

Technical Workshop: LUMA Transition Period Plan Docket NEPR MI-2022-0001





November 4, 2022





- ➢ Goals of Technical Workshop
- LUMA Progress Update
- Discuss TPP and Questions
 - ➢ Marketing, Education, and Outreach
 - Scheduled Dispatch Battery DR
 - ➤Commercial DR
 - ► Rebate Programs
 - ≻Funding
- Timeline and Next Steps



Goals of Technical Workshop



- Confirm understanding of proposed plan
- Clarify intent of Energy Bureau questions
- Continue to collect and discuss feedback
- Discuss any barriers to responding to questions and how to circumvent these barriers



Revised Schedule

November 4, 2022: LUMA responses to Appendix B due

- November 9, 2022: LUMA and stakeholder responses to Appendix A due
- November 16, 2022: Technical workshop #2
- November 30, 2022: Reply comments due



LUMA Progress Update



Discuss TPP and Questions





For all:

- What aspects of the Proposed TPP do you like?
 What about these aspects appeal to you and why?
- 2. What aspects of the Proposed TPP do you have concerns about? What are your concerns?



Marketing, Education, and Outreach

Context:

- ME&O programs to begin first; goal is to raise awareness and market readiness
- Includes support for pilot/demo projects
- TPP hints at framing around conservation, sustainability, and bill savings
- LUMA's RFP to hire contractor indicates marketing materials can be developed in English, then translated
- Inflation Reduction Act passed after the TPP was filed, so federal context is different and there are more funding opportunities



- Outreach efforts could be expanded to reach the local workforce so that contractors are aware of both the benefits of efficient technologies and upcoming incentive opportunities and can convey them to customers.
- Demonstration projects could focus on conveying benefits to contractors and potential participants.
 - 3. <u>For all:</u> What specific barriers or workforce knowledge gaps should LUMA focus on addressing in outreach efforts to contractors, suppliers, etc.?



- LUMA should ensure marketing efforts resonate with customers.
- LUMA could consider additional ways to best maximize participation and by-in, such as developing a separate brand for EE programs and partnering with community organizations.

- How should programs be branded? (e.g., LUMA, Energy Bureau, or new EE-specific brand?)
- What community organizations could be good partners to help maximize customer participation and buy-in?



- LUMA could expand the technical assistance program to help customers maximize benefits from the Inflation Reduction Act (IRA) and other funding sources.
- Examples of assistance:
 - Help customers understand magnitude of \$ savings possible from EE supported by federal \$
 - ➢ Help apply for USDA Rural Energy for America Program (REAP) grants
 - Provide validation of depth of energy savings to qualify for whole home EE tax credit
 - ➢ Help schools apply for EE and renewable energy grants
 - 5. <u>For all:</u> How much budget is appropriate to direct toward the marketing, education, and outreach program, both generally and for technical assistance?



Context:

- LUMA proposed a residential battery DR program for Year 2, focused on occasional dispatch during peak times ("beyond their baseline load shift patterns"), aiming for 2,000 participants.
- ➢ Requires use of DERMS to coordinate dispatch.



- Solar and Energy Storage Association of Puerto Rico (SESA-PR) indicates in its comments that there is a substantial untapped residential battery energy storage resource
- LUMA could replace the proposed residential battery demand response program with a scheduled dispatch program
 - The batteries could charge during the solar peak between 10am- 2pm daily and discharge between 6pm-10pm.
 - No dispatch required/expected when storm warning is issued.
 - > A portion of a given battery can be enrolled in the program
- LUMA could consider incentive levels relative to other options, such as virtual power plants



<u>6. For all:</u>

- a. Should the program be open to both residential and commercial customers?
- b. Should the program be open to individual battery owners, or only through aggregators?
- c. Should the program provide a monthly payment based on daily energy charge/discharge?
- d. Should the payment amount be based on estimated system-level fuel cost savings from daily arbitrage?
- e. Should the program provide a larger payment for batteries in critical facilities, or which serve more vulnerable customers?
- f. How many years' commitment should be required to participate in the program?



Commercial DR

Context:

- To add funds for Scheduled Dispatch and enhanced technical support, within a fixed budget, some programs would need to be smaller
- LUMA proposed a commercial economic demand response program that could utilize backup generators.
- > LUMA's Proposed TPP budgets:

Emergency DR: \$2.1M in Year 1, \$4.2M in Year 2
Economic DR: \$0.25M in Year 1, \$0.33M in Year 2



Commercial DR

- The Regulation for Demand Response does not allow such a program; it only allows backup generators to be used for demand response in an emergency
 - When relevant EE measures are installed, they could be enrolled in the program
- Assuming a fixed budget, if funds are directed to a scheduled dispatch program and to additional technical support, some program budgets need to be reduced
 - Consider reducing Emergency DR budget to account for partial-year implementation, and aim for a smaller capacity for Year 2



Commercial DR

- a. Which program budgets should be reduced to allow for a scheduled dispatch program, and by how much?
- b. How should the proposed budget for the economic DR program be reallocated?



