

**TO:** Rhode Island Division of Public Utilities and Carriers

**FROM:** Carrie Gilbert and Kathleen Kelly

**DATE:** December 16, 2021

**SUBJECT:** Docket 5073 – Retail Energy Supply Association’s Petition for Implementation of Purchase of Receivables Program

---

## INTRODUCTION

The Retail Energy Supply Association (RESA) filed a petition for Implementation of Purchase of Receivables (POR) Program filed on September 16, 2020 in Docket No. 5073. On June 2, 2021, RESA and National Grid filed a Settlement Term Sheet with the Public Utilities Commission (Commission) and the Commission approved this term sheet with modification at its open meeting on July 27, 2021.

The POR program will require the electric distribution companies (EDCs)<sup>1</sup> in Rhode Island to purchase the receivables of nonregulated power producers (NPPs or Suppliers) at a discounted rate. The purpose of the POR program is to shift the risk of non-collection of payment from Suppliers to EDCs thereby enabling Supplier entry into the market and facilitating the development of a competitive retail market for the provision of electric generation services in Rhode Island.

At the July 27, 2021 open meeting, the Commission directed National Grid to file tariff language reflecting the term sheet within 30 days of the open meeting. The Company filed the tariff language on August 26, 2021 and then filed an amended Attachment E on October 8, 2021. Attachment E contains the transition rate calculation methodology.

The Division of Public Utilities and Carriers (Division) retained Daymark Energy Advisors (Daymark) to review the POR proposal. We filed our review of RESA’s proposal on February 3, 2021 and have participated in the docket since that time. This memo summarizes our review of the Terms and Conditions filed by National Grid on August 26, 2021 and October 8, 2021.

## CONCLUSIONS AND KEY ISSUES IDENTIFIED IN FEBRUARY 3, 2021 MEMO

In our February 3, 2021 memo, we concluded that a POR program that requires EDCs to purchase the receivables of Suppliers will level the playing field for Suppliers and allow for greater participation of Suppliers and therefore more supply options for customers. Any such POR program should ensure customers are not unduly harmed by such a program. Any POR program should be specific to Rhode Island and not simply a match of the National Grid POR program in Massachusetts.

---

<sup>1</sup> National Grid is the only EDC in Rhode Island open to competition

We also recommended that the following issues be considered relative to program adoption ensuring that:

- Customers who do not utilize third-party Suppliers do not subsidize those who opt for third-party supply
- The effect of COVID-19 related bad debt is explicitly considered when developing the initial discounting
- The Commission consider establishing a requirement for a benefit-cost analysis of the POR program at the completion of the first year by National Grid
- That the timing of the POR program implementation is set to ensure that municipal aggregation programs are not further delayed

## TERMS AND CONDITIONS

We have completed a high-level review of the tariff language filed by National Grid, attended the November 17 technical session and reviewed the discovery questions and answers on the tariff language and exhibits. Based on this review, we believe that the terms and conditions in the settlement document are accurately reflected in the tariff language. The POR program is fully funded through the discount factor that is applied to Supplier receivables; therefore, no customers are subsidizing the POR program.

In response to PUC 2-2, National Grid proposed a schedule for implementation of the POR program. Both Direct Energy and RESA stated in their December 1 letters that this schedule was reasonable.

## PROGRAM TRACKING

Given that the POR program is being implemented with the goal of increasing competition and access to competitive supply in Rhode Island and as a complement to the Municipal Aggregation programs, it would be useful to track the effectiveness of the program through several metrics. The intent of the tracking is support program success and offer the ability to understand the impact of the program on competition. We suggest that National Grid and RESA file a joint report by the end of 2022 that addresses the following:

- Number of competitive suppliers operating in Rhode Island as of November 30, 2021 and November 30, 2022
- Number of customers on competitive supply as of November 30, 2021 and November 30, 2022, by rate class
- Impact of POR program on bad debt of competitive supply customers
- Impact of POR on municipal aggregation implementation
- Are there barriers to competitive suppliers of municipal aggregation that could be minimized with design changes to the POR program?

The goal of this report would be to ensure that the program is achieving its goals effectively.

## **CONCLUSION**

Daymark believes the terms and conditions filed by National Grid are consistent with the settlement and intension of the POR program.