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2024-2026 System Reliability Procurement Three-Year Plan

Prepared for the Energy Efficiency and Resource Management Council October 19, 2023



LCP Standards Ch.6: Role of the Council

6.3: Guidelines for SRP Plans and Proposals

- A. The Council **shall review** Three-Year System Reliability Procurement Plans. The Council may review SRP Proposals.
- B. The distribution company shall seek ongoing **input from, and collaboration with, the Council on development of the Three-Year SRP Plan** and on development of annual reports related to the Three-Year SRP Plan. The distribution company shall seek to receive the endorsement of the Three-Year SRP Plan by the Council prior to submission to the PUC.
- C. The Council **shall vote whether to endorse the Three-Year SRP Plan by October 21, 2020** and triennially thereafter. If the Council does not endorse the Three-Year SRP Plan, then the Council shall document the reasons and submit comments on the Three-Year SRP Plan to the PUC for their consideration in final review of the Three-Year SRP Plan.
- D. The distribution company shall, in consultation with the Council, propose a **process for Council input and review of its Three-Year SRP Plan** and SRP Proposals. This process is intended to build on the mutual expertise and interests of the Council and the distribution company, as well as meet the monitoring responsibilities of the Council.
- E. The distribution company shall submit draft Three-Year Plans to the Council and the Division of Public Utilities and Carriers for their review and comment at least one week before the Council's scheduled vote. Draft annual reports related to the Three-Year Plan shall be submitted to the Council and Division of Public Utilities and Carriers two weeks before filing the report with the PUC.
- F. The Council shall prepare memos on its **assessment of the cost effectiveness** of the Three-Year SRP Plan, pursuant to R.I. Gen. Laws §39-1-27.7(c)(5), and submit them to the PUC no later than three weeks following the filing of the respective Three-Year SRP Plans with the PUC, or in accordance with the procedural schedule set in the applicable docket.
- G. The distribution company shall submit any draft SRP Proposal to the Council and the Division of Public Utilities and Carriers for their review six weeks prior to filing the SRP Proposal with the PUC. The Council may determine its endorsement or opposition, involvement or abstention, or any other level of action related to the filing on a case-by-case basis.

