

Perspective on Grid Modernization in Rhode Island

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Timeline

- April 2016-March 2017: Investigation into the Changing Distribution System & the Modernization of Rates
- October 2017: Following Investigation, PUC issues Guidance on Goals, Principles and Values for Matters involving the Narragansett Electric Company
- November 2017: Base Distribution Rate Case & Power Sector Transformation Application by National Grid
- August 2018: Commission approves modified settlement in combined Base Distribution Rate Case and Power Sector Transformation proceeding.

Commission Guidance on Goals, Principles, and Values

Three tools that contribute to the standard of review for all electric proposals (with respect to Narragansett Electric) brought by any party:

- Goals for the Electric System
- Rate Design Principles
- Rhode Island Benefit Cost Framework
 - Power system
 - Society
 - Ratepayers

Grid Modernization in the Rate Case

- Settlement sought funding through base distribution rates in a three year rate plan.
 - System data portal
 - Control center enhancements
 - Operational data management, communications investments
 - Cybersecurity investments specific to grid modernization
- Approved for RY1: System Data Portal, some GIS upgrades, RTU separation, and Advanced Metering Functionality business case
- Next Steps: Require long-term Grid Modernization Plan & AMF Business Case

Challenges & Considerations

- Bridge halfway: Need to understand the full range of investments that will be necessary to realize functionalities and benefits of a modern grid and AMF.
- Future sunk costs: There are no sunk costs before costs are sunk. Need to balance risk and innovation.
- Mitigating risks: Comprehensive cost-benefit analysis is necessary to control risks and provide evidence of the value of a modern grid, AMF, and rate designs.
- Societal benefits: The surest way to demonstrate prudence is to show a majority of benefits accrue to ratepayers. What to do when most of the benefits are societal?

Expectations for grid modernization (...and AMF) (...and really all filings)

- Demonstrates the imperative for investment
- Comprehensive cost benefit analysis
- Clearly understands and defines the objectives, goals, functionalities, and outcomes
- Presents alternatives, and defends the preferred solution
- Manages risk
- Implementation plan

Parting thoughts

- When the distribution utility is the vehicle to advance public policy goals....
 - There is no lesser need for the company to demonstrate why the investment is needed; when it is needed; what it will achieve; and why it is the most cost-effective option.
 - The parties with a stake in the public policy goal should be clear and confident in how the plan and investments will achieve the goal.
 - We'll lose public trust if we don't have good evidence for asking ratepayers to make these investments.