STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY
TEN FRANKLIN SQUARE
NEW BRITAIN, CT 06051

DOCKET NO. 17-12-03RE05 PURA INVESTIGATION INTO DISTRIBUTION PLANNING OF THE ELECTRIC DISTRIBUTION COMPANIES – INNOVATIVE TECHNOLOGY APPLICATIONS AND PROGRAMS (INNOVATION PILOTS)

March 30, 2022

By the following Commissioners:

Marissa P. Gillett
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DECISION

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DECISION

I. INTRODUCTION

A. SUMMARY

Pursuant to §§ 16-11 and 16-244i of the General Statutes of Connecticut (Conn. Gen. Stat.) and in accordance with the Interim Decision dated October 2, 2019, in Docket No. 17-12-03, PURA Investigation into Distribution System Planning of the Electric Distribution Companies (Equitable Modern Grid or EMG Decision), the Public Utilities Regulatory Authority (Authority or PURA) establishes the Innovative Energy Solutions (IES) Program whereby innovative pilot programs, technologies, products, and services can, on a limited basis, be deployed, investigated, and evaluated for overall impact, costs, and benefits, and scaled if ratepayer benefits are demonstrated. Appended hereto as Attachment B, the Innovative Energy Solutions Program Design Document (or IES Program Design Document) establishes the program design, structure, and governance of the IES Program, based on stakeholder input and industry best practices, and contains the necessary tools and guidance to enable the deployment of high-value project solutions that might not otherwise be possible or expedient within the current regulatory environment. The IES Program will be a collaborative effort between product innovators, the electric distribution companies (EDCs), and the Authority, along with other State agencies and key stakeholder groups.

B. BACKGROUND OF THE PROCEEDING

On October 2, 2019, the Authority issued the Equitable Modern Grid Decision outlining the Authority's framework for realizing an equitable modern electric grid in Connecticut. The EMG Decision established the following four (4) goals: (1) support (or remove barriers to) the growth of Connecticut's green economy; (2) enable a cost-effective, economy-wide transition to a decarbonized future; (3) enhance customers' access to a more resilient, reliable, and secure commodity; and (4) advance the ongoing energy affordability dialogue in the State, particularly in underserved communities. The EMG Decision also identified eleven near-term topics for investigation to realize these objectives. One such near-term topic was innovative technology applications and programs.

On October 8, 2019, the Authority initiated Docket No. 17-12-03RE05, PURA Investigation into Distribution System Planning of the Electric Distribution Companies – Innovative Technology Applications and Programs (Innovation Pilots), to investigate a prospective structure to support the ongoing development of innovative technology applications and programs, or Innovation Pilots.

C. CONDUCT OF THE PROCEEDING

On October 8, 2019, the Authority issued a Notice of Proceeding conducting this uncontested proceeding pursuant to Conn. Gen. Stat. §§16-11, 16-243v, and 16-244i.

On December 13, 2019, the Authority held a “Solutions Day” Technical Meeting, at its offices, Ten Franklin Square, New Britain, Connecticut.

On, March 31, 2020, the Authority issued a draft Request for Proposals for a Consultant (RFP) as a Notice of Request for Written Comments whereby the Authority solicited feedback from interested stakeholders on the draft RFP and to comment on the necessity or desirability of such services, as required by Conn. Gen. Stat. § 16-18a, by April 21, 2020.

On May 6, 2020, the Authority issued a final RFP to retain a consultant, with a deadline for interested consultants to provide responsive proposals by June 1, 2020. The Authority received four (4) responses to the RFP. The Authority conducted a thorough review of all the proposals received and selected Strategen Consulting (Strategen). On November 20, 2020, the Authority issued its Notice of Retention of Consultant informing stakeholders that Strategen would serve as an extension of staff in this proceeding.

On December 12, 2020, the Authority issued its Strategic Vision document that included a proposed roadmap of concepts, best practices, and design principles for consideration in establishing an innovation framework in Connecticut, along with a Notice of Request for Written Comments for stakeholder feedback on the Strategic Vision document.

On March 29, 2021, PURA issued a Notice of Issuance of Innovation Pilots Framework Straw Proposal, Notice of Request for Written Comments, and Notice of Stakeholder Workshop. The Authority’s Notice included specific questions to stakeholders to ensure a robust program design and successful implementation of an innovation framework in Connecticut.

On April 8, 2021, the Authority held a Stakeholder Workshop, via teleconference, whereby the Authority and Strategen presented the Straw Proposal. Subsequently, on April 23, 2021, interested stakeholders submitted written comments on the Straw Proposal and other related issues.

On July 23, 2021, the Authority issued a Notice of Issuance of Final Straw Proposal, Notice of Request for Briefs, and Request for the Electric Distribution Companies’ (EDCs) Implementation Plan. On or before August 20, 2021, the Authority received five briefs from stakeholders in response to its Notice of Request for Briefs.

On September 29, 2021, the Authority issued a Notice of Request for Written Comments and Notice of Stakeholder Workshop. The Notice of Request for Written Comments provided stakeholders with an opportunity to comment on the EDCs’ implementation plan submitted on October 12, 2021.

On October 25, 2021, the Authority held a Stakeholder Workshop, via teleconference, whereby the EDCs’ presented their Implementation Plan. Subsequently, on November 10, 2021, interested stakeholders submitted written comments on the EDCs’ Implementation Plan.

D. PARTICIPANTS

A list of all Participants to this proceeding is appended as Attachment A.

II. STATUTORY AUTHORITY

Electric distribution services are defined by statute as "the owning, leasing, maintaining, operating, managing, or controlling of poles, wires, conduits or other fixtures along public highways or streets for the distribution of electricity, or electric distribution-related services[.]" Conn. Gen. Stat. § 16-1(a)(22). By the very nature of their role in the electric grid, the EDCs are vital to the deployment of any distribution-tied, demand-side, or customer-sited innovative energy solutions.

