

STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC CO. D/B/A NATIONAL GRID'S 2021-2023 ENERGY EFFICIENCY PROGRAM PLAN AND 2021 ANNUAL ENERGY EFFICIENCY PLAN – DOCKET NO. 5076

NOTICE TO SOLICIT COMMENTS

Pursuant to the provisions of the Rhode Island General Laws 39-1-1 et seq, as amended, and 47 U.S.C. §§151–760, the Public Utilities Commission (“Commission”) will accept written public comments regarding the Commission Performance Incentive Mechanism proposal, a copy of which is attached to this Notice.

National Grid’s 2021-23 Energy Efficiency Program Plan and 2021 Annual Energy Efficiency Program Plan (EE Plan) included a performance incentive by which National Grid could earn a share of net benefits by effectively implementing the EE Plan. The PUC discussed the proposal at an Open Meeting on December 22, 2020 but did not vote on the proposed performance incentive. The PUC instead sought written comments on modifications of the performance incentive proposal offered by Commissioner Anthony (“Modified PIM”). The Modified PIM had two intended effects. The first was to decrease National Grid’s earned incentive if program spending exceeded the approved budget. The second was to limit National Grid’s share of the incentives to only benefits that are related to electric service and other resource benefits (like natural gas, delivered fuels, water, and wastewater benefits), and to give greater weight to the achievement of benefits related to electric service relative to other resource benefits.

The Modified PIM added a third element to the modifications to address the result that, for some customer sectors, the weighted sum of electric and resource benefits is lower than the planned spending. In other words, National Grid’s EE program for certain sectors would result in negative net benefits, resulting in nothing to share between ratepayers and National Grid. The Modified PIM created a service quality adjustment for these sectors in which, if National Grid failed to deliver a certain level of energy efficiency to these sectors, its incentive achieved in other sectors would be reduced.

Finally, to allow National Grid a similar financial motivation for delivering the EE Plan as proposed, the Modified PIM increased the potential payout in customer sectors that are expected to have electric and resource net benefits by the same amount that the payout was decreased in sectors that were not expected to have electric and resource net benefits.

The PUC met again on December 28, 2020 to further discuss the Modified PIM and to review the written comments received. The PUC discussed other alternatives to modifying the benefits eligible to be counted toward National Grid’s incentive, including reducing the target incentive from the \$7.2 million proposed by National Grid. The PUC also discussed comments from some parties that the design of the service quality adjustments created the incentive for National Grid to achieve a certain level of achievement, but no more and no less than that achievement. Based on the review of the written comments, the PUC decided to have a more involved stakeholder process

before voting on a final performance incentive for the EE Plan. The PUC convened a technical session on February 4, 2021 during which PUC staff and the parties reviewed the Modified PIM proposal.

The PUC is now noticing the attached EE Plan performance incentive proposal for public comment, which is the Modified PIM proposal with further enhancements (“Commission PIM Proposal”). The Commission PIM Proposal has the following objectives, and the PUC is seeking comment specifically on the proposed design to meet these objectives:

1. Create a signal or guardrail to disincentivize spending above the planned budget
 - Boundary Rules 2, 3, and 4 set forth in the attachment are intended to decrease National Grid’s incentive for outcomes that required spending above the approved budget
2. Focus National Grid’s implementation on creating net benefits that maximize electric and gas customers’ share of low-risk quantifiable, verifiable net benefits; limit National Grid’s share of more risky net benefits and societal benefits
 - Calculate electric efficiency net benefits as the sum of electric system benefits and 50% of resource benefits
 - Calculate gas efficiency net benefits as the as the sum of gas system benefits and 50% of resource benefits
 - Do not allow National Grid to share in any other benefits category (allow 100% of these benefits to flow to participants and society)
3. Provide National Grid the same degree of financial incentive for delivering the proposed program as was proposed in the EE Plan
 - Increase the target incentive payout for the electric and gas Commercial and Industrial Sectors by the amount the Market Residential and Income-Eligible Sectors are reduced
 - Create service quality adjustments to ensure National Grid has financial stake in delivering the Market Residential and Income-Eligible Sectors.
4. Reduce potential volatility in outcomes created by the sharp transitions at 65% achievement of sector targets that were reflected in the original Modified PIM and provide an incentive for National Grid to achieve savings targets in the Market Residential and Income-Eligible Sectors
 - Allow incentives to accrue at lower achievement levels, but with smaller shares (a smaller proportion) of net benefits than the share allowed for higher achievement levels
 - Allow service quality adjustments to scale from a maximum adjustment at 65% achievement to zero adjustment at 95% achievement
5. Provide National Grid an opportunity to earn an incentive in all sectors, even those for which the approved plan is not expected to create incentive-eligible net benefits and thus are subject to potential service quality adjustments

- Set achievement targets that exceed the planned net benefits for electric Market Residential, and electric and gas Income-Eligible sectors.
- Allow a higher-than-proposed payout factor for eligible net benefits created in these sectors

The PUC seeks written comment on the Commission PIM Proposal. In particular, the PUC requests that the parties consider and comment on the following:

1. Anything that remains unclear about the Commission PIM Proposal.
2. The allocation of regulatory costs.
3. Whether the graduations included in the Commission PIM Proposal adequately address the concerns about abrupt changes in the prior proposal.
4. Whether certain gas resource benefits should be categorized as system benefits.
5. Whether the PUC should adopt the Commission PIM Proposal for one or three years. If adopted for three years, what, if any, parts of the Commission PIM Proposal would change each year, and what would National Grid need to establish prior to the PUC adopting the Commission PIM Proposal for three years.
6. What, if any, impact would the Commission PIM Proposal have on National Grid's ability to deliver programs to renters.
7. To what extent should the rules pertaining to the ability of the Company to transfer funds between programs be modified? Is the requirement that the Commission approve certain transfers necessary in light of the Commission PIM Proposal?

The PUC will convene a workshop with the parties on February 25, 2021 from 10:00 A.M. to 12:00 P.M. for the purpose of allowing the parties to ask PUC staff clarifying questions directed at understanding how the Commission PIM Proposal functions.

Interested parties and members of the public wishing to offer comments regarding the Commission PIM Proposal may do so in writing to Luly E. Massaro, Commission Clerk, RI Public Utilities Commission, 89 Jefferson Boulevard, Warwick, RI 02888 until 4:00 P.M. on March 19, 2021.

The Commission PIM Proposal may be examined at the Commission's office located at 89 Jefferson Blvd., Warwick, RI. The Commission PIM Proposal can also be accessed at <http://www.ripuc.ri.gov/eventsactions/docket/5076-PUC%20PIM%20Proposal%202-18-21.pdf>.

Docket No. 5076 can be accessed at <http://www.ripuc.ri.gov/eventsactions/docket/5076page.html>.

Luly E. Massaro, Commission Clerk
February 18, 2021