

Memo



STATE OF RHODE ISLAND
**ENERGY EFFICIENCY &
RESOURCE MANAGEMENT COUNCIL**

To: Energy Efficiency & Resource Management Council
From: EERMC Consultant Team
CC: Becca Trietch
Date: July 16, 2020
Subject: EE and SRP Technical Working Group Updates

CONSULTANT TEAM

National Grid's Energy Efficiency (EE) Technical Working Group (TWG) and the Systems Reliability Procurement (SRP) TWG recently convened to discuss and gather feedback on relevant EE and SRP topics. The following intends to provide you with a high-level update regarding issues addressed in each meeting. Additional information about the TWG is on National Grid's website.¹

1. ENERGY EFFICIENCY TECHNICAL WORKING GROUP

The EE TWG met on June 12th and July 10th. The meeting agenda items included the following:

- Overview of the First Draft of the 2021-2023 Plan
- Stakeholder Comments on First Draft of the 2021-2023 Energy Efficiency Plan
- Evaluation Measurement and Verification Update
- Performance Incentive Update
- Process Update and Timeline

Overview of the First Draft of the 2021-2023 Energy Efficiency Plan

- The Company reviewed the requested key areas of focus from the EE TWG stakeholders
- The Company reviewed focus areas for each sector, including historical context, trends and drivers, goals and key strategies, areas that require further investigation, and long-term program constraints.
- The Company reviewed the savings, benefits, and budgets, including a deep dive on specific areas of the C&I, Residential, and Income Eligible portfolios.
- Stakeholders expressed concern with the level of savings projected in the first draft of the Plan, especially when compared to the Targets established by the Public Utilities Commission (PUC). Stakeholders recommended that the Plan include more detail about the constraints preventing the Plan from reaching the Targets established by the PUC.
- Stakeholders also expressed interest in more detail and transparency around the Plan's budget and its impact on ratepayers.

Stakeholder Comments on the First Draft of the 2021-2023 Energy Efficiency Plan

- The OER reviewed its primary comments on the First Draft of the Three-Year Plan.
- The EERMC's Consultant Team reviewed its primary comments, on behalf of the EERMC, on the First Draft of the Three-Year Plan.

¹ <https://www.nationalgridus.com/ri-energy-efficiency-technical-working-group>

- Several of the EE TWG stakeholders who had not provided written comment provided comments verbally. Those that provided oral comments requested that the Plan provide more detail in the following areas:
 - Barriers preventing the Plan from meeting the Targets approved by the PUC
 - Gas heat pump conversions and Gas Demand Response
 - How the Plan will address the renter market
 - How the Plan will address issues of equity, especially for customers who have been historically underserved
 - Intended outcomes and incentive structure for zero-net energy initiatives
 - Financing

Evaluation, Measurement and Verification (EM&V) Update

- The Company gave an update on the impacts of COVID-19 on EM&V studies. The Company noted that several studies had been delayed and that some studies may not be completed in time for the final version of the Three-Year Plan. The Company added that contingency plans are being considered where possible
- The Company noted that the First Draft of the Three-Year Plan did not incorporate updated from completed studies and that any available updates would be made before the final version of the Three-Year Plan.

Performance Incentive Update

- The Company noted that the performance incentive is a work in progress and that the First Draft of the Three-Year Plan budget and costs did not include the performance incentive.
- The Company noted that the PUC adopted principles and guidance for the performance incentive metric (PIM) in May and that those would inform the design of the performance incentive to be included in the final version of the Three-Year Plan.
- The Company gave an overview of the new performance incentive mechanism (PIM) proposal. In this overview, the Company noted areas where stakeholders were in alignment, as well as areas of ongoing discussion.

Process Update and Timeline

- The Company informed the TWG that they had notified the EERMC of its intent to jointly file the 2021-2023 Three-Year Energy Efficiency Plan and the 2021 Annual Energy Efficiency Plan with the PUC by October 15, 2020.
- The Company reviewed the original and proposed timelines to highlight the proposed shift in the planning schedule.
- The Office of Energy Resources (OER) indicated that the July EERMC meeting would dedicate time towards a discussion on rescheduling its October meeting so that it may vote on the Three-Year and Annual Energy Efficiency Plans in advance of filing deadline.
- The Company gave an overview of the sector team strategy meetings that had take place over the past couple of months. These meetings included members of the Company’s strategy and implementation teams, as well as representatives from the OER, the Division of Public Utilities

and Carriers, and the EERMC's Consultant Team. The Company highlighted the ongoing work and next steps that these teams would undertake to further develop the Three-Year Plan.

2. SYSTEM RELIABILITY PROCUREMENT (SRP) TECHNICAL WORKING GROUP

The SRP TWG met on June 17th and July 15th. The meeting agenda items for these meetings included the following:

- SRP Stakeholder Introduction Presentations
- SRP Locational Incentives Update
- 2020 SRP Plan Commitments Review
- NWA Learnings from NY & Application to RI RFPs
- Deferral Value Deep Dive
- LCP Standards & SRP Three-Year Plan

SRP Stakeholder Introduction Presentations

- Stakeholders present at the June SRP TWG were given the opportunity to introduce themselves, their organization, and their perspective
- Wide range of stakeholders presented slides, generally viewed as valuable by attendees

SRP Locational Incentives Update

- Briefly discussed change of NWA locational incentive from 60% of deferral value to 100% of deferral value, which is reflected in Bristol 51 NWA, the RFP for which was released on June 2.

2020 SRP Plan Commitments Review

- National Grid reviewed high-level summary of progress regarding 2020 SRP Commitments
- Five of the Twelve commitments have been completed
- All other commitments are ongoing and in process with no major delays in progress reported

NWA Learnings from NY & Application to RI RFPs

- National Grid presented on NWA RFP experience in New York during the June SRP TWG.
- Key lessons learned include careful attention to benefit-cost analysis, providing plenty of time for proposal development, importance of clarity around opportunity (NY process involved RFIs before RFPs to gauge market interest), standardization of RFPs using a template
- July SRP TWG included application of these lessons to Bristol 51 RFP

Deferral Value Deep Dive & Locational Incentives Discussion

- June TWG meeting included deep dive on methodology for determining deferral value (using 10 year deferral as example). Initial comments were received around the importance of understanding value when deferrals actually become fully avoided investments
- July TWG included further discussion, including comments in favor of utilizing a probabilistic valuation framework, such as expected values, which reflect the uncertainty in forecasts of how long deferrals will last and whether they will in fact become fully avoided investments
- Savings-based incentives for SRP flagged as potentially counter to prior PUC guidance

- Distribution of net benefits from SRP projects discussed; stakeholder comments reflected view that benefits should accrue to ratepayers except for the amount required to motivate National Grid and project implementers

LCP Standards & SRP Three-Year Plan

- SRP Three-Year Plan first draft to be distributed to stakeholders for comment on July 24th
- July TWG included 'Sneak Peak' of Three-Year Plan first draft, with clear attention paid to standards & SRP requirements
- LCP Standards PUC open meeting planned for July 23rd, which may result in last minute adjustments to Three-Year Plan first draft not necessarily reflected in 'Sneak Peak'