Pursuant to Conn. Gen. Stat. § 16-11, the Authority has broad statutory power and an obligation to order reasonable improvements, repairs, or alterations to a public service company's plant or equipment (i.e., infrastructure), or such changes in the manner of operation, as may be reasonably necessary in the public interest. Further, pursuant to Conn. Gen. Stat. § 16-244i(a) and (b), the Authority regulates the EDCs in accordance with the provisions of section 16-19 and subsection (a) of section 16-19e, and each EDC is obliged to connect all customers to the company's distribution system, subject to the rates, terms, and conditions as may be approved by the Authority in accordance with section 16-19 and the principles in subsection (a) of section 16-19e.

The Authority, in exercising its full powers under Title 16, examines and regulates the expansion of the plant and equipment of the EDCs, the operations and internal workings of the EDCs, and the establishment of the level and structure of rates consistent with the following principles:

> (1) That there is a clear public need for the service being proposed or provided; ...(3) that the authority and all public service companies shall perform all of their respective public responsibilities with economy, efficiency and care for public safety and energy security, and so as to promote economic development within the state with consideration for energy and water conservation, energy efficiency and the development and utilization of renewable sources of energy and for the prudent management of the natural environment; (4) that the level and structure of rates be sufficient, but no more than sufficient, to allow public service companies to cover their operating costs … and yet provide appropriate protection to the relevant public interests, both existing and foreseeable….
>
> Conn. Gen. Stat. § 16-19e(a).

Further, in the context of restructuring the electric industry, the General Assembly explicitly recognized the important role of electricity in Connecticut and articulated additional principles that are broadly applicable and provide guidance in the Authority's oversight of the EDCs and the EDCs' obligations to the public:

> (1) The provision of affordable, safe and reliable electricity is key to the continuing growth of this state and to the health, safety and general welfare of its residents;…(4) It is in the best interest of the state to reduce rates for electricity to all customer classes [and] to prevent cross subsidization among customer classes…while retaining a regulated distribution system to ensure reliability;…(8) The assurance of safe, reliable and available electric service to all customers in a uniform and equitable manner is an essential governmental objective and a restructured electric market must provide adequate safeguards to assure universal service and customer service protections;…(12) It is in the best interest of the state for all customers to use electricity as efficiently as possible.
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> Conn. Gen. Stat. § 16-244.

In summary, in providing electric distribution services, the EDCs are expected to provide safe, reliable, and affordable electric service to all customers in a uniform and equitable manner. Further, these services must be provided with economy, efficiency, and care for public safety and energy security; promote economic development; consider the need for energy conservation, energy efficiency, the prudent management of the environment; and provide protection for relevant foreseeable public interests. Rates for these services must conform to the principles and guidelines set forth in section 16-19e, must not be unreasonably discriminatory, must be just, reasonable, and adequate, and the service furnished in exchange for a rate must not be inadequate to or in excess of public necessity and convenience pursuant to Conn. Gen. Stat. § 16-19(a).

Additionally, pursuant to Conn. Gen. Stat. § 16-243v(e), the Authority has a specific ongoing statutory authority to initiate and conduct request for proposal processes, from time to time as it deems appropriate, to receive and review applications for partners with enhanced demand-side management technologies. Up to $60 million in annual ratepayer contribution is authorized as funding for qualifying technologies and projects approved by the Authority. Conn. Gen. Stat. § 16-243v(e).

Applying the foregoing principles and guidelines, the Authority exercises its broad statutory powers and obligations under Conn. Gen. Stat. §§ 16-11 and 16-244i, and, to the extent applicable, its statutory authority pursuant to Conn. Gen. Stat. § 16-243v, to establish the Innovative Energy Solutions program outlined herein and in the Innovative Energy Solutions Program Design Document appended hereto as Attachment B. Moreover, the Authority finds that a proactive programmatic approach to facilitating the creation and deployment of the Innovative Energy Solutions program is necessary and in the public interest, pursuant to its statutory authority and the State's overarching public policy objectives (See, Section III.A.). The record in this proceeding, as further discussed herein, supports the Authority's determination that a long-term, statewide, comprehensive, and strategic program framework is essential and necessary to encourage and advance the deployment of innovative clean energy technologies,

applications, and programs such as novel energy storage technologies and electric vehicle supply equipment, innovative rate designs and other customer price signal, and products or services that encourage more efficient customer electricity consumption and more efficient operation of the distribution system.

III. INNOVATIVE ENERGY SOLUTIONS PROGRAM

A. OBJECTIVES

The Authority established this proceeding to investigate a prospective structure to support the ongoing development of innovative technology applications and programs. The Innovative Energy Solutions program will serve as a platform to encourage electric sector innovation that will help Connecticut achieve its clean energy, climate, and other public policy goals by introducing new products and services in a monitored and supportive environment.[1] The IES Program will balance the potential rewards and opportunities that innovation can deliver, while maintaining several controls throughout pilot selection and deployment to ensure value and minimize ratepayer risk. The IES Program is an opportunity to realize and advance innovative solutions that have the potential to deliver value to all electric customers and the state of Connecticut.

Consistent with the overarching goals of an equitable modern grid established through the EMG Decision, the Authority's intention is that the IES Program will support the growth of Connecticut's green economy. The IES Program is the natural next step of the Electric Efficiency Partners (EEP) Program, which was established in 2008 to reduce electricity consumption based on the use of demand-side technologies.[2] Simply put, the IES Program can be viewed as "EEP 2.0". This evolution makes sense given the broader spectrum of possibilities for "front of the" and "behind the" meter customer side innovation, among others, that may now be available in the marketplace that did not exist at the inception of the EEP. Connecticut cannot afford to be idle as innovations are available today that can improve residents' lives and benefit the environment. The Authority envisions that the IES Program will become a forum to foster an innovation ecosystem in Connecticut and to realize the benefits of such innovation. The framework outlined herein

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1 Public Act No. 18-82, An Act Concerning Climate Change Planning and Resiliency, established greenhouse gas emissions reduction targets of at least 45% below 2001 levels by January 1, 2030, and at least 80% below 2001 levels by January 1, 2050. Connecticut is an original signatory to the October 24, 2013, Zero Emissions Vehicle Memorandum of Understanding (ZEV MOU) whereby collectively eight (8) states committed to 3.3 million zero emission vehicles (ZEVs) on the roads by 2025. In order to meet Connecticut's ZEV MOU target, approximately 125,000 – 150,000 EVs must be deployed by 2025. Further, Public Act No. 21-53, An Act Concerning Energy Storage, established quantifiable energy storage goals of 300 megawatts (MW) by December 31, 2024, 650 MW by December 31, 2027, and 1,000 MW by December 31, 2030.

