



The State of New Hampshire
Department of Environmental Services

Robert R. Scott, Commissioner



November 14, 2019

Debra A. Howland, Executive Director and Secretary
State of New Hampshire
Public Utilities Commission
21 South Fruit Street
Concord, N.H. 03301-2429

NHPUC 18NOV19PM12:19

Re: Investigation into Grid Modernization, Docket IR 15-296

Dear Ms. Howland:

In follow up to the Grid Mod meeting on September 19th and in preparation for the meeting on October 10th, I wanted to clarify the point I made near the end of the meeting. In speaking with a few individuals over the past week including PUC staff, utility reps, and assorted other parties, it seemed my comment on the potential need for a "higher level conversation" didn't clearly convey my thoughts on the process.

My intention was to raise the concern that the overall Grid Mod docket process may have failed to address a significant and necessary consideration, which is "what utility business model reform is necessary to incentivize/compensate the deployment of DERs and demand management rather than traditional utility infrastructure."

It's a concern that NHDES first raised in its comment letter¹ on Raab/Grid Mod Working Group report in 2017. In that letter, NHDES recommended that additional attention be given to three issues, two of which may still have bearing:

"1. Identify Key Barriers and Disincentives to Grid Modernization

To successfully implement grid modernization, the PUC and interested parties must identify and better understand the key barriers and disincentives that prevent NH's utilities from engaging in grid modernization as part of their standard business model.

Over the course of the nine facilitated sessions, the utilities noted several times, in response to proposals by the non-utility parties, that they are unable to achieve certain objectives or undertake specific actions "under current conditions". Sufficient time was not available to fully explore what those "conditions" are that are problematic, but they range from technical to regulatory to institutional in nature. It is vital that participating parties fully understand these barriers and disincentives so they can work collaboratively to overcome them."

¹ http://puc.nh.gov/Regulatory/Docketbk/2015/15-296/LETTERS-MEMOS-TARIFFS/15-296_2017-05-19_NHDES_COMMENTS.PDF

AND

"3. Align Utility Incentives and Rewards with Grid Modernization Goals

The PUC should also consider how to balance innovation, new market actors and the traditional utility business model. To integrate and fully benefit from existing and potential rapid emerging technologies as well as enable new service providers to participate, utility incentives and rewards may need to be modified to encourage and enable utilities to adopt a new, sustainable business model. It is worth considering that grid modernization may involve a similar transformational effort to that witnessed following the emergence of the internet and the development of the smartphone, which brought about the convergence of the telephone, computing, retail and television industries."

Our expectation was that in exploring those barriers, stakeholders might understand the opportunities to adjust regulatory frameworks and allow utilities to be compensated in new ways, thus enabling the grid to modernize more organically. We were and remain agnostic to the barriers and the changes that would be made.

The staff report filed in early 2019 did not completely overlook the issue of business models and industry structure, but did confine its treatment of the issue to a single and somewhat vague clause. From the PUC Staff Report (1/31/19), pg. 9 (Emphasis Added):

"The proposed approach for the IDP focuses on the functionalities and related technologies and process changes required within five years: 1) to support the grid mod objectives; (2) to maintain a technology-neutral approach; and (3) to stay neutral on roles, industry structures, and business models."

The subsequent Grid Mod conversation, in filings, hearings, and technical sessions, has covered numerous topics and NHDES has opted to remain largely silent as utility regulation, much less utility reform, is not our area of expertise. However, as the discussions have seemed to either focus on the appropriate process the commission should follow to conclude IR 15-296 or the very deep details of the utility planning, NHDES would like to clarify whether other parties feel that existing utility business models in NH are sufficient to fully achieve the goals of grid modernization. If the answer is no, then NHDES is concerned that the long Grid Mod planning discussion has missed a significant opportunity.

Respectfully,



Chris Skoglund
Climate and Energy Program Manager
Air Resources Division

Cc: Service List