



STATE OF RHODE ISLAND

# ENERGY EFFICIENCY & RESOURCE MANAGEMENT COUNCIL

CONSULTANT TEAM

## Summary of Rulings from the Rhode Island Public Utility Commission Open Meeting on April 29<sup>th</sup>, 2021

**Presented By:** EERMC Consultant Team

**Date:** May 20, 2021



# Outline

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Summary of Rulings

Responses to Council's Comments

Key Takeaways

Next Steps



# Efficient Building Fund Rulings

The Commission unanimously approved:

Allocation of five million dollars in the 2021 Annual Energy Efficiency Plan to the Efficient Building Fund program with all previous conditions remaining in place

National Grid to report in the next annual plan and year-end report:

Verify that the funds were used to support incremental investment and measures included in an approved plan

Whether or not the amount transferred covered more than the participant's contribution for investment in that measure

Whether it is cost-effective, including the cost of any interest rate reduction



# PIM Rulings Summary

The Commission unanimously adopted the Commission's Performance Incentive Mechanism Proposal for 2021, with the five modifications below

Adopt typographical errors identified in Rules 2 & 3 by National Grid

Define the undefined space in quadrant 4 identified by the EERMC by applying Rule 1 in the vertical space up to the horizontal axis and rule 3 in the remaining horizontal space

Remove Step 2 on slide 8

Adopt the numbers provided by National Grid identified in revised Table 7 and revised Table 9 in post-hearing data request 2-1

Adopt a service quality adjustment for the market rate residential gas sector and set the Design Service Achievement equal to the cost of the program in this sector



# PUC Responses to Council Comments

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The Council's comment seeking clarification on a portion of the PIM structure that was ambiguously defined was acted upon

The PUC rulings and discussion did not directly address the remainder of Council comments

Some discussion did generally apply to the Council's comments and the PIM alignment with the RI Test (more on next slide)

Council's comments on PUC PIM Proposal are [linked here](#) and summarized in Appendix I



# Key Takeaways

The 2021 Plan is now final – these were the last rulings needed from PUC

The PUC's PIM Proposal was approved with only relatively minor modifications

The Proposal is an effort by the PUC to remain consistent with the signals that previously approved PIMs have sent

The PIM proposed by National Grid included a significant change to the way the PIM is earned – switching from annual energy savings to lifetime net benefits

PIMs for prior years inherently emphasized energy system benefits because they were denominated in units of saved kWh & therms

The Commission PIM Proposal accepts the change to net benefits while seeking to send a similar signal to National Grid



# Next Steps

## 2021 Program Implementation

- Track performance and provide accountability for delivering programs as designed in 2021 Annual EE Plan

## 2022-2023 Program Planning

- Monitor for potential concerns raised in Council's comments
- Support development of Plans to pursue Council-approved targets
- Encourage plans to pursue Council and stakeholder priorities
  - PUC noted that LCP Standards must be fully followed when developing EE Plans, including pursuing wide array of benefits – PIM does not change that



# APPENDIX I – COUNCIL COMMENT DETAILS







# PIM Disconnected from RI Test

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The Commission PIM Proposal ('Proposal') **introduces a disconnect** between the narrowed set of program impacts counted in the Proposal ('eligible benefits'), which **focus on electric and gas system benefits**, and the broader program impacts appropriately captured by the **RI Test**, which have **historically guided program design**.



# Planning Implications Overview

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## Four Priority Areas where concerns are raised

**Equity:** Disincentive for robust Residential and Income Eligible programs

**Reducing Greenhouse Gas Emissions:** The Commission PIM Proposal excludes avoided emissions

**Collaborative Process:** The included Service Quality Adjustment (SQA) may lead to risk aversion and an adversarial tone during planning

**All Cost-Effective Energy Efficiency:** Incentivize Grid to pursue only eligible benefits rather than all cost-effective under RI Test



# Equity

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## Disincentive for Robust Residential and Income Eligible Programs

- Narrower programs promoting cheaper, lower-impact measures
- Possible to set low goals, exceed them, and earn outsized incentive even though programs would be smaller, less equitable, and not meet other priorities

## Regressive Subsidization

- Since C&I produce relatively more eligible benefits, significant funding likely to be allocated to this sector
- Under current electric SBC, low-income Rhode Islanders would be likely to subsidize C&I programs
- Strongly regressive and burdens those least able to afford it



# Reducing Greenhouse Gas Emissions

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## Consistency with State Energy Policy

- Reducing emissions core to many state policies
- Including 100% clean electricity by 2030, a nation-leading policy

## Build Capacity for the Future of Energy Efficiency

- Truly clean energy requires many new efficiency technologies to develop and mature
- Robust programs in all sectors are needed to achieve this goal, but not supported by Proposal