2 EEP was codified in Public Act No. 07-242, An Act Concerning Electricity and Energy Efficiency, signed by Governor Rell on June 4, 2007. The EEP rules and guidelines for issuance of a certificate of public convenience and necessity to recognize eligibility as a partner; the processes for recognition of eligible technologies; and grant application were established by Decision dated June 4, 2008, in Docket No. 07-06-59, DPUC Review of the Connecticut Electric Efficiency Partners Program. EEP focused on enhanced demand-side management technologies that conserve electricity and reduce electric distribution customers' electric demand in the state, specifically, peak electric demand. For avoidance of doubt, the Authority now requires potential EEP technologies and partners to apply through the framework of the IES Program.

was established to expand on the successes of the EEP program and provide a procedural mechanism to accelerate the deployment and scalability of innovative pilots.

The Authority will establish mechanisms within the IES Program that appropriately balance transparency with expediency and provide opportunities for both stakeholder engagement and review opportunities and confidentiality for innovators, where appropriate. Clear communication is necessary to illustrate how public funds will be spent, and how outcomes of the IES Program will be measured and evaluated.

Market outreach will occur to encourage robust participation by innovators and potential entrepreneurs. Outreach and engagement efforts will focus on potential non-EDC participants to foster understanding of the program's objectives and relevant regulations, processes, and funding mechanisms. As stakeholders have acknowledged and suggested, increased outreach and education will lead to greater understanding of the IES Program and increased overall participation. Overall, robust and transparent communication between project innovators, the EDCs, the Authority, State agencies, and other stakeholders will be vital in ensuring a successful IES Program.

The IES Program was designed based on five overarching guiding principles aligned with and influenced by the Authority's EMG Framework. The guiding principles are:

- Economic Viability and Equity: The IES Program is an opportunity to realize and advance innovative solutions that have the potential to deliver value to all electric customer classes statewide and develop sustainable jobs.

- Transparency**:** Transparency is crucial for activities that are in service to the public interest and funded by customers. Clear communication is necessary to illustrate how public funds will be spent, and how outcomes of the IES Program will be measured and evaluated.

- Diversity & Market Gaps: The IES Program will create unique opportunities for high-value, customer-facing solutions that may otherwise face barriers to market entry. The IES Program will bridge existing programming gaps and will enable a breadth and diversity of customer-facing solutions.

- Scalability: The IES Program will identify and foster long-term solutions for the electricity network and end-users. The delivery of meaningful system and customer benefits can only be achieved at scale, and thus any projects that would be considered must, by necessity, demonstrate the potential to scale up past the initial demonstration phase to deliver benefits to a wider set of customers.

- Continuous Learning: The IES Program will embody an agile process that can grow and adapt to suit a wide array of customer, grid, and market needs. Feedback and lessons learned from applicants, innovators, and internal stakeholders will prove critical in improving the IES Program over

time and promoting a regulatory environment that encourages further innovation.

The IES Program will provide electric customers with sustainable, innovative solutions and, thus, will serve an important role as Connecticut works to achieve its clean energy, climate, and additional public policy goals. Innovative projects equitably and cost effectively deliver value to all electric customers and the state of Connecticut. For the above reasons and those detailed below and in the final IES Program Design Document attached hereto as Attachment B, the Authority finds that the IES Program is in the public interest and, thus, is lawful under PURA's broad statutory authority described in detail in Section II.

B. DESIGN SUMMARY

The Authority is confident that the final IES Program Design Document attached hereto provides a comprehensive program design, shaped by the comments and briefs from stakeholders that will effectively guide the implementation of the IES Program. Below, the Authority addresses the IES Program design and where applicable, provides insight regarding the necessity of individual design elements and details how the Authority adapted the various iterations of the IES Program based on stakeholder input to arrive at the final product approved herein.

C. DESIGN ELEMENTS

The IES Program consists of several key design elements that collectively provide a comprehensive programmatic structure for electric sector innovation in Connecticut. The final IES Program Design Document attached hereto details each of the design components and incorporated stakeholders' input. Major design elements include program phases, innovation pathways, innovation support services, oversight and governance, eligibility criteria and metrics, and cost recovery. Below, the Authority addresses the major design components individually, providing an overview of the key program design features of each proposed through the Authority's July 23, 2021 Final Straw Proposal (Final Straw Proposal). Each section then provides an overview of specific stakeholder input provided and concludes with the Authority's analysis of each program design component in the context of this and other relevant inputs.

The Authority recognizes that some program design elements such as project metrics and eligibility criteria will require additional consideration and discussion and, therefore, will not be finalized in the instant decision. Further, the Program Administrator and Innovation Advisory Council (IAC) have yet to be established. These elements are identified in Section IV. and discussed in the attached IES Program Design Document.

1. Program Phases & Pathways for Innovation

On July 23, 2021, the Authority issued a prior iteration of the attached IES Program Design Document as a Final Straw Proposal for stakeholder comment. This subsection details the IES Program phases and pathways for innovation proposed through the Final Straw Proposal. Specifically, the Final Straw Proposal identified the following phases:

Ideation & Screening (Phase 1), Prioritization & Selection (Phase 2), Project Deployment (Phase 3), and Assessment & Scale (Phase 4). Final Straw Proposal, p. 6.