Context:

- FY23 proposed rebate program budgets \$4.5M, which is ~46 percent of the total
- Low-income offered larger incentives (50% to 200% larger)
- Incentive levels cover 30-50% of incremental cost
- Targeted end uses include lighting, water heating, refrigeration, HVAC



- a. Should rebates for tankless water heaters be removed?
- b. Should rebates for heat pump water heaters be added?
- c. Are there any other promising products and/or enduses that are missing from the proposed program?
- d. If so, is there any information on what proportion of energy consumption those products/end-uses currently account for?



- Planned incentive levels could cover 100% of the total costs for low-income residents
 - 100% incentives have been shown to be required for participation in other jurisdictions

- a. Should low-income incentives be 100 percent of total costs to enable participation?
- b. If not, should any increase in the proposed structure for low-income incentives be considered?
- c. Are any other supports necessary to gain participation by low-income customers?



- LUMA has a concern with high participation levels and spending that exceeds budget
- There could be a system of program overspending and underspending notifications and a mechanism for adjustments that would allow programs to continue operating
 - Such as a notification system that dovetails with the quarterly reporting process and is triggered based on one or more thresholds.
- There could be a fully reconciling funding mechanism that allows for approved over and/or under spending to roll into the EE/DR budget for the subsequent year.



- a. What timing for notification would best allow for discussion with the Energy Bureau and mid-course adjustments?
- b. What threshold(s) for notification are important for program stability and will allow for mitigation of cost underruns or overruns?



IRA funding opportunities came about after the proposed TPP filing. An adjustment could be made to account for IRA funding.

<u>11. For all:</u>

- a. What opportunities exist to coordinate LUMA rebates with IRA rebates implemented by the Public Energy Policy Program (PEPP)?
- b. What other entities should LUMA coordinate with when engaging to provide technical assistance to customers to access IRA funding?





- EE Regulation requires "PREPA shall develop programs that offer customers upfront capital to support the installation of EE measures, coupled with repayment provisions associated with the customer and/or with the meter, where feasible." (Section 4.06(E))
- LUMA appropriately does not include financing-based programs at launch
- Financing can take time to develop and gain consumer trust
- LUMA could begin the process of developing a pay-asyou-save or similar program and design and implement an on-bill repayment process.
 - > Target to launch in FY25 (First 3 Year Plan)
 - > Report regularly with status of planning, steps, and timing





- a. What other entities should be consulted or involved in this endeavor?
- b. Please provide suggestions regarding the structure of such a program, and suggestions of potential sources of capital or reserve funds.



Performance Metrics

- EE Regulation requires annual reporting with data on costs, energy savings, and participation
- > Reported metrics could also include estimates of:
 - Customer energy savings as a percent of usage
 - ➢ Bill savings
 - Participation rates by geography
 - ➤GHG emission reductions

<u>13. For all:</u>

- a. Are there any concerns with these potential metrics?
- b. Are there any metrics missing that need to be added?
- c. Is there a resilience/reliability impact metric that LUMA should report?



Performance Targets

- LUMA did not propose targets in its filed TPP
- The Energy Bureau is developing a list of activities and associated timing
- Rewards and penalties can be administered based on whether the activities were completed as described and on time



Performance Targets

- a. What activities should be included? What timeframes are reasonable for each?
- b. How much should each activity be worth (in terms of the reward/penalty)?
- c. How much should all activities be worth (in terms of the total pool of potential rewards/penalties)?
- d. How should the total pool of potential rewards/penalties be established (as a fixed dollar amount, percent of total EE budget, percent of the available incentive funds in LUMA's contract, etc.)?
- e. Should there be penalties as well as rewards?
- f. Should a bonus incentive be offered for exceeding expectations? If so, how would the Energy Bureau establish that LUMA had exceeded expectations?



- LUMA proposes to use \$4.6M from its FY23 budget to cover planning, start-up, and administration costs
 - For FY23: LUMA could budget funds to support all activities up through and including incentive program launch
 - EE Rider collection could start just after incentive program launch
 - LUMA and EE Rider funds are not segregated in this year
 - For FY24 and subsequent years: LUMA could use its budget for planning and administration costs and the EE Rider could fund incentive costs only





- a. Given uncertainty regarding incentive program launch date, how do we best set the EE Rider value to cover the remaining funds required in FY23? Would setting the EE Rider at a set value (e.g., 0.1 cents/kWh) be sufficient for program funding and certainty?
- b. What is an appropriate definition of "wide availability" of rebate programs that can be used as a trigger for the collection of the EE Rider?



Timeline and Next Steps



Revised Schedule

November 4, 2022: LUMA responses to Appendix B due

- November 9, 2022: LUMA and stakeholder responses to Appendix A due
- November 16, 2022: Technical workshop #2
- November 30, 2022: Reply comments due