



Comments Regarding First Draft of 2018 Annual Plan

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People's Power & Light appreciates the opportunity to comment on the first draft of the 2019 Energy Efficiency Program Plan.

The first draft presents strong steps forward on several key issues; however, People's Power & Light finds several areas for improvement. In the next draft, People's Power & Light would like to see significant enhancements in the ambition of lifetime electric and gas savings goals; a strategic approach towards returning fund balances to energy consumers; and expansion of heat pump and residential demand response programs.

Serving All Customers

In the Collaborative and in prior Energy Efficiency Plan comments, People's Power & Light has advocated for increased attention to overlooked residential energy consumer groups including renters, moderate income energy consumers, and deliverable fuel customers. Past plans have not addressed the specific efficiency programming needs of these groups, leaving them with fewer efficiency resources and more expensive utility bills. We applaud the 2019 Annual Plan's removal of the landlord copay for weatherization of 1 – 4 unit homes, thus incentivizing efficiency investments in rented units, and we hope to see this initiative tracked and expanded if successful. We further encourage the continuation of incentive parity for deliverable fuel customers.

Innovative Efficiency Programming: Demand Response and Strategic Electrification

People's Power & Light strongly supports the inclusion of demand response and strategic electrification programs in the 2019 Annual Plan. We are pleased that the ConnectedSolutions program will become a statewide program in 2019. We also appreciate that the Community-Base Initiative will focus on promotion of heat pumps, Wi-Fi thermostats, and other demand response offerings.

In the second draft, we recommend inclusion of further detail on the expansion of residential demand response programs, especially with regard to electric vehicle chargers and battery storage. Given the widespread availability of smart charging technology and demonstrated effectiveness of demand response battery programs in other states, we encourage ambitious pursuit of savings in these areas. We would also like to see consideration of winter peaks—which can incur energy costs and emissions levels rivalling summer peaks—in the ConnectedSolutions program. People's Power & Light notes that the residential demand response metric (as described on page 34 of the Annual Plan main text) appears

to only include thermostats, and we request that the other potential ConnectedSolutions technologies be incorporated into this metric.

Although the first draft's Annual Peak kW Savings goal of 28,967 kW is sufficient to attain the maximum performance incentive set by Docket 4770/4780, it falls far from meeting Annual Peak kW Savings goal set in the 2018 – 2020 Three Year Plan. People's Power & Light requests that the second draft include a good faith effort to produce an Annual Peak kW Savings number closer to or surpassing the 35,188 kW target from the Three Year Plan. This will involve necessary expansion of innovative demand response programming.

People's Power & Light commends the new air source heat pump offerings of the Annual Plan, but we call upon National Grid and the EERMC to ensure that the heat pump program attains all possible cost-effective savings. Heat pumps are a necessary step in the transition to a low carbon future: as our electric grid decarbonizes, we must transition more buildings to efficient electric heating and cooling. The Public Utilities Commission removed a potential parallel funding source for heat pumps from Docket 4770/4780 with the rationale that the energy efficiency programs should be the sole source of funding for cost-effective heat pumps; thus, the 2019 Annual Plan should double down on the heat pump program. The 2019 Annual Plan currently provides for 951 mini split heat pump installations, but this is a fraction of the overall heating and cooling market in Rhode Island. We are eager to see this number as high as possible in the next draft of the plan.

Innovation

During last summer's three year planning process, People's Power & Light and other stakeholders advocated for setting high savings targets, even though National Grid was not yet sure how it would meet those targets. This discussion resulted in the inclusion of a placeholder "innovation" line item. We are pleased to see that the 2019 Annual Plan confirmed our instincts last summer: National Grid was almost entirely able to meet the high annual savings targets set in the three year plan. Going forward, we hope to see ambitious goals set even when the path to meeting those goals is not entirely clear.