Process for Council input and review



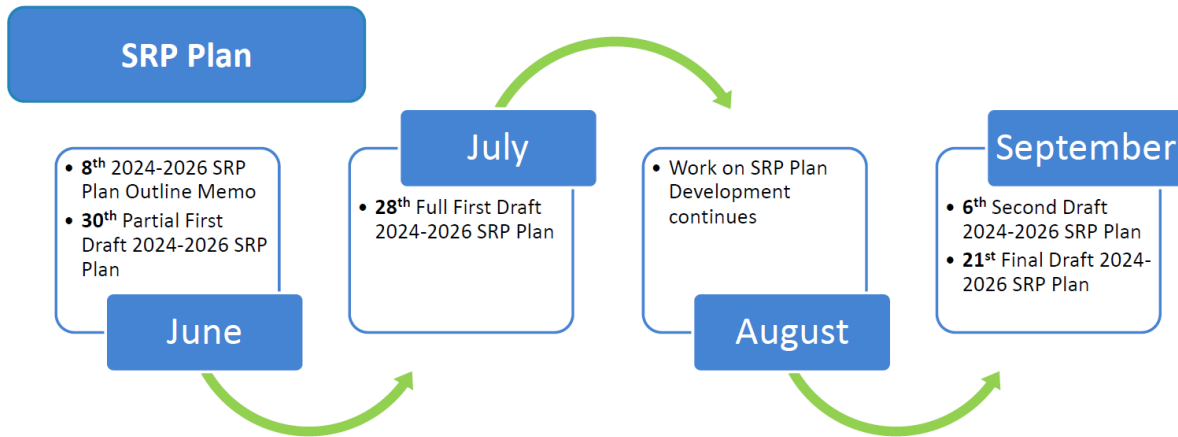
CONSULTANT TEAM

2023 EERMC Key Deliverables and Schedule

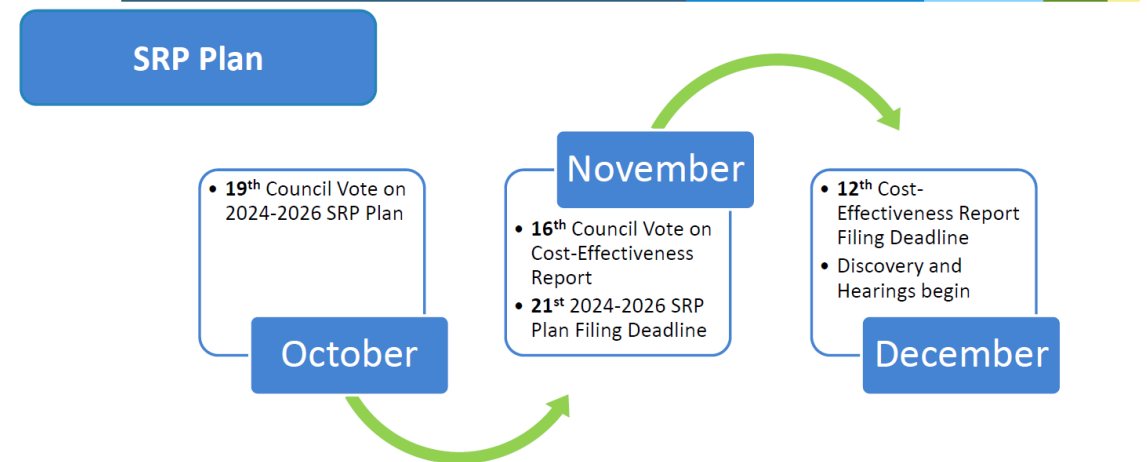
Presented By: EERMC C-Team
Date: January 19, 2023



2024-2026 SRP Planning Calendar



2024-2026 SRP Planning Calendar



Front Matter



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**2024-2026
System Reliability Procurement (SRP)
Three-Year Plan**

For action by the Rhode Island Energy Efficiency
and Resource Management Council on October 19,
2023

To be filed on/by November 21, 2023, with:

Rhode Island Public Utilities Commission in RIPUC
Docket No. 23-XX-EE

Prepared by:
The Narragansett Electric Company d/b/a Rhode
Island Energy



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Executive Summary

Executive Summary



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System Reliability Procurement (SRP) encompasses the activities conducted by The Narragansett Electric Company d/b/a Rhode Island Energy to meet or mitigate a gas or electric system need or optimization that provides the need or optimization by employing diverse energy resources, distributed generation, or demand response.¹ In this *2024-2026 SRP Three-Year Plan* (“Plan”), Rhode Island Energy summarizes its proposed implementation plan for system reliability procurement. This Executive Summary is intended to provide a high-level overview.

How does Rhode Island Energy identify

opportunities for system reliability procurement?

Rhode Island Energy’s system planners identify opportunities for system reliability procurement as they identify and screen system needs. The figure to the right describes the entire system reliability procurement process from identifying system needs to implementing system reliability procurement solutions. Section 2 describes this process in detail, and Sections 3 and 4 identify opportunities for system reliability procurement solutions in the queue.

¹ Per the Rhode Island Public Utilities Commission’s Least-Cost Procurement Standards, 2023 version.

Figure ES-1. Overview of System Reliability Procurement Process



Identify system needs

Engineers use forecasts about energy demand and distributed energy resources alongside information like asset age to model the electric and gas systems. These models help engineers pinpoint system needs that should be resolved soon.



Screen for possible solutions

Engineers apply screening criteria to understand which types of solutions are potentially feasible. Possible solutions include infrastructure investment, utility-run programs, and system reliability procurement.



Scope best alternative URP solution

Engineers scope the best alternative utility reliability procurement (URP) solution for the system need or optimization. Possible solutions are utility owned and operated by definition.



Solicit proposals

If system reliability procurement is a potential feasible solution, then engineers will work with the procurement team to develop a competitive bid process for third-party vendors to propose their solutions.



