

The Rhode Island Energy Efficiency and Resource Management Council

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December 28, 2020

VIA ELECTRONIC MAIL

Luly E. Massaro
Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket #5076 – Comments on the Commission’s Proposed Performance Incentive Mechanism for the 2021 Annual Energy Efficiency Program Plan

Dear Luly,

Enclosed please find the Energy Efficiency and Resource Management Council’s, by and through its Consultant Team, comments on the Commission’s proposed performance incentive mechanism (“PIM”) in the above-referenced docket.

Please do not hesitate to contact me should you have any questions in this regard.

Respectfully submitted,
Rhode Island Energy Efficiency
Resource Management Council,
By its Attorney,



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CERTIFICATION

I hereby certify that I filed a true electronic copy of the within response, via electronic mail, on this 28th day of December, 2020, to the Service List for Docket #5076 and to:

Luly.massaro@puc.ri.gov
Luly E. Massaro, Commission Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888



Marisa Desautel



December 28, 2020

Chairperson Ronald Gerwatowski
Commissioner Marion Gold
Commissioner Abigail Anthony
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02888

Re: Docket #5076 – Comments on the Commission’s Proposed Performance Incentive Mechanism for the 2021 Annual Energy Efficiency Program Plan

Dear Commissioners:

As the Policy & Program Planning Consultant (Consultant Team) to the Energy Efficiency and Resource Management Council (EERMC or Council), we submit the following comments regarding the Commission’s proposed performance incentive mechanism (PIM) for the 2021 Energy Efficiency Program Plan (Annual Plan). The interval between receiving the PUC-proposed PIMs on Tuesday, December 22, 2020 and the deadline of 11:00AM on December 28, 2020 to submit any comments precludes any opportunity for direct input from the Council given no publicly posted meetings have been, or feasibly could be, set in that timeframe. Our comments are therefore reflective of clear EERMC priorities conveyed during development of the 2021 Annual Plan, including objectives for changing the EE PIM, and focus on how the Commission’s PIM proposal could impact those Council objectives and priorities.

Prior to each Annual Plan cycle, and triennially for Three-Year Energy Efficiency and Conservation Procurement Plans, the Council establishes Priorities at the beginning of the year to set clear objectives and desired outcomes that are expected to steer plan development. Relating to the specific topic of the PUC’s PIM proposal, the Priorities¹ set in 2020 for the Three-Year and Annual Plan for 2021-2023 included the following:

- The Three Year Plan development process should create forums for consistent, comprehensive, informed and publicly accountable **stakeholder involvement** in energy efficiency and system reliability planning.
- Objectives for Energy Efficiency programs must:
 - ensure that **all customers and segments** of the market have access to the benefits of energy efficiency savings

Given the direction provided by the Commission to focus written comments on constructive feedback and potential enhancements, our primary recommendation is that the PUC establish a process by which this PIM proposal can be fully presented, reviewed and commented on by all

¹ http://rieermc.ri.gov/wp-content/uploads/2020/03/presentation-eermc-2020-3yp-priorities_v02_2020-03-19.pdf

stakeholders. This recommendation aligns with a Priority listed above and reflects what is legislatively required² of the EERMC.

The PIM proposed in the 2021 Annual Plan was the result of multiple meetings spread over the full planning cycle involving OER, the Division and its consultant, the EERMC and its consultant team, and National Grid. These meetings were used to carefully vet and balance the objectives of all parties, including consideration of broader stakeholder group interests heard during EE Technical Working Group meetings. The resulting PIM was designed to incentivize program enhancements in line with program and policy objectives such as increased accountability for program equity.