People's Power & Light is concerned that the innovation line item has largely been met with additional savings in the lighting sector. Efficiency from lighting is well-demonstrated, and this year's lighting savings reflect a backup of demand after last year's energy efficiency programs were capped. However, the lighting sector is well on its way to full market transformation. Lighting savings are tried and true but close to depletion: thus, these savings do not exemplify true innovation. In future plans, we urge National Grid to develop new ways of accessing the type of successful, deep savings that we have enjoyed from the lighting sector over the past several years. We must start building the foundations of post-lighting efficiency savings now.

Annual and Lifetime Savings

The 2019 Annual Plan presents a strong attempt at meeting the Annual MWh and MMBtu Savings targets set by the 2018 – 2020 Three Year Plan, but it needs significant work before it meets the Lifetime MWh and MMBtu savings targets. People's Power & Light is pleased to note that the first draft of the

gas program plan surpasses the 3YP Annual MMBtu Savings target, and we are confident that the second draft of the Annual Plan will be able to close the gap on the electric side.

However, the electric lifetime savings in the first draft of the Annual Plan represent the lowest levels of any Annual Plan since 2013, and they are far off from the 1,904,592 MWh target. Gas lifetime savings are similarly low compared to prior Annual Plans. As in past years, People's Power & Light emphasizes that lifetime savings are central to the spirit of least cost procurement and contribute fundamentally to the health, environmental, and long-term energy benefits provided by energy efficiency programs. The next draft of the Annual Plan must prioritize deeper investments to raise the lifetime savings goals. National Grid should take advantage of the strong benefit-cost ratios of this plan to enhance the lifetime savings goals in the next draft.

Effective Investment of Energy Efficiency Funds

The current draft plan predicts large electric and gas fund balances (\$8.8 million total) by the close of 2018. While we recognize that these large balances are due primarily to unpredicted overcollection of program charges and that National Grid will continue to spend to the 2018 budget for the remainder of the 2018 Annual Plan, People's Power & Light recommends that the 2019 Annual Plan take these balances into account in two ways.

First, we recommend that the section on fund balances be rewritten to correct the misconception that energy efficiency programs hold large pools of available funding at any one time. This funding belongs to ratepayers and should be returned to ratepayers in the form of strong energy efficiency programming.

Second, we suggest that these fund balances—as well as National Grid's historical tendency to need less funding than requested in the budget to achieve target savings—provide flexibility in the 2019 Annual Plan to pursue all cost-effective savings while only minimally impacting ratepayer bills. Over the past four program plans, actual energy efficiency program spending per savings has come in under the requested budget; in addition, National Grid has surpassed its savings targets. The results of these past plans, as well as this plan's large benefit cost ratios (in some cases, benefits are over five times greater than the costs), indicate that the 2019 Annual Plan budget has room to pursue additional cost-effective savings without unnecessarily impacting ratepayers.

Furthermore, we discourage reducing system benefit charges, as is the case in the current draft of the gas efficiency program budget. Reductions in the system benefit charge could cause unnecessary impacts on ratepayer bills in future years if the charge increases. Where possible, we urge National Grid to return fund balances to ratepayers in the form of increased energy efficiency investment, not charge reductions.

Conclusion

Overall, People's Power & Light is pleased to see several steps forward in the first draft of the 2019 Annual Plan. However, the second draft must address the low lifetime savings goals and ensure that all cost-effective savings are extracted from strategic electrification and demand response programs.

Table 1 Comparison of 2019 Annual Plan Draft Savings to Savings in Previous Plans

	2019 AP	2018 AP	Three Year Plan		2017 AP	2016 AP	2015 AP	2014 AP	2013 AP	2012 AP
			2019	2018						
Electric										
Annual MWh Savings	192,036	186,855	194,677	179,968	201,347	214,329				
Lifetime MWh Savings	1,678,632	1,735,472	1,904,592	1,712,064		2,034,220	1,966,462	3,305,615	1,582,496	1,431,379
Annual Peak kW Savings	28,967	24,802	35,188	29,639	28,543	29,545				
Gas										
Annual MMBtu Savings	432,369	414,795	396,859	384,486	414,606	417,820				
Lifetime MMBtu savings	4,418,408	4,756,052	4,553,143	4,391,662	4,945,564	5,282,221	4,886,893	4,427,735	3,830,689	3,643,336