Evaluate proposals

Representatives from throughout Rhode Island Energy will help evaluate proposals from third-party vendors using pre-defined evaluation criteria that assess technical and economic viability.



Request regulatory approval

If a proposal is successful, then Rhode Island Energy will formally submit the solution for regulatory approval through an “SRP Investment Proposal.”



Implement solution

If the SRP Investment Proposal is approved, Rhode Island Energy will work with the third-party vendor to implement the solution in time to resolve the system need.

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How can third-party solution providers find opportunities to propose solutions?

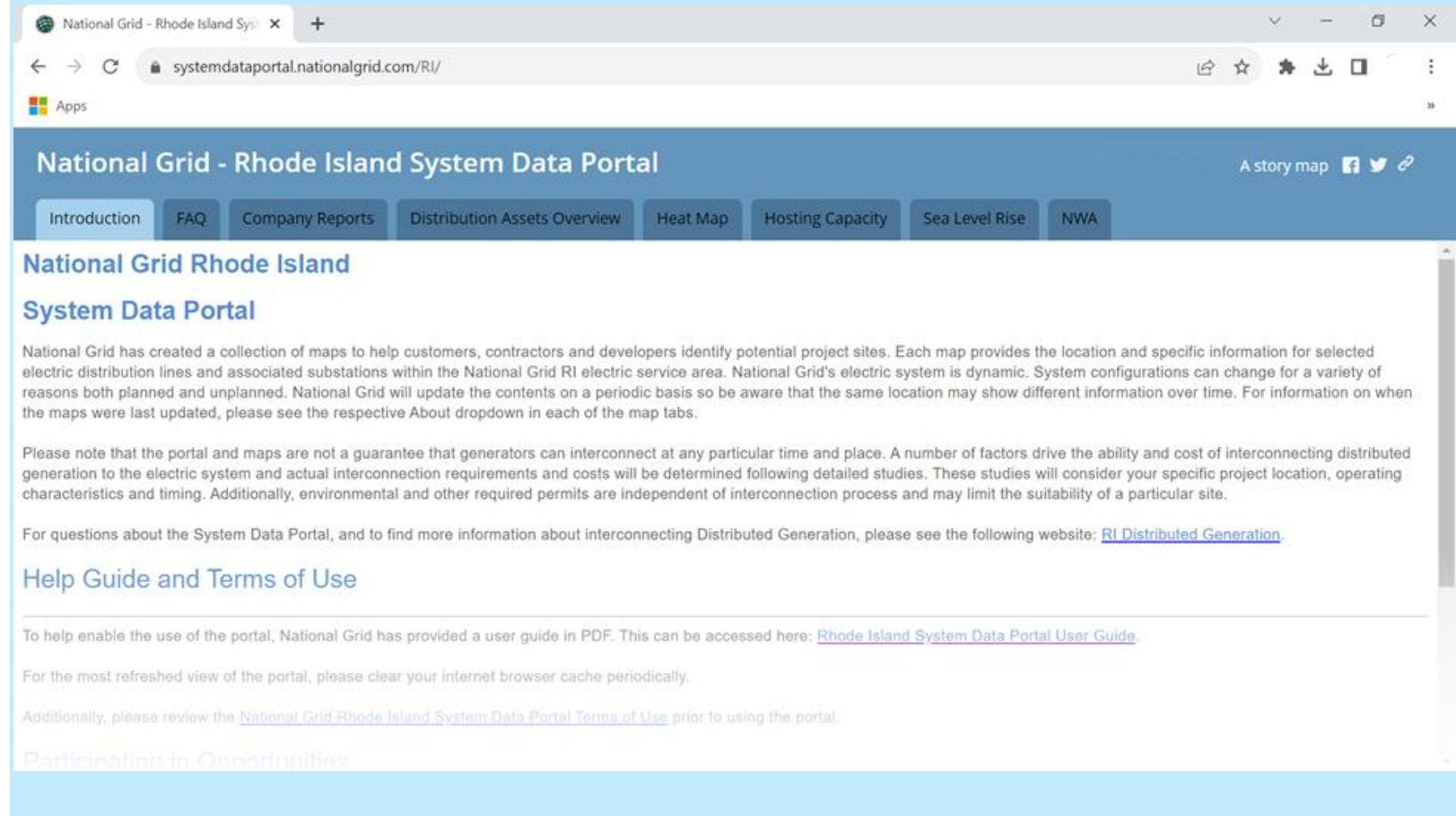
Third-party solution providers can find opportunities for system reliability procurement via Rhode Island Energy's System Data Portal, available here:

