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GOVERNMENT OF PUERTO RICO  
PUERTO RICO PUBLIC SERVICE REGULATORY BOARD  
PUERTO RICO ENERGY BUREAU

Secretaría  
Negociado de Energía  
9:10 am

<b>IN RE:</b>  <b>ENERGY EFFICIENCY AND DEMAND RESPONSE TRANSITION PERIOD PLAN</b>	<b>CASE NO. NEPR-MI-2022-0001</b>  <b>SUBJECT: ICSE COMMENTS TO PREB QUES- TIONS</b>
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**ICSE COMMENTS TO PREB QUESTIONS**

To the Honorable Energy Bureau:

Now comes Instituto de Competitividad y Sostenibilidad Económica de Puerto Rico (ICSE) represented by appearing counsel who respectfully comments:

On October 12, 2022, this Honorable Bureau entered a Resolution and Order requesting stakeholder participation, particularly, their answers to Appendix A of said Resolution and Order. Herein, ICSE exposes their comments. For simplicity we use the term Distributed Energy Resources (DERs) to represent a suite of resources including energy efficiency, demand response, distributed generation (such as solar PVs), storage batteries, and strategic electric vehicle charging.

**I. Sources of funding**

Energy Efficiency and Demand Response Programs are an ideal opportunity to minimize the risks of blackouts and to strengthen the electric system's overall resiliency. As such, there are diverse sources of funding necessary to implement EE/DR measures. Particularly, the CDBG-DR funds, are specifically allocated to promote Puerto Rico's electric grid's resiliency. This outer source could pave the road of compliance with EE metrics as established in the energy public policy without the need incur in capital costs. If said funds were unavailable, capital costs would

be necessary and unavoidable. Additionally, available federal funds will curtail the immediate need to revise current tariffs.<sup>1</sup> The PREB must assume the responsibility and promote the use of such available Federal funds to implement Law 17-2019 mandate on energy efficiency, broadly defined.

## **II. Untapped potential of residential demand response**

The Solar and Energy Storage Association of Puerto Rico (SESA) claims in their last comments that there is an underutilization of demand response resources due to the lack of DR programs. They estimate that over 300 MW of modern batteries are already installed in thousands of Puerto Rican households. This figure represents a substantial value to DR programs' participation that could be exploited with celerity in this Transition Period Plan. We agree with SESA's statement that this Honorable PREB should push the implementation of a Systems Benefit Charge.

However, participation of this group of PREPA customers could be potentially undermined if there is an over-standardization of eligible resources. The criteria of eligible resources should refrain from classifying them based on considerations that do not represent the overall benefits of said resources. The criteria should be focused primarily on resource capacity. Nonetheless, some standards would be appropriate; for example, the eligible batteries should have Wi-Fi interface (which is an inverter standard), they should be dispatchable, and perform within some minimum response time, for some minimum duration.

Regarding the openness of the programs (residential and commercial customer participation), the most proficient way is through aggregators since batteries are complicated resources. The use of aggregators reduces the utility's burden of administering customer agreements.

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<sup>1</sup> This point is further discussed in part VI of these comments.

As the PREB suggested, batteries deliver capacity at specific times, such as when charged by solar PV's or cheaper power is available.

Regarding fund allocation to provide larger payments for batteries in critical facilities or batteries that serve more vulnerable customers, ICSE considers that in order to limit overcomplications, it would be preferable to standardize the amount to be paid.

### **III. Rebate Programs**

#### **A. Product eligibility**

Just as DR resources, the criteria for products eligible on the Rebate Programs should be liberally construed. However, what shouldn't be liberally construed is the incentive for said products. Of course, this Bureau is considering modifying the list of eligible products; and ICSE assumes that the Bureau's exercise will be based solely on the difficulty of ascertaining the benefits that these products represent, *i.e.*, actual energy savings.<sup>2</sup>

For this phase in the design of DR Programs, it would seem wise to refrain from establishing Rebate Programs for classes of products that may need a more precise evaluation. ICSE is conscious that most of LUMA's filing was designed taken into consideration qualitative rather than quantitative criteria. However, there will always be a need to measure capacity (kW), energy (kWh), and measurement and verification (M&V). Translating certain actual benefits into money can be easier if "deemed measures" with specific deemed savings are established *a priori*. The "deemed approach" can be used for a same class of measures. In evaluating products of the same class of measures, the PREB could establish which particular products, including which particular brands, will be eligible for deemed savings.