The presentation of the Commission’s proposed PIM affords neither the time to fully understand and cross-check the rationale, data sourcing, and calculations, nor the opportunity for all stakeholders to understand the potential implications as it relates to program design and expected outcomes. The potential for unintended consequences from approving a PIM structure that has not benefited from a public review and input process could be significant. Of particular concern for the EERMC is how this PIM proposal could impact the Council’s objective that programs should “ensure that **all customers and segments** of the market have access to the benefits of energy efficiency savings.” The “all customers and segments” were further clarified in the EERMC vote language to state that “...language around equity and income eligible customers [be] developed by consultants and to present these at next Technical Working Group on Council’s behalf.”³

The concerns over these potential unintended consequences derive from a lack of clarity on the PUC’s proposed PIM. Prior to additional clarification and explanation of the full scope of the PUC’s PIM structure, we believe the PUC’s objective in this new PIM design is to motivate National Grid to focus on achievement of net benefits in each sector while minimizing bill impacts. While that objective may be served by the new model, the design also may reverse motivations for National Grid to serve many other priorities in the Annual Plan.

In lieu of a thorough process to review all the underlying rationale and numbers, one of the observations we make is that by creating a new definition of “net benefits” in its proposed PIMs structure, the proposed PIM could impact fair and equal treatment of the residential and income eligible sectors. We make this observation because the proposed PIM appears to have removed the reasonable ability of National Grid to achieve “net benefits” in residential and income eligible sectors by negating most of the available societal benefits in its calculation. The result of this change appears to reward the only sector that achieves these “net benefits”—C&I—with \$5.5 million in potential incentives at 100% achievement and no stated cap to pursue them above and beyond that level. The optimization of this structure could reasonably result in National Grid

² <http://webserver.rilin.state.ri.us/Statutes/TITLE42/42-140.1/42-140.1-3.HTM> “(2) Provide consistent, comprehensive, informed and publicly accountable stake-holder involvement in energy efficiency, energy conservation, and energy resource management”

³ http://rieermc.ri.gov/wp-content/uploads/2020/05/eermc-meeting-minutes-mar19_approved.pdf page 7

making itself penalty proof by attaining the 65% threshold in residential and income eligible sectors and then putting all remaining effort into C&I. While there are reasonably high payout rates for achieving benefits in residential and income eligible sectors, the ability to first achieve positive “net benefits” in the new framework makes this possibility remote. In the following hypothetical achievement example of the threshold--no threshold is explicitly stated for C&I--one can see that National Grid could continue to work on C&I having reached the maximum benefit it can from the two other sectors.

Hypothetical Achievement Example

PUC Table at 65% Threshold	100% of Electric Utility System Benefits (1)	50% of Natural Gas, Oil, and Other Resource Benefits (2)	Eligible costs (proposed + regulatory costs) (3)	Net Benefits (4)	New Design Incentive Pool (6)	New Payout Rate (8)	New Penalty (9)
Non-Income Eligible	\$ 17,832,750	\$ 4,326,400	\$ 24,154,498	\$ (1,995,348)	0	22.26%	0.00%
Regulatory Cost			\$ 563,666				
Total			\$ 24,718,164				
Income Eligible	\$ 3,697,850	\$ 2,163,850	\$ 12,524,178	\$ (6,662,478)	0	25.23%	0.00%
Regulatory Cost			\$ 563,666				
Total			\$ 13,087,844				
C&I	\$119,413,450	\$(2,531,750)	\$ 37,552,645	\$ 79,329,055	\$3,569,807	4.50%	0.00%
Regulatory Cost			\$ 563,666				
Total			\$ 38,116,311				

The current programs were created to achieve the net benefits outlined in the Rhode Island Test. Revamping the current programs toward new goals will take many months and require the education and training of a myriad of market actors—contractors, suppliers, vendors, etc.--that have made the programs such a success over the years. During the COVID pandemic, this will take even longer.

For these reasons, we suggest the PUC put off its decision on the PIMs structure change until there is enough time to understand the potential perverse incentive it may generate. While perhaps imperfect, the current PIM structure applied in 2020, and preferably the PIM structure developed over the course of 2020 for 2021 have the benefit of having gone through extensive stakeholder processes and coordination and would be reasonable alternatives for application in 2021. Whichever way the PUC rules, a technical session as early in 2021 as possible will provide a vital opportunity to fully and transparently review such a critical underpinning of least cost procurement law and all the associated efforts to bring the law’s objectives to fruition.