<https://systemdataportal.nationalgrid.com/RI/>.²

Specifically, third-party solution providers can access open solicitations for system reliability procurement solutions using the NWA tab and can follow along with Rhode Island Energy's system planning by viewing the area studies; system reliability procurement plans; and infrastructure, safety, and reliability plans in the Company Reports tab. Section 5 includes additional discussion of planned updates and improvements to the System Data Portal.

Appendix 5 contains a helpful user guide to assist users in getting the most out of the System Data Portal.

Figure ES-2. System Data Portal



² Please note that Rhode Island Energy is in the process of transitioning the System Data Portal from prior parent company National Grid; users should expect branding and company identification to transition during 2023-2024.

Executive Summary

How can stakeholders engage?

In the spirit of transparency and continuous improvement, Rhode Island Energy welcomes stakeholder engagement through the following channels:

- ✓ Third-party solution providers can add their contact information to Rhode Island Energy's distribution lists for solicitations; these distribution lists may also be used for other communications to solicit feedback from third parties on system reliability procurement processes (email cagill@rienergy.com to be added to distribution lists).
- ✓ Stakeholders representing customer, third party, or other interests can engage directly with Rhode Island Energy (email cagill@rienergy.com to discuss the most productive way to engage).
- ✓ Anyone (third-party solution providers, stakeholder groups, customers, etc.) can follow along with and engage via the Rhode Island Energy Efficiency and Resource Management Council (EERMC); visit the EERMC's website to learn more about the EERMC's oversight role in system reliability procurement and identify meetings to attend and ways to engage: www.rieermc.ri.gov.
- ✓ Anyone (third-party solution providers, stakeholder groups, customers, etc.) can follow along with and engage as appropriate in regulatory proceedings; visit the Rhode Island Public Utilities Commission's website to access dockets related to system reliability procurement: www.ripuc.ri.gov.
- ✓ Just have a general question or thought? Email Carrie Gill at cagill@rienergy.com to discuss.

Executive Summary



How is SRP coordinated across other distribution system planning and investment activities?

Rhode Island Energy conducts a number of business activities in the pursuit of delivering safe, affordable, reliable, and sustainable energy to our customers. As such, teams throughout Rhode Island Energy coordinate to make sure all investments and customer programs are aligned to make the most effective impacts. The table below provides some detail about how Rhode Island Energy coordinates between system reliability procurement and other distribution system planning and investment activities.

