



STATE OF RHODE ISLAND

ENERGY EFFICIENCY & RESOURCE MANAGEMENT COUNCIL

Consultant Team Presentation: Status of RI PUC Deliberations on 2021 Performance Incentive Mechanism

Presented By: Sam Ross, EERMC Consultant Team

Date: February 18, 2021



Outline

Performance Incentive Mechanism (PIM)
Proceedings in 2020

Review of January 2021 Technical Session

Current Status

Discussion of Updated PIM Proposal

Next Steps



PIM Proceedings in 2020

Stakeholders worked with National Grid to update existing PIM for 2021 Annual Plan

Council reviewed and approved as part of recommending PUC approve Plan

PUC Reviewed, proposed modified PIM for 2021, and asked for comments

C-Team and other stakeholders filed comment letters in final days of 2020



January 2021 Tech Session (1)

Some comments on the proposed PIM asked clarifying questions and **requested further discussion opportunities**

The PUC hosted a **technical session to answer stakeholder questions and provide a forum for discussion**

Good discussion **improved understanding of some key aspects** of proposed PIM



January 2021 Tech Session (2)

Only PUC Staff spoke, so **not official PUC positions**

Intervenors included: National Grid; OER; the Division; C-Team representing EERMC

Some questions needed further clarification

PUC Scheduled an **Open Meeting to discuss** on February 15th

Further comments to be solicited by PUC after Open Meeting, as part PUC putting forward an updated PIM structure



Current Status

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- ➔ PUC provided updated PIM proposal at Feb. 15th Open Meeting, plans to solicit comments
 - ➔ February 16th procedural call provided PUC clear message that comments on updated proposal should be due AFTER March EERMC Council meeting to enable Council review
 - ➔ C-Team intends to provide draft comments to Council before March meeting, following a PUC workshop for clarifying questions on Feb. 25th
 - ➔ Next slides present evolution of PUC PIM and current C-Team impressions



Annual Plan PIM

The PIM filed in the Plan relied on lifetime net benefits included in the RI Test to motivate balanced high performance in each sector

The Plan also included an agreement to start developing a baseline to support a future Equity Performance Incentive



PUC Proposed PIM Changes

PUC Proposed PIM emphasizes energy system benefits, excludes most societal benefits

Societal benefits will still be used in RI Test

This means PIM sends different signal than RI Test

Res and IE programs as currently designed have negative net eligible PIM benefits

Current programs would not earn incentive, and low performance would reduce PIM earned in C&I

C&I has positive net eligible PIM benefits as designed, so all PIM accrues there

\$5.5 million design level PIM for C&I



2/15 Open Meeting Update

Newly proposed PIM structure reflects some Technical Session input & improvements:

- Better assurances for Res and IES performance in 2021, due to Service Quality Adjustment
 - Essentially, an avoidable reduction in C&I PIM
- Improved clarity in response to stakeholder questions
- Fewer 'step change' thresholds
- Greater cost controls



Remaining PIM Concerns

Clear incentive to shift program mix away from that which was approved by Council due to differences between BCA benefits and PIM benefits

Risks pushing back against stakeholder priorities like equity and deeper, comprehensive savings

In Res and IE, future program design incentive is toward conservative goals to avoid penalty, or to enable exceeding goals to earn higher PIM



Discussion of Updated PIM Proposal





Next Steps



C-Team will draft Comments to incorporate Council perspectives from today's discussion, additional technical review, and engagement with other stakeholders

Vote to approve final comments will occur at the next full Council meeting, March 18th

EERMC Counsel will submit comments to PUC by deadline of March 19th

