

STATE OF NEW HAMPSHIRE
Before the
PUBLIC UTILITIES COMMISSION

ELECTRIC DISTRIBUTION UTILITIES

**Investigation into Compensation of Energy Storage Projects for
Avoided Transmission and Distribution Costs**

Docket No. IR 20-166

**REPLY COMMENTS OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
D/B/A EVERSOURCE ENERGY**

INTRODUCTION

As described in the Order of Notice for this docket, in 2020 the New Hampshire Legislature passed, and the Governor signed, HB 715-FN, which added a new chapter to RSA 374-H, entitled “Energy Storage,” to New Hampshire law. Among other things, RSA 374-H required the Public Utilities Commission (“Commission”) to open a proceeding to investigate how to compensate energy storage projects, including utility-owned and non utility-owned projects, for avoided transmission and distribution costs while also participating in wholesale energy markets. In response, the Commission opened this docket and in January 2021, accepted comments from numerous stakeholders on six enumerated topics outlined in the statute.

Following a technical session on January 25, 2021, and as noted in Commission Staff’s (“Staff”) January 29, 2021 report, the stakeholders agreed that an opportunity for reply comments would likely provide value for the Commission’s investigation. As further described in Staff’s report, stakeholders also generally agreed that reply comments should address whether the ISO-NE compliance filing required by the Federal Energy Regulatory Commission’s (“FERC”) Order No. 2222 may warrant an extension of the July 12, 2021 deadline for a Staff

recommendation in this investigation. Included herein are the reply comments of Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource” or “the Company”).

While the various comments and commenters raised numerous items to consider as this investigation advances, Eversource focuses on two specific items for these reply comments: FERC Order No. 2222 and its impact on this docket; and the New York Public Service Commission’s (“NYPSC”) Energy Storage Deployment Program.

FERC Order No. 2222

On September 17, 2020, FERC issued Order No. 2222 requiring that all Regional Transmission Organizations (“RTO”) or Independent System Operators (“ISO”) establish participation models for Distributed Energy Resource Aggregations (“DERA”) in wholesale markets such that DERAs would be allowed to provide and receive compensation for all market services for which they are technically capable. Order No. 2222 includes a diverse list of distribution system-sited technologies that fall under the DER umbrella, including both behind-the-meter and front of the meter Energy Storage Systems (“ESS”).

ISO-NE is currently developing a compliance proposal and leading a stakeholder engagement process through the New England Power Pool (“NEPOOL”) Technical Committees and other channels. Compliance filings from each ISO/RTO are due to FERC on July 19, 2021. However, several RTOs have already requested extensions. After the compliance filing, there will likely be a lengthy review and acceptance period. The Company is taking an active role in the stakeholder engagement process to ensure that the market rules will reflect proper coordination between ISO-NE, electric distribution companies, DERAs, and the Commission, ensuring Eversource is prepared to accommodate customer participation in DERAs.

ESS' are expected to participate in wholesale energy, capacity, and ancillary service markets. These markets are established and well known. The ISO-NE compliance filing process is unlikely to change which markets will be available. Before Order No. 2222, ISO-NE had already accepted an aggregated residential solar-plus-storage bid into its capacity market utilizing a demand response model. The focus of the remaining compliance process will be on details of aggregations, registration, operations, and settlement. Because the markets are known and understood, and their impact on individual assets can be reasonably forecasted based on current market-clearing prices, the Company does not recommend extending the July 12, 2021 deadline for a Staff recommendation in Docket No. IR 20-166.

NYPSC Energy Storage Deployment Program

Certain of the initial comments in this proceeding referenced the potential applicability of the NYPSC's orders and guidance on energy storage as a model that New Hampshire may consider following. In summary, the Company does not recommend the Staff use NYPSC's orders or guidance on energy storage as a model for New Hampshire. The program, to date, has resulted in additional costs for customers due to the resources needed to administer the program with limited, if any, measurable benefits for customers.

By way of brief background, the State of New York, acting across multiple agencies and varying proceedings, has sought to implement certain changes to the existing utility regulatory landscape. Most relevant here is the New York legislature's 2017 adoption of Public Service Law §74, which set that State's energy storage deployment policy. In response to that law, and following its investigation, the NYPSC issued its Order Establishing Energy Storage Goal and Deployment Policy (December 13, 2018) in Case No. 18-E-0130. Through its order, the NYPSC

both established a statewide energy storage goal for 2030 and a deployment policy to support that goal.