# Collaborative Process

## Obligated or Incentivized, Part 1

- Service Quality Adjustment in Res and IE risks reducing earnings opportunity in C&I
- Such structures associated with risk-averse program design, to avoid losing income and just meet obligations
- Can be seen as too risky to pursue historically underserved populations, emerging tech, or other innovations, because not sufficiently reliable, and missteps may reduce C&I earnings
- Proposal positions Council in 'adversarial' role, pushing Company to pursue all cost-effective when their financial incentives are restricted to eligible benefits
- Easy to imagine this corroding working relationships and sapping resources away from needed efforts in improvement and innovation



# All Cost-Effective Energy Efficiency

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## Obligated or Incentivized, Part 2

- If Commission locks in PIM, this eliminates a key tool for Council during plan development
- May become hard to push for all cost-effective efficiency

## Spending Constraints above 100% of Planned Budget

- Prior plans allowed pursuit of all cost-effective savings above 100% of budget, up to a point
- Proposal only supports additional savings if highly cost-efficient

## Market Transformation

- Risk aversion and narrow eligible benefits will reduce programs' ability to drive market transformation, which produces lasting benefits for all



# Recommendations to the PUC

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## **Adopt a PIM for only a single year, regardless of the final structure**

- Clear value in opportunity to put forward new ideas for 2022 and 2023
- Many outstanding concerns unresolved, so should not lock in one approach

## **Align performance incentive mechanism with RI Test**

- Best to fully align all benefits and costs between the two mechanisms
- Second best would be to make the following recommended changes:
  - Include all resource benefits at 100%, including delivered fuels
  - Include avoided greenhouse gas emissions
  - Maintain symmetry between benefits and costs that are included



