October 15, 2021

Jeffrey R. Gaudiosi, Executive Secretary
Public Utilities Regulatory Authority (PURA)
10 Franklin Square
New Britain, CT 06051

Re: Docket No. 21-08-05, Annual Review of the Electric Storage Program – Year 1

Dear Mr. Gaudiosi:

The Northeast Clean Energy Council (“NECEC”) and the U.S. Energy Storage Association (“ESA”) appreciate the opportunity to provide comment to the Public Utilities Regulatory Authority (the “Authority”) in response to the Connecticut Green Bank’s (“CGB”) compliance filings in response to Orders 5, 6, 7, and 9.

NECEC is a clean energy business, policy, and innovation organization whose mission is to create a world-class clean energy hub in the Northeast, delivering global impact with economic, energy, and environmental solutions. NECEC is the only organization in the Northeast that covers all of the clean energy market segments, representing the business perspectives of investors and clean energy companies across every stage of development. NECEC members span the broad spectrum of the clean energy industry, including energy efficiency, wind, solar, energy storage, microgrids, fuel cells, electric vehicles, and advanced and “smart” technologies.

ESA is the national trade association dedicated to energy storage, working toward a more resilient, efficient, sustainable and affordable electricity grid – as is uniquely enabled by energy storage. With more than 230 members, ESA represents a diverse group of companies, including independent power producers, electric utilities, energy service companies, financiers, insurers, law firms, installers, manufacturers, component suppliers, and integrators involved in deploying energy storage systems around the globe. Further, our members work with all types of energy storage technologies and chemistries, including lithium-ion, advanced lead-acid, flow batteries, zinc-air, compressed air, liquid air, and pumped hydro among others.

NECEC and ESA appreciate the thoughtful approach taken by the CGB to propose revised incentive levels that comply with the requirement to achieve a Ratepayer Impact Measure (“RIM”) outcome of 1.4. However, the requirement to achieve the RIM of 1.4 has resulted in reduced incentive levels, which may fail to draw the developer and customer participation necessary to achieve the deployment targets established by the Final Decision. NECEC and ESA urge the Authority to monitor deployment during the first year of the Program and, if appropriate, revisit the RIM requirement in the second annual review in 2022 to ensure robust Program participation.

Below, we provide comment in response to certain aspects of the compliance filings.
Benefit Cost Analysis

Forward Capacity Market Participation

NECEC and ESA support the CGB’s proposal to modify the percentage of capacity that is expected to be enrolled in the Forward Capacity Market (“FCM”) from 50% to 25%. The CGB explains that this proposed modification is reasonable because the four types of customers that are exempted from the prohibition on utilizing capacity rights (per the Final Decision) are customer classes that are less likely to actually utilize those rights. We agree. First, it is unlikely that these exempt customers represent 50% of total program capacity, since they represent a small portion of the overall customer pool. For example, customers on the Grid Edge represent the top 10% circuits with the most outages and the 10% of circuits with the longest outages. Critical facilities represent only approximately 4,000 customers\(^1\) for Eversource out of more than 100,000\(^2\) commercial customers (UI submitted its list under protective order). Thus, even if all exempt customers participated in the FCM, the 50% assumption would likely not be achieved. As the CGB stated in its Order 7 Compliance filing, the customers in three of the four exempt classes (i.e., grid edge, critical facilities, and businesses replacing fossil fuel generators) are likely to value resilience over capacity market revenue. Taken together, the fact that exempt customers represent only a portion of the likely total Program capacity and that the exempt customers are likely to prioritize resilience over FCM revenues, we support the CGB’s proposal, though we estimate is it likely still too high.

Administrative Costs

According to the materials provided by the CGB, administrative costs are a significant contributor to overall Program costs, accounting for approximately 26% of total costs under the RIM test.\(^3\) Furthermore, 75% of administrative costs occur from 2025-2033, presumably for the administration of Active Dispatch for systems installed during the 2022-2024 Program cycle.\(^4\) Administrative savings could thereby play a major role in making more funds available for incentives, improving the participant cost test and project economics, without reducing the RIM. NECEC and ESA support investment in adequate administrative capacity in order to effectively achieve Program goals, but encourage the Authority and program administrators to use the experience of year one to identify savings opportunities, particularly in the administration of performance incentives, in advance of the 2022 annual Program review. Additionally, we recommend the Authority seek additional information to determine whether the administrative costs used by the CGB in its BCA are appropriately included in the RIM for the first program three-year cycle.

