to improve the plan. In

addition to these specific areas, the following is a high-level list of the issues and objectives that need to be addressed:

- There are still significant savings that can be realized. The first draft coming in at the bottom the Potential Study savings range is disappointing and based on recent discussions was clearly a significant underestimation of the savings that should have been proposed.
- The proposed savings also do not reflect an adequate attempt to address the major end use areas for savings identified in the potential study – HVAC, hot water and envelope. Unfortunately, this is more pronounced by the first draft being at or above the Max achievable proposed for lighting and behavioral savings. The fact that the proposed electric portfolio savings come in at the low end of the potential study range with lighting being maximized clearly illustrates continuing disproportionate focus on lighting. A clear theme and expectation set in discussions with the EERMC, stakeholders and National Grid staff during the potential study development and in preparation of 3YP development was the need to shift to measure categories that historically have been insufficiently emphasized when portfolios were heavily dependent on lighting savings. As the lighting market moves to full transformation, efforts necessarily need to shift to other end uses. The first draft does not sufficiently accomplish that objective.
- To the degree the next draft’s proposed savings are going to be short of the targets for each of the next three years, a clear, quantified, justifiable documentation of the barriers that prevent reaching the targets needs to be included. Based on this documentation, a resulting proposed component of the plan to address each of the the barriers with clear timelines, strategies, and deliverables must be included.
- If near-term economic impacts from COVID may be a factor on next year’s budget and resulting system benefit charge, consideration should be made for those most impacted by the economic impacts, including low-to-moderate income customers, small businesses, and community-based non-profits. This is in alignment with the EERMC’s emphasis on equity issues reflected in their support of enhanced language on equity they proposed for consideration in the LCP Standards draft from the PUC.
- A key priority for the EERMC is a focus on acquiring the Targets as cost-efficiently as possible. This emphasis on *cost-efficiency* is an important companion to *cost-effectiveness*. All efforts should be made to transparently and properly set implementation budgets, rebate & incentive levels, and utility performance incentives to achieve targets at least cost. As noted in the C-Team presentation to the EERMC at the June meeting, the proposed cost per unit of energy saved for gas and electric portfolios was appreciably higher in RI than Massachusetts. Additionally, there is a consistent historical pattern of RI planned budgets being appreciably higher than the actual spending at end of year. Clear justification for variances must be made as part of making every effort to minimize program costs. In addition to this basic metric of cost

efficiency, there are other areas that the plan's next draft has to include with more specificity, especially in the area of financing options that enhance current offerings and/or create new products to address under-served market segments.

The C-Team recognizes the challenges of developing three-year plans, especially given the significant shifts in the energy efficiency world as the successful efforts to support transforming the lighting market progress. The EERMC's decision to conduct a potential study to inform targets is a significant and valuable contribution to the process. We look forward to supporting your efforts to evolve planning processes to more fully utilize the benefits of a potential study that credibly provides a much clearer view of where savings can be found, as opposed to the more limited approach of bottom-up planning without that clear sense of what should be strived for. As noted above, we strongly believe that there is significant opportunity to increase savings and benefits for RI customers before a final draft is submitted to the EERMC, and then PUC, and are prepared to continue providing support to achieve that outcome.