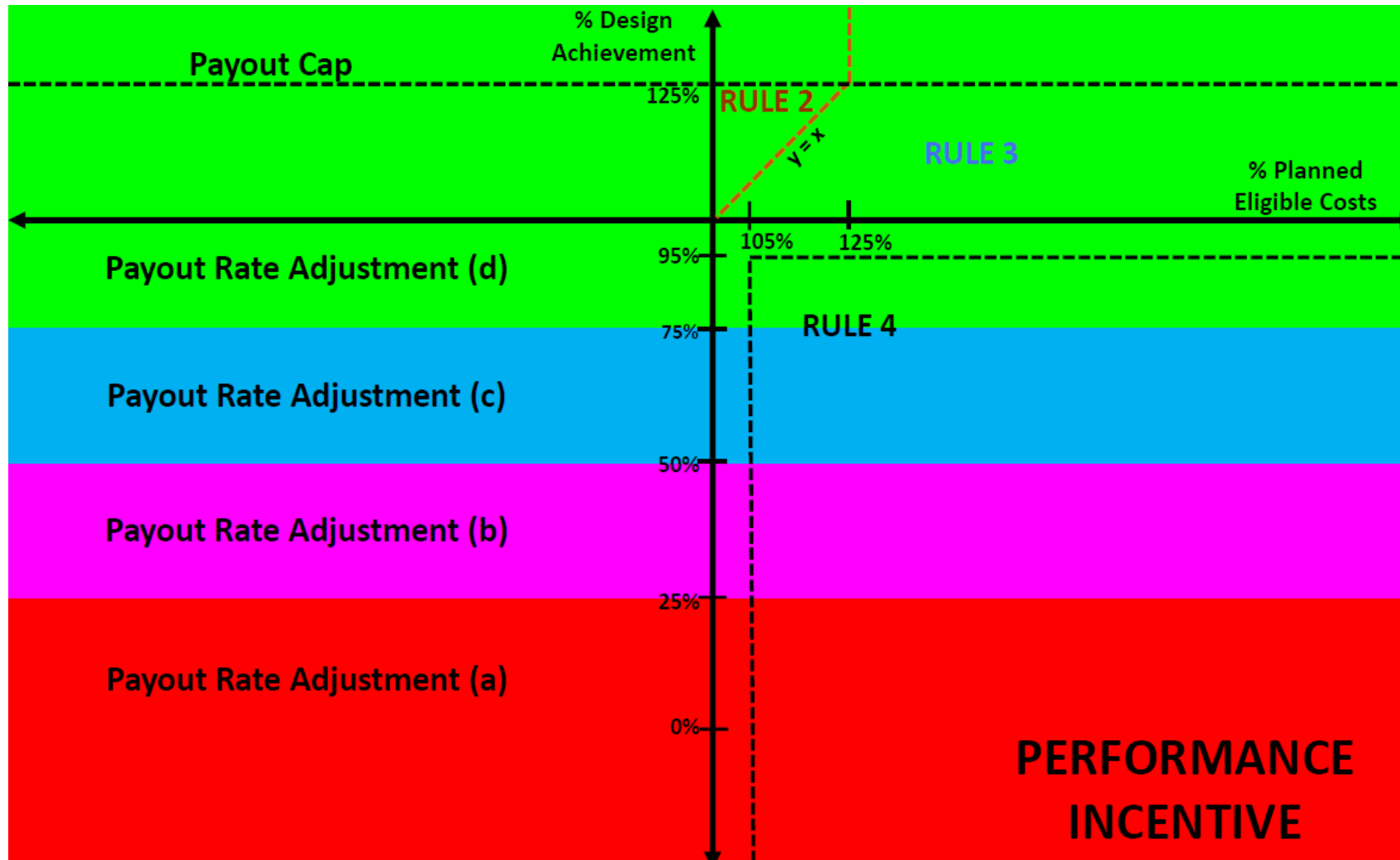
# APPENDIX II - PIM PROPOSAL DETAILS







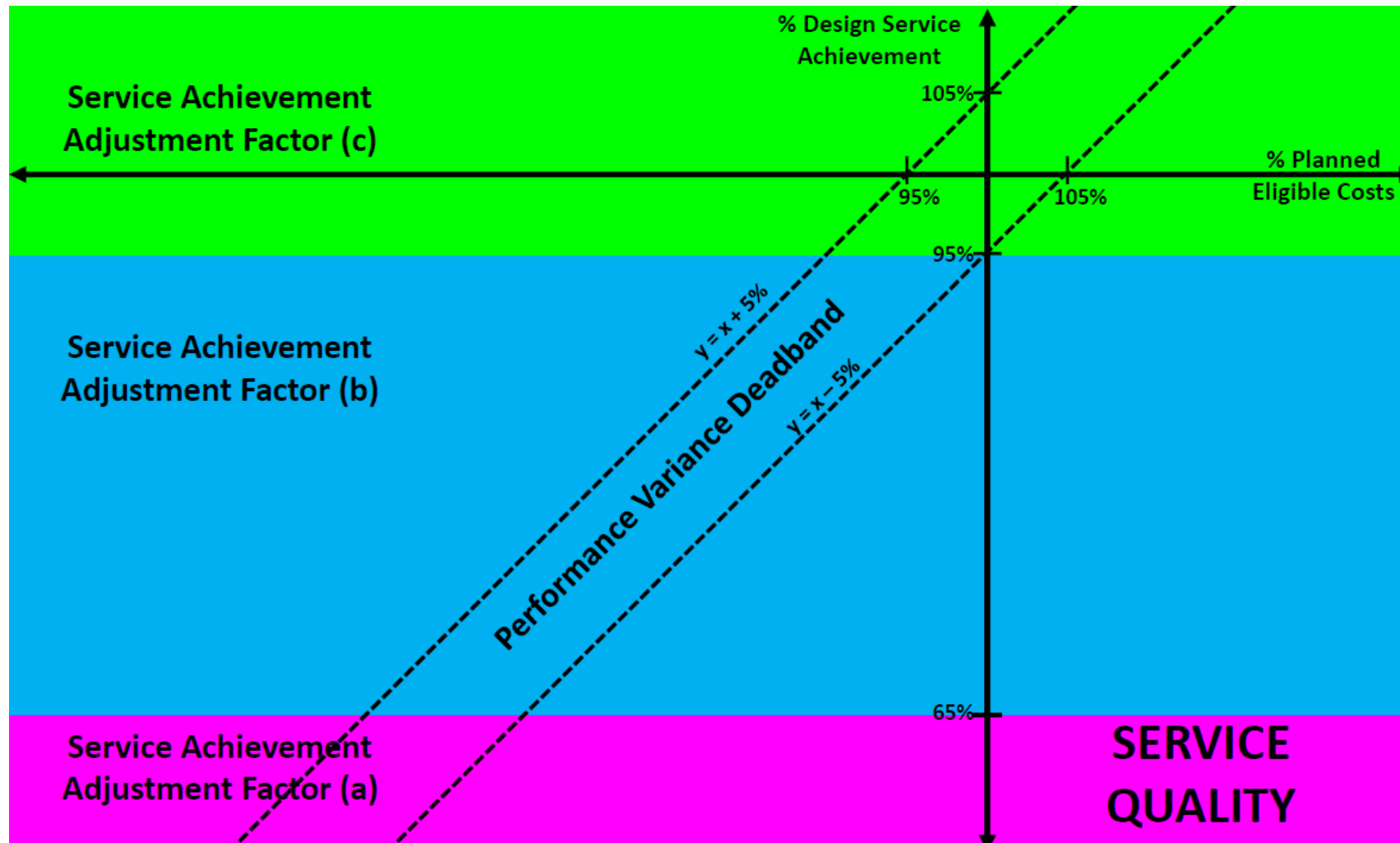
# Commission PIM Proposal: Performance Incentive



Note: This graphic is based on original PUC PIM Proposal – an updated version is expected to be issued



# Commission PIM Proposal: Service Quality Adjustment



Note: This graphic is based on original PUC PIM Proposal – an updated version is expected to be issued