As stated in the Final Straw Proposal, the IES project cycle will begin with Phase 1, Ideation & Screening, which provides an opportunity for pilot project innovators to submit a concept proposal for consideration. The outset of this process is designed to reduce barriers to entry for applicants, and thus an initial, simplified application will be used for the first screen. This approach will allow for the submission of a higher volume of initial applications with novel ideas that could benefit Connecticut and electric customers. In addition, the Final Straw Proposal provided guidance regarding topics that initial concept proposals may include. Some examples are an explanation of why the project is innovative, a summary of an identified problem or need, ratepayer impact, potential scale, and barriers to scale, and estimated costs. Id., p. 11. All concept proposals would be reviewed for consideration by the Innovation Advisory Council. At the outset of this phase, the Authority would determine the specific objectives of the forthcoming IES project cycle. Additionally, a preliminary marketing period would cultivate an ecosystem of innovation in service of these objectives; the Authority, in conjunction with the EDCs and the Program Administrator, would engage in marketing efforts to developers and potential IES Program participants to raise awareness of the program, encourage applications, and answer questions from prospective applicants.

In Phase 2, Prioritization & Selection, the Final Straw Proposal proposes that a subgroup of innovators would be invited to develop more complete project proposals for consideration. Projects that are invited to submit more detailed proposals would be asked to provide additional information regarding the implementation of the pilot and refined analyses regarding cost-effectiveness, economic benefit, equity, and other metrics, as applicable. Specifically, the Final Straw Proposal stated that at a minimum, the following will be required of innovators' detailed proposal:

- Indication of ineligibility to participate in other state programs
- Refined details on costs and benefits, estimated budgets
- Proposed cost recovery mechanisms
- Additional implementation details: Technical scope/IT needs & components
- Functional/business scope
- Identify essential stakeholders/partners to engage
- Resource requirements and defined roles for various parties involved[3]
- Address any IAC questions or concerns (if applicable)

Id., p. 13.

After consideration of input provided by the IAC and the Program Administrator, a portfolio of projects would then be selected by the Authority for deployment. At the end of Phase 2 of the IES Program, the Authority would publish an Interim Decision that provides an overview of the review and selection process and announces the successful projects for deployment. Id., p. 14. Successful applicants would then have an opportunity to discuss final implementation details, expectations, and questions or concerns with the Authority.

[3] See, The United Illuminating Company Written Comments, dated 04/23/2021, p. 8.

In Phase 3, innovators would deploy their proposed projects based on an agreed-upon scope and scale. The Authority plans to provide innovators with approximately 12 to 18 months to launch projects and collect data on project performance. The Authority would expect innovators to meet and provide periodic progress reporting requirements to PURA during the project's active life. Id., p. 14. In addition, annual performance reviews would be conducted by the Program Administrator, with redacted reports made publicly available as a compliance filing in the IES Program cycle docket. In turn, the Authority and Program Administrator would provide appropriate support and oversight to innovators via recurring review meetings. The Authority would reserve the right to terminate projects that do not adhere to programmatic guidelines or demonstrate an inability to meet program objectives and/or guidance provided by the IAC. Id., p. 14.

In Phase 4, Assessment & Scale, innovators would be required to develop and submit a final report discussing project performance and lessons learned. The Program Administrator would provide a report of recommendations based on the final reports submitted by innovators to assist the Authority in making informed decisions as to which projects should be identified for deployment at scale. Projects that are ready to scale up would be invited to submit the appropriate regulatory application. Regulatory applications for successful project may include, but are not limited to, an application for the creation of a distinct, "scale up" docket or the incorporation of the project into existing state programs over which the Authority has jurisdiction.

The Final Straw Proposal indicated the Authority's expectation that most projects will have a clear "go" or "no go" decision regarding scaling at the end of Phase 4. These decisions will be filed in the IES Program cycle docket. Projects that are not yet ready to scale but display promise and economic viability will have an opportunity to cycle back though the IES Program with modifications in place, but this will be assessed on a case-by-case basis. Projects that do not display further potential to scale up upon assessment during Phase 4 will exit the IES Program. Id., p. 15.

The Final Straw Proposal also offered three pathways for innovation to encourage concept proposals by different stakeholders. Specifically, the pathways included in the Final Straw Proposal are: (1) developer-led projects; (2) EDC-led projects; and (3) collaborative projects between the EDCs and third-party developers. The Final Straw Proposal envisioned that Pathway 1 developer-led projects would most likely focus on innovative mechanisms for deploying hardware and or software solutions. Id., p. 19. Pathway 2 projects, led by the EDCs, are expected to focus on innovative consumer programs and innovative tariff structures that may further demand-side flexibility. Pathway 3 projects would focus on collaborative efforts that deploy hardware and software solutions combined with innovative tariff structures. Id., p. 20.

a. Stakeholder Input

Generally, stakeholders did not oppose the four-phase program design. Cadenza Innovation Inc. (Cadenza) supported a concise concept proposal in Phase 1 and suggested that it initially be no longer than three pages. They advocated that the concept proposal also be screened and weighted with publicly available criteria and that local job creation be considered. Cadenza Written Comments, dated 04/23/2021, p. 2.

Sunrun commented that the two-phase selection process outlined in the Straw Proposal was well designed to attract a broad range of innovative proposals for consideration while ensuring that the sound projects are ultimately selected. Sunrun Written Comments, dated 04/23/2021, p. 4. Sunrun also noted that the concept proposal phase should not be overly prescriptive to incentivize increased proposal submissions and highlighted that innovative programs benefit from an iterative process, and thus if the IAC had any specific questions on a concept proposal, the iterative nature of the program would allow them to be addressed later in the detailed proposal phase. Id., pp. 4-5.

