

## External Memorandum

Responses to Public Comments from Energy Efficiency Council Meeting February 15, 2024.

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Rhode Island Energy extends its thanks to the Council and to those who provided comments during the public comment portion of the Council's meeting. In this memo, we summarize and respond to the public comments. We welcome ongoing dialogue – thank you for your engagement!

### Comments on behalf of SmartGreen

SmartGreen's comments addressed four topics: (1) a characterization of the electric utility business proposing to grow peak demand with its proposal, (2) a critique that the proposed ConnectedSolutions program design for 2024-2026 would be detrimental for the State of Rhode Island to comply with statutes, (3) a suggestion to account for the value of resilience in determining incentive levels for peak demand reduced by battery energy storage systems, and (4) a note about experiencing challenges with pairing renewable energy and storage systems.

- (1) Rhode Island Energy is proposing to *decrease* peak demand through ConnectedSolutions.
- (2) Rhode Island Energy's proposed reduction in incentive levels for battery participants in ConnectedSolutions will not prevent Rhode Island from meeting its 2030 mandate of reducing economy-wide greenhouse gas emissions of 45 percent below 1990 levels, nor will it prevent compliance with the Renewable Energy Standard (RES). Rhode Island's clean energy future will certainly contain a mix of renewable energy resource types. Although the proposed incentive levels are likely to result in slower battery deployment and lower resulting battery penetration relative to a counterfactual with higher incentive levels, the Rhode Island Public Utilities Commission's analysis shows that batteries are not critical to meeting the RES through 2032. Furthermore, Rhode Island Energy's proposal is for 2024-2026, and does not contemplate future incentive levels, accessible values streams, or other potential revenues for batteries outside of ConnectedSolutions or post-2026.
- (3) The objective of ConnectedSolutions is to reduce regional coincident peak demand on the distribution system, thereby avoiding electric bill costs for customers. Rhode Island Energy is excited to expand the battery landscape throughout Rhode Island and recognizes the value of resilience that energy storage can provide. Resilience value is 100% retained by the participant, so during the analysis of ConnectedSolutions' rate/bill impacts on our customers, the value of resilience was excluded from this calculation. We want to make sure that **all** Rhode Island Energy customers will benefit from this program, not just those who are able to participate.
- (4) Thank you for calling attention to your experience. We've since met several times on this issue. Storage paired with renewable energy can participate in ConnectedSolutions, regardless of whether the renewable energy is compensated through net metering or Renewable Energy Growth. We would like to avoid potential confusion in the future, so we're working internally to develop sample one-line electrical diagrams and other informational materials about how systems may be paired to allow energy storage to participate in ConnectedSolutions. We anticipate this informational material to be live prior to the 2024 peak season.

### Comments on behalf of Enphase

Enphase's comments addressed four topics: (1) an expressed desire for increased residential and small business incentive rates, (2) a request for HEAT loans to continue to be made available for all customers regardless of rate class, (3) an argument stating that battery installation lead time is 9 months, not 4-6 months as understood by Rhode Island Energy, and (4) a warning that battery adoption will drop to pre-ConnectedSolutions levels and that this assertion is backed by historical data.

- (1) Rhode Island Energy recognizes the want of our stakeholders to set higher incentive rates for our participants. The residential and small business pathway has the highest unit cost. These unit costs are factored into the proposed program design in two ways. First Rhode Island Energy generally proposes to procure more of lower-cost peak demand reduction and less of higher-cost peak demand reduction (residential batteries). Second, Rhode Island Energy proposes modifications to incentive levels and program design intended to reduce unit costs of pathways that are higher than our willingness to pay. The willingness to pay is the maximum price Rhode Island Energy is willing to pay for a unit of peak demand reduction. On average serving 1 kW of peak load in 2024 would cost the customer base approximately \$262. Therefore, Rhode Island Energy's filing proposal offers new customers enrolled on or after June 1, 2024 an incentive rate of \$225/kW.
- (2) The filed proposal allows for HEAT Loans for all customers through May 31, 2024. But will then limit eligibility for this incentive to income-eligible customers. This helps focus funding for potential participants who need it most and reduces the amount of funding collected from all customers. During Program Year 2023, over half of new ConnectedSolutions battery enrollments were not provided with a HEAT Loan. That said, we continue to explore funding options and are actively developing a grant application for funding to offset battery costs.
- (3) The majority of our stakeholders said a 4-6 month lead time is necessary for battery developers and installers to account for and communicate new rates to their customers. The proposed filing adjusted for this. Our next program design cycle will be for programs starting June 1, 2027, if Rhode Island Energy adjusts our planning cycle so that stakeholder engagement for planning starts as early as (March 2026), the draft plan is filed September 2026 with a target approval 6 months before (December 2026/January 2027). Would this proposed schedule work for providing enough lead time during the customer acquisition process? If not, could you suggest a new schedule?
- (4) As proposed, BES adoption and participation in ConnectedSolutions is anticipated to increase. Would you be willing to share the details of your analysis so we can review and take it into consideration?