Currently, there are two paths for energy storage to be procured in New York. The first path is through the Non-Wires Alternative (“NWA”) process. The six utilities in New York (“Joint Utilities”) jointly developed common criteria to screen planning needs for potential NWA opportunities. The criteria include the avoided cost of the project, time of the need, and type of need the solution would be addressing. Once potential NWA opportunities are identified, the Joint Utilities perform further vetting to assess additional criteria to determine whether an NWA is still appropriate (for example, if an asset is nearing the end of life and needs replacement). After the vetting is completed and a need is determined to be suitable for an NWA, a Request for Proposal (“RFP”) is issued. Once a proposal has been selected, the utility engages in contract negotiations with the third-party developer, and upon agreement, the NWA would move forward and begin implementation. If the RFP is unsuccessful, the utility would move forward with its’ own NWA (in limited cases) or the traditional wires solution based on the most cost-effective and efficient approach for customers.

Based on the latest data from Wood Mackenzie, out of 120 opportunities identified to date, only 3% (4) have been implemented, 21% (24) are in the process of being implemented, and the remaining 76% failed to qualify to move forward. These opportunities and responses reflect energy storage (14 of the 120 include energy storage) as well as other NWA technologies including demand response, energy efficiency, solar PV, wind, and other types of distributed generation. Due to the fact that any RFP can be responded to with any type of technology solution many of the responses did not meet technical feasibility requirements. If they did pass the technical feasibility many were not able to meet the cost effectiveness test and were not

pursued. If they were able to move to the next steps of contract negotiation many were unable to proceed due to concerns from third parties and their reluctance to take on the risks and liabilities of meeting the commitments of the NWA.

Eversource engaged in conversations with certain of the Joint Utilities to understand why very few opportunities have been implemented. The Company learned that key challenges had been the lack of education of third-party developers on the utilities' responsibilities to their customers – including the obligation to ensure a safe and reliable system, and an unwillingness of the third-party developers to accept contract terms. Challenges in contracting include liability and risk of damages if the third party cannot meet the performance guarantees, liquidated damages clauses, indemnifications and termination provisions required by the utilities to ensure assets are available when needed to serve customers reliably.

Also, certain NWA opportunities are only suited for certain technologies. However, because NWA solicitations in New York must be technology agnostic, anyone can submit a proposal regardless of technology feasibility or financial viability. The result is a requirement for multiple resources to run the NWA process and evaluate proposals. Inefficiencies result when NWA technologies that are not viable require the same rigor as those that are. Considering the incremental resources required to evaluate RFPs, and third-party developers' unwillingness to accept the risk of damages, the Company recommends that any opportunities for deploying storage or any other DERs for system reliability should be purposed-planned by the utility and owned and operated by the utility to ensure a safe and reliable system.

The second path for energy storage to be procured in New York is State-established storage procurement targets where each of the Joint Utilities are required to procure at least 10 MW by December 31, 2022 (except Consolidated Edison, which is required to procure 300

MW). The Joint Utilities began issuing RFPs in 2019 and are required to continue issuing RFPs annually until the targets are met. Based on activity observed so far and discussion with several of the Joint Utilities, in most cases even subsidized bids have not been able to meet the required cost-effectiveness test because the avoided cost is much lower because there is no tangible specific traditional wires project to be avoided or deferred. Instead, the avoided cost is determined using system-wide benefits, which tend to be much lower than costs for specific projects for specific locational needs. The Company therefore recommends that NWAs only be considered for deferring traditional solution needs where the capital plan calls for actual upgrades to the system that are capacity driven, and not of a reliability or age nature. The benefit accrued by the NWA manifests itself in the deferral of capital expenses.

The Company does not recommend that the Commission and Staff pick winners and losers in technology. Instead, a systematic approach to identifying the right resources to cost-effectively solve customer needs, such as that demonstrated within Eversource's NWA Framework, should be the basis for technology selection. To avoid similar issues observed in New York, the Company recommends that technologies be vetted by each utility on a regular basis and the NWA Framework be used to define a specific NWA solution and technology that addresses a local system need, rather than preseting technology agnostic RFPs. This enables a more streamlined approach ensuring that bids will meet reliability and planning criteria set forth by the utility and drastically reduce overhead.

These observations of the New York process, which show a significant amount of time and effort around the process and evaluation of many proposals without the implementation of a project, point to the conclusion that utility-owned solutions are more likely to have a positive

impact on the development of the energy storage market and specific project implementations for the benefit of customers.