---

1 Eversource response to Question CAE-24, total listed critical facilities in attachments A-C, available at http://www.dpuc.state.ct.us/2nddockcurr.nsf/8e6fc37a54110e3e852576190052b64d/56e32f639a44a90b85258752007992267OpenDocument
3 Calculated from CGB BCA model worksheet, Order No. 7 compliance filings, using “Program Plan” scenario
4 Calculated from slide 56 of CGB BCA presentation, Order No. 7 compliance filings
For example, from the information provided in the BCA workbook provided by the CGB, the total administrative cost for Active Dispatch over the BCA window for each utility is roughly equivalent despite Eversource accounting for 80% of the Program megawatt capacity, which suggests that the majority of Program administrative costs are fixed (rather than variable costs which increase with more participants). This conclusion is supported by the fact that, as the initial megawatts drop out of the Program in 2032 and 2033, the Active Dispatch administrative costs barely decrease.5

If systems that participate in the first three-year Program window are in fact being fully burdened with the total fixed Active Dispatch administrative costs in years 2025 and beyond, we propose that the Authority alter that calculation such that those fixed administrative costs would be assigned proportionally to the first three-year Program cycle’s percentage of the total Program MW participating in a given year.

Incentive Formulas

Residential

The CGB proposes to offer an additional upfront incentive to Low-Income customers, as well as customers in Underserved Communities. NECEC and ESA support these additional incentives that will help to overcome barriers to equitable participation and contribute to achievement of the Authority’s goal of 40% of participating residential customers being located in low-income households statewide and LMI households in underserved communities. This is an important goal to ensure equitable Program outcomes, and we support the mechanisms designed to encourage achievement of that goal.

The CGB also proposes to remove Formula 2 and Formula 3 from the calculation of the residential upfront incentive. As stated in our July 16th comments in response to the Draft Decision,6 NECEC and ESA continue to support this proposal. Removal of Formulas 2 and 3 ensures that there is no unintentional bias against storage projects with longer than two-hour durations and that standalone storage projects are able to receive the upfront incentive.

Commercial and Industrial

NECEC and ESA support the removal of the $7,500 upfront incentive cap for commercial and industrial projects and we similarly support the proposed cap at 50% of project costs. This proposal recognizes the economies of scale that commercial and industrial projects are able to achieve by providing commensurately larger incentives and should be approved.

5 See the “Program Costs for Select Customer Segment” table in the Calculations tab.
6 NECEC and ESA Draft Decision Response, at 2-3. Available at: dpuc.state.ct.us/2nddockcurr.nsf/8e6fc37a54110e3e852576190052b64d/535bdaefc79e73b885258752007994ac/$FILE/NECEC.ESA%2017-12-03RE03%20Draft%20Decision%20Response%207.16.21.pdf
Performance Incentives

ESA and NECEC appreciate that the CGB provided the full 10 years of performance incentives for energy storage systems installed during this Program cycle. As noted in previous filings, a ten-year compensation lock is important to increase certainty and lower the cost to financing. While we are disappointed to see the significant reduction in the performance incentive in order to achieve a RIM of 1.4, we support CGB’s allocation of that reduction to years 6-10, rather than earlier in the Program. Providing higher value to customers earlier in the Program will help encourage customer participation and achieve Program goals.

Conclusion

NECEC and ESA appreciate the opportunity to comment on the CGB’s compliance filings. The CGB’s thoughtful approach to proposing revised incentive levels that meet the RIM requirement gives the Program the best opportunity to succeed. We encourage the Authority to monitor Program deployment in response to the revised incentive levels and revisit the RIM requirement if necessary. Thank you.

/s/ Julian Boggs
Julian Boggs
State Policy Director
U.S. Energy Storage Association

/s/ Sean Burke
Sean Burke
Policy Manager
Northeast Clean Energy Council