### Comments on behalf of CPower

CPower's comments addressed two topics: (1) a note appreciating Rhode Island Energy's robust stakeholder engagement and (2) a criticism regarding the \$1 million Commercial and Industrial track incentive cap as too low to support large battery projects.

- (1) In response to the comments made by CPower, we first would like to thank them for their continued participation and open communication throughout the filing process.
- (2) We understand the desire for a larger incentive cap to aid in the battery landscape growth in Rhode Island, and we appreciate the level of detail and thought that went into CPower's comments. However, we are not comfortable with increasing the participant incentive cap any further. This comes down to a budgeting concern, and we do not feel comfortable allocating more than 10% of the annual program budgets to one single customer.

### Comments on behalf of Leap

Leap's comments addressed three topics: (1) a note regarding subscription management and remaining within the allocated program budget, (2) a request for technology-specific incentives, and (3) an expressed confusion surrounding the Multiyear Incentive and the Daily Dispatch Commitment Letters.

- (1) In response to the comments made by LEAP, we would like to thank them for the feedback and suggestions received throughout the development process. The enrollment management and budgeting concern is a valid point that we are also working on internally to find the best path forward. Rhode Island Energy has reached out to the Curtailment Service Providers (LEAP is included in this list) we work with as part of the C&I pathway implementation. Our hope is to develop a load enrollment management structure that prevents us from exceeding the program budget. A high-level approach we are using is to 1) Ensure that the amount of contracted load curtailed will not result in performance incentive payments exceeding the budget, 2) Evaluate a solution to reduce the margin between enrolled load shed vs. realized load shed, and 3) Potentially limit customer incentive payments to within a band of their enrolled load shed. The budgets each year are based on the program's historical realized load shed and incentive payments data. As it stands, the budget accounts for year-over-year load shed growth and can be distributed throughout the entire program to ensure that total spend does not exceed the budget by more than 10%.
- (2) We hear you and understand your desire for the inclusion of energy price arbitrage in a battery storage specific Daily Dispatch incentive. However, the C&I pathway was designed to be technology agnostic and the inclusion of a battery storage specific incentive would not represent a technology agnostic pathway. The express objective of the ConnectedSolutions program is to reduce regional coincident peak demand, and we feel that the best method to achieve this is by developing technology agnostic pathways that allow for C&I customers to participate and reduce their load shed by however means they choose. With that being said, as the large battery landscape grows in Rhode Island, we may take into consideration the energy price arbitrage benefits from C&I battery participants in future program plans.
- (3) Regarding Leap's confusion on the Commitment Letter and Multiyear Incentive Rate, we apologize for the lack of clarifying language in the ConnectedSolutions proposal and hope to clear up any confusion here. For new battery storage systems larger than 50 kW-AC that do not yet have the authority to interconnect, the customer or their vendor can request a 2-year Incentive Commitment Letter from Rhode Island Energy once an interconnection application has been accepted as complete. As proposed, the Commitment Letter would lock the incentive rate for the customer during the construction, installation, and interconnection of the battery system or for two years, whichever is shorter. Once the customer receives authority to interconnect and enrolls in the Daily Dispatch pathway, the incentive rate they will be paid will be the rate committed to in the Commitment Letter, even if the incentive rate has decreased during the time period between receiving the Commitment Letter and enrolling in the program. Once the customer is enrolled in the program, receiving the incentive rate noted in the Commitment Letter, that will be the incentive rate to be paid for the first five consecutive C&I ConnectedSolutions seasons the customer participates in (Multiyear Incentive Rate). While the Commitment Letter and Multiyear Incentive Rate work hand-in-hand, they do not overlap in the battery installation to participation timeline. All-in-all, this would give the customer two years to build the battery and five *additional* years to participate and receive the Commitment Letter's incentive rate (seven total years). It is important to note that, while it is Rhode Island Energy's intention to uphold the incentive rate commitments made in the Commitment Letter and Multiyear incentive Rate, any program operation after 2026 is pending regulatory approval.

