STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
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December 28, 2020

Luly Massaro
Commission Clerk
Rhode Island Public Utilities
Commission
89 Jefferson Blvd
Warwick, R.I. 02888

In Re: National Grid's 2021-2023 Energy Efficiency Program Plan & 2021 Annual Energy Efficiency Program Plan

Dear Luly,

Please find the Rhode Island Division of Public Utilities and Carriers, (Division) Comments with respect to the Commission's PIM proposal for filing with the Rhode Island Public Utilities Commission, (Commission).

If you should have any questions, please do not hesitate to contact me.

Sincerely,

Jon G. Hagopian
Deputy Chief Legal Counsel

STATE OF RHODE ISLAND

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Memo

To: **Luly Massaro, Commission Clerk**
Rhode Island Public Utilities Commission

From: **Linda George, Administrator**
Joel Munoz, Rate Analyst
Tim Woolf, Synapse Energy Economics

Date: **December 28, 2020**

Re: **Docket No.: 5076 – The Narragansett Electric Company d/b/a National Grid 2021-2023 Energy Efficiency Program Plan & 2021 Annual Energy Efficiency Program Plan**

The Division of Public Utilities and Carriers ("Division") respectfully offers the following comments in response to the Public Utilities Commission's (Commission's) proposed modifications to the energy efficiency performance mechanism and to their request at the December 22, 2020 Open Meeting that stakeholders may provide comments by early Monday morning on December 28, 2020.

The Division appreciates the Commission's overall concern that electricity customers should fund energy efficiency programs that primarily provide electricity benefits and gas customers should fund efficiency programs that primarily provide gas benefits. However, the Division would like to point out for the Commission's consideration a few possible consequences that may result from the proposed modifications to the performance mechanism which may or may not be intended.

Overall, the Division is concerned that the proposed modifications may end up encouraging National Grid (the "Company") to deviate from the 2021 Energy Efficiency Plan. In order for the Company to earn any incentive for the non-income-eligible and income-eligible sectors, it will need to significantly redesign the two Energy*Wise* programs and the two non-income-eligible programs.[1] This incentive is inconsistent with the purpose of the performance mechanism as proposed by the parties, which is to implement the energy efficiency programs in the 2021 EE Plan as efficiently and effectively as possible. If the Commission has concerns about the program designs, then it should direct the Company to change those designs. Alternatively, the parties could address those concerns in the 2022 EE Plan. Approving one set of programs but providing financial incentives to implement different programs sends mixed messages and creates a great deal of uncertainty about what the Company will actually do during the course of the year.

Further, this significant new challenge to earning any incentive for the Energy*Wise* and income-eligible programs, combined with the proposal to allocate 100 percent of the design incentive pool to the C&I sector, provides the Company an incentive to focus on the C&I programs at the expense of the Energy*Wise* and income-eligible programs. For this reason, the Division believes that the incentive has the potential to erode the carefully crafted balance of efficiency services between customer sectors included in the 2021 Energy Efficiency Plan and risks undermining an important regulatory goal of customer equity.

The Division is also concerned that this potential shift in direction regarding program design is inconsistent with many years of regulatory policy in Rhode Island, as defined in previous Energy Efficiency Plans approved by the Commission. For example, in the past, the Commission has allowed the Company to consider low-income non-resource benefits as a factor in evaluating, designing, and implementing income-eligible efficiency programs, recognizing that there are important benefits of low-income programs that go beyond the direct power system benefits. The Commission's proposed performance mechanism provides incentives for the Company to deviate from this important policy directive that has been in place for many years.

The Division notes that the proposed performance mechanism appears to be attempting to respond to comments made during the Docket No. 5076 hearings by the Division's consultant, Mr. Woolf.[2] However, the proposed performance mechanism and the discussion of it during the open meeting may have led the Commission to misinterpret the point that Mr. Woolf was trying to make: that the negative "net benefits" of the non-income-eligible and income-eligible sectors are caused by the Energy*Wise* and the income-eligible programs. These negative net benefits are a result of the programs as they are currently designed. His comment that the Commission should provide an "incentive for the Company to efficiently and effectively deliver those programs" was referring to delivering those programs *as they are designed in the 2021 EE Plan*. He did not suggest that the performance incentives should encourage the Company to redesign the programs.

Finally, the Division is concerned with the process that was used to develop the proposed performance mechanism. This mechanism was proposed by the Commission during an open meeting after all the hearings were complete. This process did not allow the parties much opportunity to review, understand, discuss, and comment on the new proposal. Further, the

[1] For example, in order for the Company to begin earning any incentives for the income-eligible programs it will need to either reduce the program costs by roughly 53 percent, or increase the program benefits by roughly 113 percent, or some combination of reduced costs and increased benefits between these two end points. These kind of "program improvements" are extremely unlikely to be achieved in 2021. If they were achieved, it would only be through a radical redesign of the income-eligible programs.

[2] Mr. Woolf's comments can be found at the 1:16 point in the second of two video hearings on Docket 5076 held on December 18, 2020.

Commission submitted this proposal without first developing any evidence on the record as to its merits or demerits. Without the opportunity for parties in this case to discuss this proposal on the record, the Commission risks creating undesirable consequences, as outlined in the previous paragraphs, which may or may not be intended.

In light of the limited process that has been afforded this important issue, the Division respectfully asks that the Commission hold a technical session in early 2021 to permit further discussion prior to changing the current energy efficiency performance mechanism. This would allow for a more robust discussion of (a) the fundamental policy goals supporting the efficiency programs, and (b) the important relationship between the performance mechanism and the efficiency plan.[3]

In conclusion, the Division would like to reiterate the main theme from its comments on the 2021 Energy Efficiency Plan, filed on November 12, 2020. The Division supports the well-crafted programs included in that plan and believes that these programs will provide significant net benefits to electric customers, gas customers, and the state of Rhode Island for many years to come. The Division also believes that any performance mechanism applied to the 2021 Energy Efficiency Plan should be designed to support the programs included in that plan.

Thank you for the opportunity to comment on this important component of the 2021 Energy Efficiency Plan.

[3] Such an approach would be compliant with R.I. Gen. Laws §39-1-27.7 which requires the Commission to "conduct a contested case proceeding to establish a performance-based incentive plan that allows for additional compensation for each electric distribution company and each company providing gas to end-users and/or retail customers based on the level of its success in mitigating the cost and variability of electric and gas services through procurement portfolios."