EERMC Online Public Comments

Received February 14, 2024

Name

Nancy Chafetz

Who You Represent/Your Organization

CPower

Email

nancy.chafetz@cpowerenergy.com

Public Comment

CPower appreciates the opportunity to submit comments on the SRP Investment Proposal for Electric Demand Response 2024-2026. Our comments relate specifically to the commercial and industrial ("C&I") portion of the demand response program branded ConnectedSolutions ("the Program").

CPower is one of the largest providers of demand response and distributed energy resource services in North America, with over 6 GW of customer capacity under management. CPower has been participating in the ConnectedSolutions program with C&I customers since Program inception and now serves six investor-owned utilities in New England, with close to 200 MW in ConnectedSolutions and related utility programs.

CPower commends RIE and the EERMC on the robust process that was conducted to solicit feedback from stakeholders on the SRP Investment Proposal. The changes that have been made to the Proposal in response to stakeholder feedback are positive. To fully achieve the goal of preserving and expanding the benefits provided by demand response in the Program, however, an additional modification is needed: the proposed incentive cap must be raised. Without this change, a great deal of battery potential will be left untapped, and ratepayers will forgo the associated cost savings, emissions reductions, and reliability and resiliency benefits.

The SRP Investment Proposal recommends capping the incentive that can be earned in the C&I ConnectedSolutions Program at $1 million per participant per year. The impetus is, in part, a belief that more "diffuse" participation will result in greater reliability of response.

A $1 million incentive cap is too low and will significantly limit battery development in the state.

Any cap on the incentive that can be received by a participant will act as an effective cap on battery size because batteries are generally not economic to build without incentives that support their full capacity value. A $1 million cap translates to a cap on battery size of roughly 3.6 MW, assuming the customer is not also providing load curtailment in the Targeted Dispatch Program. If the customer is already providing load curtailment, the effective cap would be even lower since a portion of the cap would go toward incentives paid out for load curtailment.

An effective battery cap of 3.6 MW will significantly shrink the pool of customers who are interested in installing an on-site battery. Customers generally install batteries for two reasons: 1) they provide resiliency, and 2) they can help them reduce their energy bill. A 3.6 MW battery, however, can provide meaningful resilience and bill reduction only if the customer's peak load is lower than 3.6 MW. As such, we don't expect customers with peak loads over ~3 MW to have a lot of interest in installing a battery if the incentive is capped at $1 million. In CPower's experience, however, it is large customers – customers with loads greater than 3 MW - who are most interested in installing on-site batteries. Of the batteries in CPower's pipeline, roughly 80% are sized larger than 3.6 MW and likely will not move forward if the proposed incentive cap is adopted.

With regard to smaller C&I customers and smaller batteries, we don't expect C&I customers with lower peak loads (less than ~2 MW) to have much interest in installing batteries because smaller batteries simply don't have the economies of scale that make these projects financially viable. A higher incentive rate would be needed to encourage battery adoption for smaller C&I customers.

In short, a cap of $1 million will encourage battery adoption in only a small segment of potential battery customers; it completely shuts out larger C&I customers who are likely the best candidates for on-site batteries because of the economies of scale they can achieve and the higher benefit-to-cost ratios they produce.

CPower proposes an incentive cap of $1.375 million per customer per year.

A cap of $1.375 million would allow batteries up to 5 MW to be developed and brought into the ConnectedSolutions Program. This modest increase in the cap would make a meaningful difference in the Program's ability to attract batteries because batteries in the 4 MW – 5 MW range can achieve economies of scale, whereas smaller batteries generally cannot.

Diffuse participation will not increase the reliability of response from batteries.

A battery owner has no higher value use than ConnectedSolutions because it needs Program revenues to recoup its investment in the battery. As such, the battery owner has a very strong incentive to ensure the consistent and reliable performance of the battery in response to ConnectedSolutions dispatches. Without this performance, they will not earn a return on their investment. Given this, providing more than 10% of the budget to a single battery will not put reliability of response at risk. That said, the increase in the cap that CPower is recommending is modest and would still result in diffuse participation.

