



June 23, 2021

Representative David A. Bennett
Chair, House Environment and Natural Resources Committee
Rhode Island State House
Providence, RI 02908

re: National Grid comments on H 6144 Sub A.

Dear Chairman Bennett and Members of the House Environment and Natural Resources Committee,

National Grid appreciates the opportunity to present written comments on H6144 Sub A. As the Committee knows, National Grid is Rhode Island's largest energy distribution company – in this role, the Company also serves as the program administrator responsible for the design, delivery and administration of the statewide energy efficiency programs made available to all of our Rhode Island customers. The Company respectfully urges the Committee to vote to pass the original H 6144 without adopting the component of the Sub A amendment introduced earlier this week that would preclude the Public Utilities Commission from authorizing the Company to earn a performance incentive in exchange for continued outstanding program performance.

National Grid is grateful to the legislature for its long-standing support for energy efficiency. Our programs truly do represent the least cost option to meeting the energy needs of all Rhode Islanders, and the nationally recognized results that we, in close collaboration with our industry partners and with our public sector stakeholders, have been able to deliver would not be possible without the leadership demonstrated by this body.

The Least Cost Procurement statute that would be extended through H 6144 is foundational to these efforts – Least Cost Procurement is the enabling law that allows National Grid to pursue cost effective energy efficiency projects to the benefit of all Rhode Islanders, and in support of achieving the state's ambitious climate objectives. An extension of this law is critical to ensuring program continuity, and providing the market – our partners, vendors and customers – with certainty around the future of these programs. This confidence will be critical in order to encourage continued investments by these firms in the local jobs and delivery infrastructure that will be required to meet the increasing demands that will be placed on our energy efficiency programs in support of the state's ambitious climate agenda.

And the results of these programs are impressive:

- Since 2012, roughly 60% of RI electric customers and nearly one-third of natural gas customers have participated in our energy efficiency programs in some form.
- Independent studies directly attribute over 800 full-time equivalent jobs to our programs, as well as indirect support for over 16,000 jobs.
- Cumulatively since 2016, our programs have delivered over \$2.2billion dollars in benefits to the state.



- Customer implementation of energy efficiency measures supported by National Grid’s programs during that time will result in the avoidance of over 7.6million metric tons of CO2 emissions.

In numerous public comments on the proposed legislation, stakeholders have rightfully expressed pride in Rhode Island’s consistently nation leading results in independent surveys of state energy efficiency program efficacy and outcomes. These impressive outcomes are a result of the PUC approved performance incentives that the Company is eligible to earn when delivering outstanding results – not in spite of these incentives. In fact, the American Council for an Energy Efficient Economy (ACEEE), the organization that produces the annual state rankings that have highlighted the historical success of National Grid’s energy efficiency programs in Rhode Island, has characterized such performance incentives as “critical to advancing utility-sector efficiency programs and performance” and “among the most important factors contributing to higher savings”.ⁱ

Around the country, the provision of performance incentive opportunities for delivery of outstanding energy efficiency program results are a standard industry best practice, and are a hallmark attribute of leading utility energy efficiency programs.

A bit closer to home, the appropriate and necessary nature of a performance incentive for delivering outstanding energy efficiency program results is also consistent with guidance from the Rhode Island Public Utilities Commission – the regulatory body charged providing oversight of utility activities and ensuring that National Grid’s energy efficiency programs are in the public interest. During 2020, in Docket 4943, the PUC published a document providing “Guidance on Principles for the Development and Review of Performance Incentive Mechanisms”ⁱⁱ

This guidance document enumerated five principles that the Commission indicated would be used to evaluate performance incentive mechanisms in the context of utility activities:

- 1) A performance incentive mechanism can be considered when the utility lacks an incentive (or has a disincentive) to better align utility performance with the public interest and there is evidence of underperformance or evidence that improved performance will deliver incremental benefits.
- 2) Incentives should be designed to enable a comparison of the cost of achieving the target to the potential quantifiable and cash benefits.
- 3) Incentives should be designed to maximize customers’ share of total quantifiable, verifiable net benefits. Consideration will be given to the inherent risks and fairness of allocation of both cash and non-cash system, customer, and societal benefits
- 4) An incentive should offer the utility no more than necessary to align utility performance with the public interest.
- 5) The utility should be offered the same incentive for the same benefit. Stated another way, no action should be rewarded more than an alternative action that produces the same benefit.



As evidenced by the PUC’s history of approving performance incentive opportunities for National Grid associated with the Company’s energy efficiency programs, including a significantly revised mechanism for calendar year 2021 following an extensive period of stakeholder engagement and PUC review, it is clear that the current energy efficiency performance mechanism aligns with the PUC’s view of these principles. Further, the mandated removal of an existing performance incentive mechanism in a single programmatic area would likely violate the Commission’s 5th principle, by no longer offering performance incentives for a specific class of customer benefits delivered through the Company’s energy efficiency programs.

In response to discussion at last evening’s hearing, it is also important to note that the performance incentive (currently targeted at \$7.2mln for 2021) is the only opportunity for the Company to earn a profit from the successful delivery of energy efficiency programs. All other funding for energy efficiency programs that the Company collects from customers must be used and spent in the delivery of those programs – for incentive and rebate payments to participating customers, payments to vendors and partners who support the delivery of the programs, or for the labor costs linked to the internal employees who design and deliver these programs and resulting customer benefits. Absent performance incentive earnings, the Company neither retains nor profits from any other portion of the annual energy efficiency budget, and any unspent funds are returned to customers, with interest, in the form of reduced collections in ensuing program years.

For the above reasons, National Grid respectfully requests that the legislature support the extension of Least Cost Procurement as proposed, absent the removal of the Company’s opportunity to earn a performance incentives and the likely unintended consequences of such a change.

Thank you for your ongoing leadership in securing and maintaining Rhode Island’s leadership position in the national energy efficiency landscape.

Respectfully,

Christopher Porter

Director, Customer Energy Management
National Grid

ⁱ “ACEEE Topic Brief: Snapshot of Energy Efficiency Performance Incentives for Electric Utilities”, American Council for an Energy Efficient Economy, December 2018

ⁱⁱ “Public Utilities Commission’s Guidance on Principles for the Development and Review of Performance Incentive Mechanisms”, Rhode Island Public Utility Commission, Docket 4943