The Connecticut Green Bank (CGB) and Connecticut Innovations Inc. (CI) conveyed that the IES Program provides a clear, four-part program and indicated that Phase 1 is the most important phase as it will serve as a catalyst for innovators and entrepreneurs to submit their concepts for consideration. CGB and CI Brief, dated 08/19/2021, p. 2. CI also noted its experience developing an international pipeline of potential Connecticut investments, innovation solicitation, and screening of applicants through its implementation of VentureClash. CI thus recommended investment criteria for Phase 2 and outcomes that CI has used to assess whether a technology has proven market value, which can guide decision-making in Phase 4. Id., pp. 2-3.

The OCC also noted that the Phase 4 scaling process should be as competitive as possible to gain the most benefits for Connecticut consumers and provide a reasonable assessment of the state of technology. OCC Written Comments, dated 04/20/2021, p. 6.

Regarding innovation pathways, The United Illuminating Company (UI) suggested that "early involvement by the EDCs would allow the opportunity for the EDCs to share business challenges or identified customer needs so that developers could craft innovative solutions to meet those needs". UI Written Comments, dated 04/23/2021, p. 3. UI also suggested that Pathway 1 (developer-led) proposals, should only be "behind the meter" as they will necessarily be limited to solutions that do not directly affect grid infrastructure owned and operated by the EDCs. Further, UI recommends that any "front of the meter" Pathway 1 solutions be reassigned as Pathway 3 (collaborative project) solutions to ensure that the project innovator and the EDC work collaboratively to assess cost, benefits, and scalability to the grid as appropriate. UI Brief, dated 08/20/2021, pp. 3-4. UI also advocated for the development of standard documentation for Pathway 1 and Pathway 3 pilot projects to include, but not be limited to, participation guidelines, contracts, performance standards, and Memoranda of Understanding between third-party entities and the respective EDC to ensure contract terms and conditions are available up front to avoid confusion and the delivery of anticipated benefits to customers once a pilot has been accepted. Id., p. 5.

b. Authority Analysis

The Authority finds that a phased approach and inclusion of multiple innovation pathways will encourage a greater number of initial concept proposals to be submitted by third-party innovators and the EDCs and has potential to cultivate a robust ecosystem of innovation in Connecticut. The Authority also finds that the four-phase program design will mitigate risk and ratepayer exposure because the design adopted a "fail-fast" philosophy, which seeks to identify and scale successful projects, while providing freedom and flexibility to retire projects that do not demonstrate sufficient potential to scale. Such an approach allows opportunity for a larger portfolio of projects than could be contemplated otherwise, and further represents an important tool to limit cost impacts by ensuring that program funds are directed to successful projects that are delivering commensurate value.

The four-phase program design requires increased scrutiny and review of projects through each phase so that only the most proven innovation pilots will be suitable candidates to be scaled. The IES Program design is well-balanced as it will create an accessible program in Phase 1 with increased expectations of third-party and EDC innovators in subsequent phases. This approach will help ensure the most successful outcome for future energy innovation in Connecticut.

The Authority finds that, in the near-term, it is prudent to establish both standalone EDC and developer-led pathways so that the long-term vision of the IES Program, a vibrant portfolio of EDC and third-party partnerships, does not impede a robust project offering set. Moreover, offering three distinct pathways in the early IES Program cycles provides an opportunity for third-party developers to become acquainted with the EDCs, and to build trust between developers and the EDCs and to foster a collaborative environment that naturally merges the three pathways into one single pathway for collaborative projects. Therefore, in addition to initially authorizing three distinct participation pathways, the Authority intends to select at least one concept proposal from each pathway to submit a more detailed proposal in Phase 2 in early IES Program cycles, so long as basic project threshold requirements are met. The Authority's selection of projects proceeding to Phase 2 shall be informed by input received from the Innovation Advisory Council and with consideration for the program cycle budget discussed in greater detail in Sections III.C.3 and Sections III.C.5, respectively.

Further, to accelerate the long-term vision for the IES Program of a robust set of strategic and collaborative projects, the Authority will also require the EDCs to develop robust concept proposals for at least three (3) unique project options in collaboration with third party developers for Pathway 3 in Phase 1.

Last, the Authority also agrees with UI's assertion that developer-led Pathway 1 projects should be limited to solutions that do not directly affect grid infrastructure owned and operated by the EDCs, or else those projects should participate through Pathway 3. The attached IES Program Design Document reflects this approach.

Based on the above analysis and stakeholder input, along with other comments provided into the record of the proceeding, the Authority amended the relevant sections

of the Final Straw Proposal to create the IES Program Design Document.[4] The Authority finds that the IES Program phases and innovation pathways as detailed in the IES Program Design Document are appropriate and will provide a strong foundation for electric sector innovation in Connecticut.

2. Innovation Support Services

The Final Straw Proposal recognized that there will be a need, particularly in the initial program cycle, to provide education and resources to third-party innovators to ensure that all parties have sufficient knowledge of current regulation, processes, and funding mechanisms to construct effective proposals. This outreach would be designed to cultivate a more robust ecosystem of participants that will benefit the process by keeping innovation within the intended scope of the Authority. The Final Straw Proposal included such outreach efforts, engagement opportunities, and educational resources, called Innovation Support Services, to provide opportunities for innovators to exchange information and feedback in a streamlined manner with the objective of increasing program accessibility. Final Straw Proposal, p. 6. The Innovation Support Services included in the Final Straw Proposal were as follows:[5]

a) Information Service – Allows for informal dialogue between Authority staff, the Program Administrator, and the third-party innovator. Id., p.16.
b) Pilot Project Regulatory Support – Allows for requests for specific forms of support from Authority staff and the Program Administrator, including customized guidance and/or information regarding a request for relief from a regulatory requirement or rule derogations. Id., p. 16.
c) IES Online Portal – The Program Administrator would be tasked with developing a website dedicated to the IES Program. The website would be expected to serve as the program's primary public face to make the program more accessible to customers and to facilitate participation by third-party developers and entities who may not be familiar with regulatory structures and processes. The website would be intended to provide a "one-stop shop" for program information. Id., p. 36.
d) Workshops – Stakeholder workshops would serve as a launching point for the IES Program cycle and will outline objectives and goals and to elevate specific categorical areas of focus for innovators, e.g., specific grid needs, customer opportunities, or technological emphasis. The Authority plans to request that representatives from the EDCs, the CGB, and CI are made available for questions from third-party developers regarding the program and collaboration and funding opportunities. Id., p. 10.

a. Stakeholder Input

Sunrun suggested that it would be helpful for outreach efforts to include learning sessions where potential innovators can learn about the purpose, structure, and

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[4] Attachment B provides additional details regarding each program phase and participation pathways. Attachment B, Appendix A provides a draft Innovation Solicitation, which includes specific detail regarding the requirements of the Phase 1 concept proposals and the more detailed Phase 2 proposals.