Any incentive cap should be applied per customer measure, rather than per customer. Applying the cap per customer is likely to result in the loss of load curtailment measures from the Program.

Customers in ConnectedSolutions can participate in both Targeted Dispatch and Daily Dispatch with different measures. For example, a manufacturing facility might provide load curtailment in Targeted Dispatch by interrupting a manufacturing process when dispatched. They might later decide to install an on-site battery and participate in Daily Dispatch with that battery. If this customer’s total incentive is capped at $1 million, the cap available to the battery would be $1 million minus the incentive earned through Targeted Dispatch. However, the more likely course of action in this scenario is that the customer would discontinue load curtailment activities in Targeted Dispatch in order to maximize the incentive that can be received by the battery. This would not be an optimal outcome for ratepayers, since they wouldn’t be able to realize the full benefit of this customer’s load reduction capabilities. As such, CPower recommends that any incentive cap be applied per measure rather than per customer.

Thank you for the opportunity to provide these comments. We look forward to continuing to work together to enable the continued success of the ConnectedSolutions Program in Rhode Island

Nancy Chafetz
Senior Director, Regulatory Affairs
CPower

Name

Nate Hua

Who You Represent/Your Organization

Leap

Email

nate@leap.ac

Public Comment

Ahead of the Council's 2/15/2024 meeting, Leap would like to submit public comment on several pieces of Rhode Island Energy's (RIE's) updated and filed 2024-26 System Reliability Procurement (SRP) Investment Proposal for Electric Demand Response as it relates to the ConnectedSolutions program. Please find those below.

(1) On the Daily Dispatch incentive:
- We see that RIE has acknowledged batteries have a potential $13/kW incremental value due to energy price arbitrage (page 40 of the filing).
- We also see that RIE has included this energy price arbitrage value in the Residential and Small Business (RSB) Battery pathway (page 37 of the filing) but not in the C&I Daily Dispatch pathway (page 68 of the filing).
- We recognize that Daily Dispatch is technology agnostic and that RIE has noted there are currently no battery storage resources participating in RIE's C&I Daily Dispatch program, however, we believe that it is a disservice to acknowledge but exclude a value provided by battery storage resources in the incentive.
- Our recommendation is that RIE implement a Daily Dispatch incentive specific to battery storage resources, which includes the energy arbitrage value, set at $300/kW.
- There is precedence from other ConnectedSolutions program administrators creating technology specific incentives. For example, in previous years Eversource offered load type specific incentives for battery storage and cold storage.

(2) On if the budget were to be exceeded:
- We noticed that there is no language addressing what the payment procedure would be in the event the program's budget is exceeded. We interpret that to mean payments will carry out as expected, even if that entails going over budget, but believe it would be helpful to clarify.
- Our suggestion is that RIE add language to its section on SRP factor development for 2025 and 2026 so that if the budget were to be exceeded in 2024, the SRP factor to be collected in 2025 accounts for the 2024 surplus and so forth. We believe this is prudent given any value of reducing peak demand should be compensated and excluding participants/performance would be directly disincentivizing the program's goals.

(3) On the multiyear incentive rate:
- We believe some language surrounding the multiyear incentive rate should be clarified further.
- On Page 93 of the filing, it states that "The Commitment Letter will lock the incentive rate for the customer during the construction, installation, and interconnection of the battery system for up to a maximum of two years, through the 2026 peak season." However, the Table below indicates that there are 3 seasons for which the incentive would be held constant. We believe it would help clarify the intent by using "three years" instead of "two years," or state "two years in addition to the initial year of participation." It would also be helpful to extend the table to include a resource that's enrolling in 2025 to demonstrate that only 2 years would be locked in.
- Additionally, Page 93 of the filing also states "Please note that the Commitment Letter and

multiyear incentive rate represents Rhode Island Energy's intentions; it is not a guarantee of incentive levels." That introduces some uncertainty on whether the price is truly guaranteed through 2026. We believe the intention is to guarantee it through 2026. As such, our suggestion is to add "beyond 2026" at the end of the referenced sentence.

We thank the Council and Rhode Island Energy for the continued opportunity to engage and provide feedback on the SRP Plan.

Sincerely,
Leap