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<sup>2</sup> We understand the term "savings" as capacity delivered at right times for batteries and demand response. They should be further defined in kWh terms, measured according to meter-first, meter later, using a baseline.

In this context, this would create preferential products for customers, *i.e.*, could translate into a competitive burden for ineligible products or ineligible brands. However, this determination would not be based on arbitrary exclusions, but rather the certainty of expected savings in capacity and energy terms, *i.e.*, the specific product's efficiency. Given that Puerto Rico's DR market is still nascent, product studies can be conducted with considerable ease unlike more developed DR markets in other jurisdictions. Deemed measures from other jurisdictions can be used with some certainty that such deemed savings should be acceptable. Consumers need to be given choices to select among eligible products for the same class of measure. Since the overall benefits of each measure will be calculated on average, it will incentivize competitors to deliver greater savings in Kw and kWh terms.

#### B. Low-income incentives

The PREB requested stakeholders' input on the adequate incentives for low-income customers. Particularly, the PREB requested stakeholders to answer if low-income customers should be incentivized by 100 percent of the total costs to enable participation. As the PREB stated, this practice "has been shown to be required for participation and this approach is similar to the approach adopted in other jurisdictions." In other terms this can be called "free direct-install" of DER measures. With free direct-install measures the savings benefits to customers may not be incentivized beyond the benefits that come from bill savings.

If the goal is maximizing program participation, this can be translated to mean maximizing benefits for all classes of customers. A fundamental premise is that enabling customers to participate in EE and DR Programs, irrespective of their classification, will produce savings regarding fuel consumption and capacity cost reduction throughout the electric system as a whole. These



comments should not be construed in any way as recommending a preferential model towards non-low-income customers since all classes of customers should be equally eligible for participation. However, it is true that this phase—which is still in essence a quick-start phase—should focus primarily on engaging group of customers that will not represent a major burden given the limited funding sources identified at this moment. We reiterate that this doesn't mean that low-income customers wouldn't be directly benefitted by the participation of other classes of customers; quite the contrary. This characteristic is what makes DER programs so beneficial to utility customers; overall fuel consumption is reduced, and capital costs can be reduced, so, as a direct consequence, customer tariffs can be reduced. If this phase is successful in maximizing customer participation irrespective of their group, DER program support will then substantially increase low-income customer participation.

#### **IV. Workforce knowledge that merits being addressed in outreach efforts to contractors & suppliers**

Program design is important to ensure customers can choose from a selected set of eligible DER measures. Contractors should be required to only provide measures from a PREB certified list. Customer outreach education should facilitate both customers and contractors' comprehension of the benefits and costs of the DER program. The mentioned Federal funds are available for these activities.

#### **V. EE Branding**

It is more than common knowledge that LUMA lacks credibility in the public's eye. It would maximize engagement if the EE brand weren't linked to LUMA's. Although it is fair that

credit is due to LUMA for the design and proposal of the programs described in their filing, a direct association would be detrimental to participation. The most desirable way of branding these programs is through directly associating them to the PREB since, after all, they are approved by the Bureau in terms of the ultimate design and allocation of funds. Notwithstanding the foregoing, as SESA stated, aggregators (and other actors) are more than able to conduct their own marketing schemes, which signifies that there are multiple ways of conducting marketing-branding.

## **VI. EE Rider**

Ultimately, an EE Rider may be essential in further expanding and perpetuating programs. Particularly, an EE Rider could maximize low-income customer participation. However, at this stage, program funding should also consider the savings associated in diminishing incremental costs of fuel switching, using DERs, particularly during times of peak demand. These DER savings should be redirected as investments to support further DER development, such as future customer and vendor incentives. If the programs are successful, these savings could delay incorporating the costs of an EE Rider in the base tariff. ICSE suggests that the PREB consider the DER savings that will occur in the near term and have the opportunity to define the cost needs in a future appropriate rider.