[5] Not all of the following was explicitly listed in the Innovation Support Services section of the Final Straw Proposal.

expectations of the IES Program, as well as for clear points of contact to exist at the EDCs who can facilitate discussions with private sector innovators on potential ideas. Sunrun Written Comments, dated 04/23/2021, p. 4. Cardenza Innovation suggested that press releases, informational sessions, and stakeholder events may be useful formats to highlight information on topics that can provide value. Cardenza Innovation Written Comments, dated 04/23/2021, p. 6. Noteworthy AI Inc. stated that, "Creating a micro-site (website) for the program, leveraging social media such as YouTube and Twitter, and hosting public information sessions via webinars are all ways to raise awareness". Noteworthy AI Inc. Written Comments, dated 04/24/2021, p. 3.

The Connecticut Light and Power Company d/b/a Eversource Energy (Eversource) stated that the workshops could serve as a forum for a transparent, preliminary "pitch" process for different concepts to engage and potentially align into partnerships. Eversource Written Comments, dated 04/23/2021, p. 5. Eversource also encouraged the Authority to consider a streamlined online web application process, as it would result in increased application volume, and noted that "the application process should be templated to the maximum extent possible with ability of applicants to provide non-templated information as appropriate". Id., p. 12.

CGB and CI stated that to develop an ecosystem of innovation, proactive outreach and support is essential, especially more specific guidance to facilitate deployment of projects that are occurring on a trial basis. They also recommended establishing a process for informal engagement between innovators and the Authority, customized guidance, and temporary relief waivers or rule derogation to achieve accessibility within the IES Program. CGB and CI Brief, dated 08/19/2021, p. 4. CGB and CI also note that CI has extensive experience conducting outreach to innovators and is willing to provide insights to the EDCs to aid in the development of their market outreach plans, use existing marketing channels to publish notice of the IES program, and both CGB and CI are willing to support educational outreach and marketing events, CGB and CI Written Exceptions dated 03/17/22, p. 2.

UI agreed with the IES Program's Innovation Support Services concept and commented that cultivating a collaborative environment is essential for the success of the IES Program. UI further stated that it understood that the EDCs would be able to participate in the Innovation Support Services as an innovator, as well as participating in the Innovative Support Services to offer other innovators' feedback and guidance on pilot project proposals. UI Brief, dated 08/19/2021, p. 4. UI also suggested "hosting informational webinars for the Innovator community". UI Written Comments, dated 04/23/2021, p. 11.

b. Authority Analysis

The Authority finds that Innovation Support Services are an essential component of the IES Program design and will contribute to its success. Support services will provide innovators with an avenue to receive feedback and support from the Authority.

The Authority agrees with stakeholders regarding the need for Stakeholder Workshops and recognizes their importance, particularly in Phase 1, Ideation and Screening. The Final Straw Proposal incorporated Eversource's recommendation that

stakeholder workshops could serve as a forum for a transparent, preliminary "pitch" process. Final Straw Proposal, p. 11.

Based on the above analysis and stakeholder input, along with other comments provided into the record of the proceeding, the Authority amended the relevant sections of the Final Straw Proposal to create the IES Program Design Document. The Authority finds that establishing extensive support services will enable increased participation of third-party innovators in the IES Program and, thus, will contribute to the success of the overall program. Therefore, to establish a robust innovative ecosystem in Connecticut, the Authority sees the creation of Information Support Services as a key design element that will encourage third-party innovators to participate in the application process who are vital to the success of the IES Program. Additionally, the Authority will direct the EDCs to provide a point of contact and dedicated email address through which developers may contract the EDCs to discuss the IES Program. Such information shall be made publicly available through the EDCs' and IES Program websites.

3. Program Oversight & Governance

The Final Straw Proposal proposed provisions for governance and oversight to ensure adequate guidance for innovators, transparency, and appropriate use of ratepayer dollars. The Final Straw Proposal anticipates that this oversight process would include engagement and support from a team of facilitation partners including a neutral third-party Program Administrator to oversee the smooth progression of the program and an Innovation Advisory Council (IAC) composed of a diverse and representative set of stakeholders. The Final Straw Proposal described the primary functions of each entity as detailed below.

The Authority would be the primary entity responsible for developing, administering, and managing the IES Program. The Authority would retain ultimate decision-making authority over aspects of program design and project selection, while seeking input and support from facilitation partners and stakeholders. Id., p. 23.

The Program Administrator would be a neutral, third-party consultant retained by the Authority through a competitive solicitation process. The Project Administrator's responsibilities would include outreach and engagement, facilitation, oversight of project implementation, and project evaluation. Specifically, the Project Administrator would perform the following functions:

- Conduct outreach and engagement, including periodic informational webinars, workshops, and other stakeholder events.
- Develop and update the IES Online portal platform.
- Facilitate the Authority's engagement and partnership with the IAC.
- Serve as the IAC's executive secretary.
- Hold regular project updates and meetings.
- Provide input to the Authority regarding the overall success of the IES Program and suggest opportunities for continuous improvement.

Id., p. 23.