Infrastructure, Safety, and Reliability Planning	All distribution system planning, whether it results in utility reliability procurement that proceeds through <i>Infrastructure, Safety, and Reliability Plans</i> or system reliability procurement, begins with identifying system needs using forecasts about energy demand and distributed energy resources alongside information like asset age to model the electric and gas systems. Coordination between utility reliability procurement and system reliability procurement is inherent to Rhode Island Energy's internal structure of identifying system needs and ensures no duplication of efforts.
Energy Efficiency	System reliability procurement and energy efficiency are both authorized through Rhode Island's Least-Cost Procurement Statute and further stipulated through regulatory standards. Rhode Island Energy's energy efficiency team will propose the viability of targeted energy efficiency in response to open solicitations for system reliability procurement, to be evaluated alongside proposals third-party solution providers. In particular, demand response programs (conducted as system reliability procurement) overlay performance incentives on purchase and financing incentives accessed through energy efficiency programs. Staff are fully coordinated on leveraging both incentive streams to maximize demand response program impacts.
Customer Communications	Rhode Island Energy's customer communications team is fully integrated into outreach and engagement for system reliability procurement during the 2024-2026 period. Outreach and engagement could include open solicitations for system reliability procurement, awareness of the System Data Portal, education and volunteer peak demand reduction for ConnectedSolutions, and other information related to system reliability procurement activities, as appropriate.
Grid Modernization and Advanced Metering	Rhode Island Energy has filed proposals with the Rhode Island Public Utilities Commission to transition to advanced metering (Docket No. 22-49-EL) and modernize the electric grid (Docket No. 22-56-EL), both of which are ongoing proceedings as of September 1, 2023. Regardless of the outcomes of either proceeding, system reliability procurement will continue and Rhode Island Energy will continue to screen system needs for the possibility of having system reliability procurement solutions, for which Rhode Island Energy would solicit proposals. Indeed, enhanced visibility, communications, and control achieved through advanced metering and grid modernization would benefit Rhode Island Energy's ability to forecast system needs and employ system reliability procurement solutions.
Last Resort Service Supply Procurement	Through a RI PUC approved procurement process, Rhode Island Energy procures energy supply on behalf of all customers who have chosen not to receive supply from an alternate supplier (i.e. retail or competitive supplier). Rhode Island Energy's procurement team is involved in informing decisions about the scale of peak reduction targeted through demand response activities within system reliability procurement.

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For more information...

The following *2024-2026 SRP Three-Year Plan* describes Rhode Island Energy's vision for system reliability procurement throughout 2024-2026. Interested stakeholders, third-party solution providers, and energy system enthusiasts are encouraged to read on to learn more about Rhode Island Energy's system reliability procurement processes, upcoming activities and programs, regulatory compliance, and additional technical and conceptual details.



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Section 6. Performance Incentive Plan

Performance Incentive Plan



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Rhode Island Energy proposes performance incentive structures for (i) demand response and (ii) implementation of a system reliability procurement solution. Both incentives are structured as shared savings, where the demand response performance incentive shares avoided supply costs and system reliability procurement shares avoided distribution costs.

Through system reliability procurement, Rhode Island Energy is creating value. The Company proposes to share this value between customers and shareholders, thereby accomplishing the Company's dual mission of delivering safe, affordable, reliable, sustainable energy to customers and long-term value to shareholders.

Please note that the incentive structures below are conceptual; Rhode Island Energy will propose specific performance incentives aligned with this structure in each of its *SRP Investment Proposals*.

Demand Response Performance Incentive

Rhode Island Energy proposes a dollar per megawatt peak reduction performance incentive for its demand response achievements. The level of incremental incentive is tied to quantitative net benefits, as described below. The objective is to share quantifiable cash savings with customers.

Quantitative net benefits

- Electric Savings: Energy
- Electric Savings: Capacity
- Resource Benefits: Electric Energy
- Resource Benefits: Electric Energy DRIPE
- Resource Benefits: Electric Capacity
- Less: Program Costs

²⁰ This proposal is similar to the System Efficiency Performance Incentive Mechanism developed and approved via Docket No. 4770, except that it is specific to system peak reduction achieved through demand response.

Performance Incentive Plan



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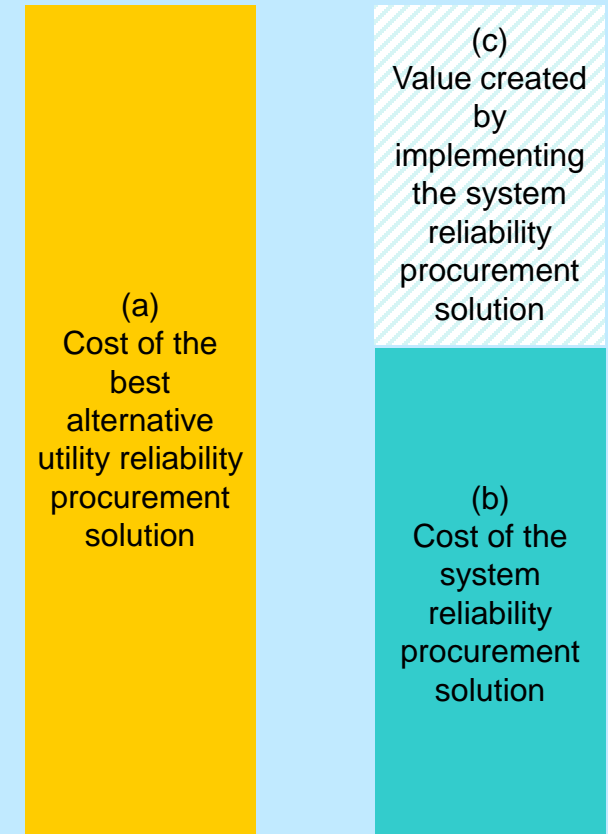
System Reliability Procurement Performance Incentive

