



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

CONSULTANT TEAM

# Proposed Updates to Least Cost Procurement Standards

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# Outline

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Background and Process for Updating LCP Standards

Overview of PUC Proposed Modifications

Next Steps

Council Discussion



# LCP Standards for EE & SRP

The Least-Cost Procurement (LCP) Standards guide planning for 3-year and related annual plans

- Three-Year Targets and associated Report
- Three-Year and Annual EE Plans
- System Reliability Procurement (SRP) Proposals
- Council Role in Plan Development and Approval

LCP Standards were last reviewed and modified in 2020 for the 2021-2023 plan period



# Process for Updating LCP Standards

Public Utilities Commission (PUC) proposed initial set of revisions in Docket 23-07-EE

PUC held a Technical Session on April 6<sup>th</sup> to review its proposed revisions and allow stakeholders to ask clarifying questions

Stakeholders to submit written comments to the PUC by April 21<sup>st</sup>  
– More on this later in the presentation



# Overview of PUC Proposed Updates

PUC proposed updates grouped into four major categories:

- Greenhouse gas accounting in cost-effectiveness testing
- Allocation of regional costs and benefits
- Coordinating ratepayer funded activity with those from outside sources (e.g. federal, state, etc.)
- Addition of Chapter 7 – Demand Side Management Investment Proposal

PUC included some other proposed updates that do not fall into categories listed above



# Accounting for GHG Emissions

*“With respect to the value of greenhouse gas reductions, the RI Test shall include the costs of CO<sub>2</sub> mitigation as they are imposed and are projected to be imposed by the Regional Greenhouse Gas Initiative, Rhode Island Renewable Energy Standard and Rhode Island Act on Climate, and any other utility system costs associated with reasonably anticipated future greenhouse gas reduction requirements at the state, regional, or federal level for both electric and gas programs.”*

Green underline text is added to existing Standards language

## Key Takeaway

Ultimately up to the Company (ideally with stakeholder input through the planning process) to determine and defend an approach to calculating non-embedded carbon emissions accounting for RES and Act on Climate



# Allocation of Regional Costs and Benefits

For cost-effectiveness and cost of supply, the Company shall conduct “An analysis that, for categories with value or cost that is shared between Rhode Island Energy and other jurisdictions (both within the state and region), presents:

- benefits and costs **without allocating** them between Rhode Island Energy and other jurisdictions, and
- only those benefits and costs **that will be allocated** to Rhode Island Energy.”

## Key Takeaway

Proposed requirement is for a sensitivity analysis, **not** a deviation from utilizing the RI Test as the bar for whether a program is considered cost-effective



# Coordinating Program Activity

Energy Efficiency Plans shall include an “analysis of total energy likely to be saved in Rhode Island through energy efficiency over the three years, and the portion of those total energy savings that will be delivered by the distribution company’s EE programs.”

## Key Takeaway

The Company will need to clearly document how it designed its program goals and budgets to be consistent with state policy and other non-utility energy efficiency programming





# Chapter 7 – DSM Investment Proposal Overview

PUC proposal to include an entirely new chapter of the LCP Standards for DSM Investment Proposals

Creates a space for non-energy efficiency activity that has been historically proposed in energy efficiency plan filings

- Active Demand Response
- Delivered Fuel Switching with Heat Pumps

Potentially gives Company more flexibility with its suite of activity that falls outside of pure energy efficiency



# Chapter 7 – DSM Investment Proposal Standards

New Chapter 7 establishes standards for DSM Investment proposals, should the Company elect to make such a proposal

Some key aspects of standards include:

- Proposals must comply with rest of LCP Standards
- Exception is that they don't need to be "less than the cost of supply", but do need to demonstrate how they will reduce electric or gas rates
- Proposals shall be filed alongside, but separate from EE plans



# Chapter 7 – DSM Investment Proposal – Considerations

Anticipate that Council will have a role in reviewing DSM proposals, but still some open questions:

- What role will Council have in formally approving a DSM proposal?
- What role does the Council have in oversight of DSM proposals?

Understanding is that PUC would consider cost-recovery and performance incentive mechanism proposals as part of a DSM Proposal

- Open question as to what form those would take



# Other Proposed Updates

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Annual Plan requirement to include key assumptions for every measure proposed to be offered (e.g. incentive, budget, savings, etc.)

Annual and Three-Year reporting requirements for Company to show and explain changes in activity and funding levels and any changes made to its programming in response

Requirement that all Annual Plans be filed by October 1<sup>st</sup>

Codifies outcomes from 2022 EE Plan Docket related to Council budget setting process in Standards



# Next Steps

Stakeholder comments due on April 21<sup>st</sup>

- C-Team will be submitting some clarification questions on PUC proposed redlines

Does the Council want an opportunity to consider edits to Standards beyond comments and clarifying question on PUC's edits

- Legal counsel could request extension for submitting full set of comments

PUC to set remaining schedule for docket based on comments received



# Council Member Discussion