The Authority may seek IAC input as part of the Program Administrator selection process.[6]

The IAC will include representation from key categories of stakeholders including consumer protection representatives, such as the Office of Consumer Counsel; innovator and venture capital representatives, such as the Connecticut Green Bank and Connecticut Innovations; technical representatives from each EDC; environmental, non-government organization representatives and/or equity- or community-focused organization representatives; and the Department of Energy and Environmental Protection. The Authority is also receptive to inclusion of additional IAC representatives from academia familiar with technology innovation and/or energy policy and from the for-profit venture capital community. The IAC will help screen Phase 1 concept proposals and will make recommendations throughout key stages of the IES Program cycle. Id., p. 23.

a. Stakeholder Input

UI stated that the EDCs should be members of the Innovation Advisory Council and recommended that more than one "technical staff" from each EDC participate in the IAC to effectively and efficiently review and support the wide variety of pilot proposals and projects that fall within the scope of the IES Program. UI Brief, dated 08/19/2021, p. 5. Regarding the Program Administrator, UI suggested they "possess a very distinct set of skills in order to ensure that the process is as effective and efficient as possible, therefore, this third-party consultant should be evaluated and procured through a competitive RFP process …". UI Written Comments, dated 04/23/2021, p. 5.

Sunrun recommended that representation from the innovation community be included on the IAC. Sunrun Written Comments, dated 04/23/2021, p. 1. Sunrun also recognized that these innovator representatives would recuse themselves from any evaluation and oversight if they have an active proposal under consideration. Id., p. 1.

CGB and CI stated that the success of the IES Program will depend upon the active engagement and "buy-in" of the EDCs and indicated that they believe that the Authority has appropriately signaled the importance of this fact throughout the Final Straw Proposal. CGB and CI Brief, dated 08/19/2021, p. 5. CI also noted that it was willing to participate in the Innovation Advisory Council so long as involvement on the IAC would not preclude it from making investment in companies and technologies that may participate in the IES Program. Id., p. 4.

The Department of Energy and Environmental Protection's Bureau of Energy and Technology (BETP) indicated that it supports its own and other stakeholders' involvement in the IAC as proposed by the Straw Proposal and looks forward to this engagement opportunity. BETP Written Comments, dated 04/23/2021, p. 6. BETP also recommended that the IAC should also participate within Phase 1 of the IES process. Id., p. 5.

[6] See, The United Illuminating Company Written Comments, dated 04/23/2021, p. 1.

The OCC also indicated its willingness to participated in the IAC and notes that this will allow key stakeholders, such as the OCC, to provide valuable input into the decision-making process. OCC Written Comments, dated 04/23/2021, p. 5.

b. Authority Analysis

Based on stakeholder feedback, the Authority concludes that stakeholders are generally supportive of the governance and oversight structure detailed in the Final Straw Proposal. The Authority agrees with CI and CGB's comment regarding the importance of "buy-in" from the EDCs, but also emphasizes that active support from all participants will be critical to the success of the IES Program. The Authority finds that the IAC will provide a representative forum for stakeholders that have varied interests to provide valuable programmatic and strategic inputs into the IES Program and assist in the Phase 1 concept proposal screening process. The Program Administrator will provide hands-on oversight and administration of the IES Program and ensure and evaluate pilot implementation. The Authority finds that the Program Administrator role will be critical to the everyday, operational success of the IES Program and, like the IAC, will be an essential advisor to PURA regarding program implementation. Ultimately, the Authority will be responsible for the overall governance and regulatory oversight of the IES Program.

The Authority concludes that the roles and responsibilities of itself, the Program Administrator, and the IAC are complementary and will provide necessary oversight for implementation of the IES Program. The Authority amended the relevant oversight and governance sections of the Final Straw Proposal to create the IES Program Design Document in line with the analysis outlined above.[7]

4. Eligibility Criteria & Metrics

The Final Straw Proposal outlined eligibility criteria and evaluation metrics to provide mechanisms that appropriately screen potential IES Program projects, as well as to track and measure progress. Metrics and criteria will be used to: guide, screen, and select projects; understand project potential and delivered value; enable data-driven decision-making; and evaluate projects. The key categories of metrics were proposed to align with the IES Program objectives and encompass: (1) economic benefit, (2) cost-effectiveness, (3) solutions for programmatic and market gaps, and (4) equity. Final Straw Proposal, p. 26.

The Final Straw Proposal outlined a system wherein the evaluation of projects against IES Program metrics become progressively more stringent at each phase of project deployment. This "fail fast" approach intends to build in room for innovation and ideation, while mitigating potential risks and costs to all parties. Each phase of the process would include a built-in "off-ramp" at each step. This approach is intended to ensure that only the most viable projects will make it to the final phase and be considered for at-scale deployment. Projects that are not suitable for the IES Program may be guided to an alternate state-level clean energy program, where applicable and appropriate. Id., p. 27.

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[7] Attachment B, Appendix B provides a detailed summary of the Program Administrator's responsibilities.

To be eligible for the IES Program, projects must fulfill an initial set of pass/fail criteria established to protect customers and align with both overall program objectives and the objectives identified for the individual cycle. Projects would be screened against these criteria and must meet them all to advance in the process. At a minimum, guardrails are proposed to ensure that projects: (i) do not present an inappropriate competitive advantage to the EDCs; (ii) do not unreasonably increase net costs to non-participant ratepayers; and (iii) advance statewide decarbonization goals. The IAC would initially screen projects against these criteria to determine eligibility during Phase 1.

As projects move through subsequent phases, innovators would be required to provide a greater level of supporting detail to aid in the Program Administrator and the Authority's evaluation of the project's progress. This would begin in Phase 2, where projects will provide an outline of how they expect their pilot, which will be tested during Phase 3 of the IES Program, to perform against the outlined metrics using a standard input form. Moving into Phases 3 and 4, project teams would be expected to undergo a formal evaluation that meets industry standards and to incorporate lessons learned, including the results of any formal evaluation, to refine their original program proposal to create a business case for implementation at scale. Id., p. 28.

a. Stakeholder Input

UI stated that pilot proposals that are being evaluated for inclusion in an existing approved funding source should be required to adhere to the current standard Business Cost Analysis (BCA) model(s). UI suggested that the cost effectiveness criteria incorporate standardized BCA tests (e.g., Total Resource Cost (TRC) test, Ratepayer Impact Measure (RIM) test, etc.) to compare proposals on a like-for-like basis. UI Written Comments, dated April 23, 2021, p. 6. In addition, UI recommended that standard metrics should be developed for all projects with the potential project-specific metrics that can be developed based on the project. UI advocated that well-established studies and cost-benefit methodologies, similar to the state's Conservation and Load Management plan, should be used where possible. UI Brief, dated 08/19/2021, pp. 5-6.