Rhode Island Energy proposes a shared savings mechanism for successfully implementing system reliability procurement solutions. Savings is defined as avoided costs between the system reliability procurement solution and the best alternative utility reliability procurement solution, where 80 percent is allocated to customers and 20 percent is earned by the Company on an annual basis.

Rhode Island Energy additionally proposes a minimum performance incentive for the successful implementation of each system reliability procurement solution, commensurate with the lost return its shareholders would have earned on the best alternative utility reliability procurement solution. This minimum ensures that there is no structural earnings incentive for one type of solution over another. Figure x, below, illustrates the share value approach to a performance incentive.

When the Company files its proposed system reliability procurement solution, the filing will contain details of the best alternative reliability procurement solution, including annual financials, for full regulatory scrutiny. The same details will be provided for the proposed system reliability solution. The Company will request regulatory approval of the performance incentive, implying regulatory review and approval of the specific financials of the best alternative utility reliability procurement solution and the proposed system reliability procurement solution. The performance incentive will be calculated and included within each annual system reliability procurement report, using actual data of the prior year's expenses on the approved system reliability procurement solution relative to the best alternative utility reliability procurement solution. This performance incentive will be recovered via the same cost recovery mechanism used to fund the proposed system reliability procurement solution.

Figure 10. System Reliability Procurement Performance Incentive



Performance incentive =
MAX {allowed return on best alternative utility reliability procurement solution, 20% * (c)}



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Section 7. Annual Reporting

Annual Reporting



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Rhode Island Energy will submit an SRP Annual Report to the Rhode Island Public Utilities Commission by June 1 of each year covering activities completed within the prior calendar year (e.g., the 2024 SRP Annual Report will cover activities conducted January 1 through December 31, 2024, and will be submitted by June 1, 2025). With the dual objectives of transparently reporting activities to interested stakeholders and holding the Company accountable, each annual report will include the following information:

- Results of each step included in the SRP process described in Section 2;
 - Where results of screening for electric and gas system reliability procurement opportunities, with any opportunities added to a comprehensive listing of opportunities with summary information about system needs or optimization and next step/date of next step (akin to the descriptions provided in Sections 3 and 4);
- Results of Steps 4-5 (solicitation and evaluation) include proposals and their evaluation outcomes for internally-sources system reliability procurement solutions that did or did not advance to Step 6 (regulatory review);
- Calculation of performance incentives, as applicable, resulting from successful implementation of system reliability procurement (Step 7)
- A summary of any major changes to the System Data Portal (beyond routine updating of data);
- A summary of engagement with the SRP Technical Working Group; and
- A description of any proposed changes to process, funding, performance incentive, annual reporting, or any other system reliability procurement activity with a justification for the proposed change and any request regulatory ruling related to the proposed change.



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Section 8. Consistency with LCP Standards

Consistency with LCP Standards



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In this section, Rhode Island Energy discusses how the 2024-2026 SRP Three Year Plan –specifically the proposed system reliability procurement process – is consistent with the requirements of Least-Cost Procurement Standards Section 1.3. Key excerpts are copied below for easy and direct reference.

Rhode Island Energy will include detailed discussion and documentation (where appropriate) specific to each System Reliability Procurement Investment Proposal to evince its adherence to Least-Cost Procurement Standards Section 1.3.