As previously mentioned, the PREB should consider taking advantage of the availability of federal funding which are compliant with HUD and the Puerto Rico Energy Public Policy Act (Act 17-2019) in order to reduce or eliminate the need for a EE Rider. We reiterate that these funds, which are fundamentally premised on low-income households' needs for resiliency, could rapidly attend whichever deficiencies may be identified in serving this group of customers in this quick-start phase.

## **VII. Question 14: PREB's development of a list of activities and associated timing**

With respect to question 14 of Appendix A to the PREB's Resolution and Order, ICSE recommends focusing on the benefits that will result from installed DER measures in kW and kWh terms. Appropriate rewards and penalties can then be more clearly applied as appropriate. ICSE suggests that six-month and annual reports on DER measure savings be provided to best determine progress, adjustments, and thus next steps.

To determine the short-term value of DER programs, measurement and verification of kW and kWh savings should be valued based on specific benefits from: (i) reduced loads on generation, transmission, and generation in \$/kW-year terms; and (ii) reduced energy (kWh) usage that corresponds to reduced monetary value of the extant fossil fuel inventory. The latter should reflect the direct market value of deferred fossil fuel use, *i.e.*, the inventory-accounting value of avoided fossil fuel use. These two steps would determine the deferred value of the DER program in the short-term. After one year, the long-run values for avoided capacity and energy should be defined, with reference to actual DER measure savings from measurement and verification efforts. A system of rewards and penalties for LUMA's roles in the DER program can also be instituted. No reward and penalty system, however, should take precedence over the most rapid, expedient approach to implementing DERs for customers in the short-term.

## **VIII. Conclusion**

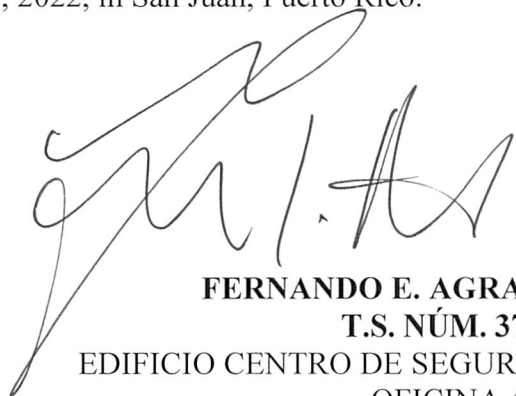
LUMA's filing can be considered complete in the sense that planification of EE and DR Programs was made through a holistic methodology. However, some areas need additional fine-tuning which, at this stage, is not entirely possible since there's not the benefit of a detailed

evidentiary record. Even though there is a delay in statutory compliance, this is a firm and good step to finally satisfy Act 17 mandates. Additionally, in the elaboration of this docket, there shouldn't be a loss of sight of all the available federal resources. If these were exploited efficiently, the need for an EE Rider would be premature and may even not be necessary if the programs' savings regarding fuel consumption is leveraged and redirected towards future incentives and program expansion.

WHEREFORE, it is respectfully requested that the PREB take into consideration these comments and proceed accordingly.

CERTIFY: I hereby certify that, on this same date, we have filed this motion and notified by electronic mail to: [info@sesapr.org](mailto:info@sesapr.org); [elewin@veic.org](mailto:elewin@veic.org); [ana.rodriguezrivera@us.dlapiper.com](mailto:ana.rodriguezrivera@us.dlapiper.com), [laura.rozas@us.dlapiper.com](mailto:laura.rozas@us.dlapiper.com); [marrero@diazvaz.law](mailto:marrero@diazvaz.law), [kbolanos@diazvaz.law](mailto:kbolanos@diazvaz.law), [hri-vera@jrsp.pr.gov](mailto:hri-vera@jrsp.pr.gov).

RESPECTFULLY SUBMITTED November 3, 2022, in San Juan, Puerto Rico.



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