### Comments on behalf of NEC Solar

NEC Solar’s comments addressed four topics: (1) concern about the benefit-cost assessment being too narrowly scoped, with evidence that neighboring states are increasing their incentive levels rather than decreasing them, (2) a request for further elaboration on Rhode Island Energy’s stakeholder engagement process, (3) an expression of concern and confusion regarding why Commercial and Industrial incentive rates are greater than Residential and Small Business incentive rates, and (4) a concern for lowering incentives and the impacts the lowered incentives will have on the BES industry and small family owned businesses.

- (1) Available incentive funding is often driven by statutory guidelines and state policy objectives. For example, Massachusetts enacted their Clean Peak Standard, which internalizes the value of peak emissions reduction into the market. This price signal acts as an incentive to fuel adoption of battery energy storage systems. Rhode Island does not have this law; Rhode Island’s 2021 Act on Climate does not distinguish greenhouse gas emissions intra-annually, nor does it provide mandates or ascribe costs to emissions during sub-annual time periods. Rhode Island Energy focused on net power system value with its benefit-cost analysis used to inform program design and shows that a broader benefit-cost assessment, one that takes a societal perspective, also suggests the proposed program results in net value.
- (2) Rhode Island Energy strived to engage with a diverse set of stakeholders throughout the 2024-2026 SRP Investment Proposal process. This was done through email, one-on-one meetings, and calls; through the SRP Technical Working Group; Energy Efficiency Council Meetings; and the Office of Energy Resources Solar Stakeholder list. While our direct engagement did not solicit feedback directly from all our customers, we relied on our participating curtailment service providers (“CSPs”), solar installers, and battery providers to represent customer opinion. Your comment highlights the failings of connecting directly with all customers and we are examining how to best and most effectively do this (thank you for the critique and we apologize – we will do better!). Since September 2023, Rhode Island Energy conducted virtual meetings with five CSPs, two developers, three solar and battery installers, and one customer representative. We also met with consultants representing the Energy Efficiency Council regarding the benefit-cost assessment model on November 29, 2023 and January 30, 2024.

Rhode Island Energy and stakeholder members of the SRP Technical Working Group focused its discussion on the initial draft SRP Investment Proposal during its November 15, 2023, meeting. Rhode Island Energy discussed the second draft SRP Investment Proposal with the SRP Technical Working Group at its January 10, 2024, meeting, focusing on the estimation of components of avoided electric bill cost. Stakeholder members of the SRP Technical Working Group include Acadia Center, Conservation Law Foundation, Rhode Island Division of Public Utilities and Carriers, Rhode Island Energy Efficiency Council, Green Energy Consumers Alliance, Northeast Clean Energy Council (NECEC), and Rhode Island Office of Energy Resources.

- (3) The residential and small business track has higher administrative and financing unit costs. Therefore, the residential customer incentives are lower than commercial incentives. The unit costs are factored into the proposed program design in two ways. First Rhode Island Energy generally proposes to procure more of lower-cost peak demand reduction and less of higher-cost peak demand reduction (residential batteries). Second, we propose modifications to incentive levels and program design intended to reduce unit costs of pathways that are higher than Rhode

Island Energy's willingness to pay. The willingness to pay is the maximum price we are willing to pay for a unit of peak demand reduction. On average serving 1 kW of peak load in 2024 would cost the customer base approximately \$262. Therefore, Rhode Island Energy's filing proposal offers new customers enrolled on or after June 1, 2024 an incentive rate of \$225/kW.

- (4) Rhode Island Energy values vendors and contractors who help our customers participate in our programs; we've adjusted program design to provide for a smoother transition to new incentive rates based on customer acquisition lead time. We continue to explore additional funding options and are actively developing a grant application for funding to offset battery costs.