Least-Cost Procurement Standards Section 1.3.A
“Least-Cost Procurement shall be cost-effective, reliable, prudent, and environmentally responsible. ... System Reliability Procurement shall be lower than the cost of the best alternative Utility Reliability Procurement.”

The evaluation step of the system reliability procurement process described in Section 2 Step 5 of this Plan is consistent with Standards Section 1.3.A because the evaluation criteria are structured such that any proposed system reliability procurement solution that is not cost-effective, reliable, prudent, environmentally responsible, and lower than the cost of the best alternative utility reliability procurement solution is removed from further consideration. The proposed system reliability procurement process and evaluation criteria guarantee consistency with Standards Section 1.3.A.

Least-Cost Procurement Standards Section 1.3.B
“When preparing any cost test or resource assessment, including the RI Test, the following principles will be applied: i. Supply-side and demand-side alternative energy resources shall be compared in a consistent and comprehensive manner. ii. Cost tests shall be created using the RI Framework and account for applicable policy goals, as articulated in legislation, PUC orders, regulations, ... assessed. iv. Cost tests shall be symmetrical, for example, by including both costs and benefits for each relevant type of impact. v. Analyses of the impacts of investments shall be forward-looking, capturing the difference between costs and benefits that would occur over the life of the investments with those that would occur absent the investments. Sunk costs and benefits are not relevant to a cost-effectiveness analysis. vi. Cost tests shall be completely transparent and should fully document and reveal all relevant inputs, assumptions, methodologies, and results.”

The system reliability procurement process described within Section 2 of this Plan includes a step for evaluating system reliability procurement proposals. Within this step, Rhode Island Energy describes its adherence to the principles put forth in Standards Section 1.3.B. In this manner, the Plan is consistent with this requirement of the Standards.

Consistency with LCP Standards



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Least-Cost Procurement Standards Sections 1.3.C-F
These sections stipulate criteria that shall or may be used in the assessment of the extent to which system reliability procurement solutions are cost-effective, reliable, prudent, and environmentally responsible.

The stipulations for determining cost-effectiveness are built into the system reliability procurement process in evaluation of system reliability procurement project proposals. Rhode Island Energy describes its adherence to the Least-Cost Procurement Standards in Section 2 Step 5.

Least-Cost Procurement Standards Section 1.3.H
“Lower than the cost of the best alternative Utility Reliability Procurement i. The distribution company shall compare the cost of System Reliability Procurement measures, programs, and/or portfolios to the cost of the best alternative Utility Reliability Procurement option using all applicable costs enumerated in the RI Framework. The distribution company shall provide specific costs included in the Cost of System Reliability Procurement. ii. At a minimum, the comparison shall include the applicable cost categories in a Total Resources Cost Test. iii. The distribution company shall describe which costs in the RI Framework were included in the cost of System Reliability Procurement and which costs are included in the alternative Utility Reliability Procurement. For any categories that are not included in either, the distribution company shall describe why these categories are not included.”

Rhode Island Energy explicitly commits to adhere to Least-Cost Procurement Section 1.3.H in its assessment of the cost of the system reliability procurement solution relative to the best alternative utility reliability procurement solution.²⁰

²⁰ Least-Cost Procurement Section 1.3.H is the relevant section for System Reliability Procurement; Section 1.3.G is relevant for Energy Efficiency and, as such, is not included for discussion herein.



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Section 9. Request for Ruling

Request for Ruling – *forthcoming*



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In accordance with Least-Cost Procurement Standards (2023) Chapter 4.5 (Docket No. 23-07-EE), Rhode Island Energy respectfully requests that the Commission

- A. approve screening requirements and implementation plans described in Sections 2-5;
- B. approve annual reporting requirements described in Section 7; and
- C. approve the performance incentive plan described in Section 6.

Please note that Rhode Island Energy is not requesting any ruling on the draft *System Reliability Procurement Investment Proposals* contained in Appendix 4 at this time; final versions of these proposals will be filed with the Commission for review and approval separately.