

March 21, 2024

The Honorable Joseph J. Solomon, Jr.
Chairman, House Corporations Committee
Rhode Island State House
Providence, Rhode Island 02908

RE: H-7811 – Relating to Public Utilities & Carriers – 2024 Energy Storage Act

Dear Chairman Solomon:

On behalf of Rhode Island Energy, I write in **opposition** to H-7811, which would mandate the creation of customer-subsidized energy storage incentive programs and procurement processes without the benefit of any policy cost assessment, cost controls to protect captured ratepayers, or established regulatory frameworks.

Rhode Island Energy supports the state's efforts to achieve its Act on Climate mandates and expand clean energy and other distributed energy resources, including energy storage, in a safe, affordable, and reliable manner.

As drafted, H-7811 fosters a misaligned series of filings and regulatory processes; is not grounded in any assessment of consumer costs; lacks proper provisions for controlling those costs; and fails to recognize the value of utility investment in energy storage. These shortcomings render the bill, as proposed, not conducive to efficient programmatic and cost outcomes for the electric system or electric customers.

First, H-7811 requires an "energy storage compensation program" to be filed by the Office of Energy Resources – presumably impacting ratepayers¹ – *prior to* the establishment of appropriate rate designs and approved tariffs. This "cart before the horse" approach will almost certainly lead to suboptimized and costly programmatic outcomes. In fact, **Rhode Island Energy is unaware of any analysis that estimates what this new suite of programs would cost electric customers**, particularly the most vulnerable, and is unclear as to what is fully contemplated by the proposed development of "funding mechanisms."²

We note that **energy storage can already be interconnected to the grid through existing processes and creating duplicative efforts would only serve to increase customer costs.** The state's System Reliability Procurement (SRP) law allows Rhode Island Energy to solicit third-party solutions for grid needs in a technology-agnostic way, allowing storage to bid on a competitive basis. The results of this SRP process are ultimately regulated by the Public Utilities Commission (PUC) in a transparent manner. Our ConnectedSolutions Program is a technology-agnostic, pay-for-performance demand response program to reduce system peak load. It allows for energy storage to participate and be compensated for daily dispatch when needed to meet system reliability during summer peak demand. **Any further value of energy storage – aside from resolved pre-defined grid needs and reducing system peak load – requires (1) appropriate tariffs and (2) investment in modernizing our electric grid.**

¹ Page 2, lines 6-7.

² Page 1, line 14.

Prompted by a legislative resolution in 2022, the PUC conducted a survey of value streams associated with energy storage in their “Investigation into the Treatment of Storage as an Electric Distribution System Resource” (Docket #5000).³ This docket was designed to address topics critical to the development of viable and cost-efficient pathways for energy storage growth, including, but not limited to, the identification of costs and value streams associated with distributed energy resources paired with storage under various programs. In its report, the PUC recommended development of two tariffs related to energy storage. **Development of these tariffs is the appropriate next step in internalizing the value of energy storage into rate design in a manner that is optimally cost-effective.** Rhode Island Energy supports § 39-33-3 in H-7811, which directs the PUC to initiate such a proceeding, but notes that the timing of Rhode Island Energy’s filing of energy storage-related rate design would be better aligned with the company’s next base distribution rate case.⁴

Rhode Island Energy notes that **successful utilization of energy storage assets and the maximization of its potential benefits necessitates other enabling infrastructure**, such as Advanced Metering Functionality (AMF) and other grid modernization⁵ investments. For example, the bill seeks “rates designed to reflect cost causation and ensure that energy storage systems are incentivized to charge and discharge at times that benefit the system.”⁶ We read this to mean the establishment of time-of-use rates, which, in turn, is dependent on investments in (and deployment of) other important energy infrastructure that: a) gives the electric distribution utility greater visibility into and operational capability of the electric grid, and b) gives consumers greater control over their energy use. The deployment of AMF meters was recently approved by the PUC, but it will be some time before that infrastructure – along with underlying time-of-use pricing – is in place.⁷

Of particular concern is § 39-26.1-10, which requires the electric distribution utility to solicit proposals from third-party developers for energy storage projects connected to the transmission or distribution system, including long-duration energy storage projects. It is proposed that this new mandate be funded by electric customers, yet **it contains no provisions for controlling costs or any framework by which the costs and benefits of such proposals would be evaluated.** Moreover, **it excludes the electric distribution utility itself from proposing**

³ Importantly, the PUC’s report found that “even without new storage programs or tariffs, there will likely be sufficient RES-eligible renewable energy supply to meet the RES and Act on Climate until at least 2032.” Examination of the Value of and Need for Energy Storage Resources in Rhode Island - Report to the Rhode Island Senate in Response to Resolution 416, October 18, 2023, iv. <https://ripuc.ri.gov/eventsactions/docket/5000page.html>.

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⁵ Rhode Island Energy’s Grid Modernization Plan (GMP) is an informational guidance document that supports a holistic suite of grid modernization investments that will provide the Company with the tools and capability for greater operational visibility to manage the electric distribution system more granularly considering a range of distributed energy resources (DER) adoption levels, accelerated by Rhode Island’s ambitious climate mandates, while at the same time maintaining a safe and reliable electric distribution system. The GMP has been filed under PUC Docket #22-56-EL (<https://ripuc.ri.gov/Docket-22-56-EL>).

⁶ Page 2, line 34 through page 3, lines 1-2.

⁷ PUC Docket #22-49-EL: <https://ripuc.ri.gov/Docket-22-49-EL>.

energy storage solutions that can meet critical distribution and transmission system needs and maximize grid reliability benefits at a lower cost to customers.

For Rhode Island to achieve its Act on Climate mandates, our state will need both regulated and private market actors to drive the level of investment capital necessary to “move the needle” in any significant way. If it is going to be the policy of the state to collect and deploy customer dollars to subsidize out-of-market solutions (in this case, energy storage), it is in the public interest to ensure that those dollars are spent as effectively as possible – i.e., to minimize net costs to customers, strengthen grid reliability, and maximize (to the extent feasible) energy system and other defined benefits. **H-7811 presents a unique opportunity for Rhode Island policymakers to innovate and evolve energy program design in a way that creates an opportunity to leverage both regulated and private-market investment** to maximize energy, economic, and environmental outcomes and stretch each customer dollar further. With appropriate amendments, **this bill could unlock an opportunity for regulated utilities to help meet the state’s interests in expanding energy storage at scale** – particularly for front-of-the-meter distribution and transmission, and long-duration applications suited to enhance grid reliability. While other market segments may be best served by other actors, a pathway for the electric distribution utility to present innovative solutions responsive to that more limited market opportunity can only serve to strengthen customer and energy system outcomes. Like everything that a regulated public utility invests in, such proposals would be subject to significant state regulation and a high degree of accountability, with the added benefit of full transparency in that each customer dollar collected and invested is traceable in an “open book” manner. Establishment of such a pathway is entirely consistent with Rhode Island Energy’s mandate to provide safe, reliable, and affordable energy services, and is aligned with the state’s goals of facilitating a more sustainable pathway toward net-zero by 2050.

Although Rhode Island Energy cannot support H-7811 as drafted, we welcome the opportunity to work with the bill sponsor and this Committee to unlock future investment opportunities in battery storage at scale, coupled with appropriate protections for electric customers and system reliability.

Thank you for your consideration.

Respectfully,



Nicholas S. Ucci
Director of Government Affairs

CC: The Honorable Members of the House Committee on Corporations
Deputy Majority Leader Arthur Handy, Bill Sponsor