To minimize ratepayer risk, the OCC suggested that the Authority establish a well-defined BCA framework for project assessment that sets a high enough benefit-cost ratio so that ratepayer exposure is taken into account.[8] The OCC noted that a minimum BCA of 2.0 was required under the EEP. OCC Brief, dated 08/19/2021, p.5.

Greenbank and CI commented that the IES Program does an excellent job setting key metrics (i.e., economic benefit, cost-effectiveness, market gaps, equity, etc.) within the overall phased approach (i.e., four phases) of the program design in order to track and measure progress. They stated that, based on the objectives of the Equitable Modern Grid proceedings, the four (4) key areas of metrics identified within the IES Program are

[8] In their brief, the OCC stated that Authority incorrectly represented OCC's position in the Final Straw Proposal as advocating for a BCA of 1.0. The OCC's 1.0 BCA reference was quoting the Authority not advocating for the BCA. The Authority agrees and has deleted that reference in the IES Program Design Document.

sufficient, and the increase in evaluation rigor and precision from one phase to the next is appropriate. CGB and CI Brief, dated 08/19/2021, p. 5.

DEEP suggested that the equity metric also "consider (1) overburdened customers… and (2) equitable access to clean energy services and the clean energy economy" in addition to promoting advanced energy affordability and equitable access to energy services in underserved communities. DEEP Written Comments, dated 04/23/ 2021, p.5.

b. Authority Analysis

Consistent with Conn. Gen. Stat. §§ 16-11 and 16-244i, the Final Straw Proposal and IES Program supports safe, high-quality, and reliable electric service and intends to provide equitable benefits for electric consumers. These principles are evident throughout the IES Program design and are supported by the proposed eligibility criteria and metrics. Eligibility criteria and evaluation metrics will provide mechanisms to: guide, screen, and select projects; understand project potential and delivered value; enable data-driven decision-making; and evaluate projects. Final Straw Proposal, pp. 25-26.

The Authority recognizes stakeholder comments regarding the need to establish rigorous metrics and apply consistent standards when evaluating project proposals in order minimize ratepayer risk. The Authority believes the "fail fast" approach applied to project evaluation and the four comprehensive metrics identified are appropriate and will contribute to the objectives of encouraging innovation and minimizing costs and risks.

In the Final Straw Proposal, the Authority provided specific detail regarding its framework for cost-effectiveness metrics. Proposed projects will be evaluated for cost-effectiveness based on a Connecticut-specific test developed based on the Resource Value Test (RVT) framework outlined in the National Standard Practice Manual (NSPM). To allow for rapid deployment and to accommodate evolution of the process, this test will likely initially resemble the Total Resource Cost test currently employed in the state's Conservation and Load Management (C&LM) Plan, which examines aggregate impacts to ratepayers and the EDCs, with revisions likely incorporated by the Authority to account for environmental impacts. In future IES Program cycles, the Authority, in consultation with the Program Administrator, IAC, and stakeholders, may adjust this test to include new costs and benefits that are consistent with evolving policy objectives of the state and learnings in the field. Final Straw Proposal, p. 30.

The NSPM recommends reporting not just on a primary test for at-scale offerings, but also from secondary tests. In later stages of the process, projects will be asked to provide reporting on the Total Resource Cost Test, Program Administrator Cost Test, Rate Impact Measure Test, and Participant Cost Test to provide grounding and comparability to investments in other contexts. Id., p. 31

The Authority appreciates stakeholder comments regarding eligibility criteria and metrics and will work with the Program Administrator and IAC to develop final metrics and criteria in subsequent phases of this proceeding or other related proceedings. Such subsequent process will be grounded in the relevant details provided in the IES Program Design Document.

5. Cost Recovery

Section 8 of the Final Straw Proposal outlined a streamlined cost recovery process for all potential program participants. Final Straw Proposal, p. 37. The Final Straw Proposal indicated the Authority's preference for the costs associated with the IES Program to be recovered through the Non-Bypassable Federally Mandated Congestion Charge (NBFMCC), as appropriate. Id., p. 8. The use of the NBMFCC was proposed to enable deployment of new pilot projects and ensure that the IES Program is sufficiently self-sustaining. The Final Straw Proposal contemplates that these costs would be subject to a prudency review under the existing annual Rate Adjustment Mechanism (RAM) process for each EDC. Id., p. 39.

After the completion of Phase 4, Assessment & Scaling, the Authority would review and approve a distinct cost recovery plan for all successful programs authorized to scale. Such cost recovery plan may include special treatment of program costs through the RAM or the recovery of some costs through base distribution rates. Id., p. 39.

Consistent with approaches in other jurisdictions, such as Hawaii and Vermont, the Final Straw Proposal included a limit of $5 million for any single pilot initiative. Id., pp. 32-33. The Final Straw Proposal also contemplated an overall program budget cap that could also increase over time to allow the IES Program to build on its success. Id., p. 39.

a. Stakeholder Input

Eversource suggests that the cost recovery method should be simple. Eversource Written Comments, dated 04/23/2021, p.4. Further, Eversource agrees that the NBFMCC within the RAM may provide an appropriate means of recovery for many types of programmatic costs. They expect to follow the existing cost recovery procedures similar to the filings in Docket No. 21-01-03 and would submit supporting documentation for costs being reconciled each year. Eversource suggested that prudently incurred costs subject to recovery may include, among others, the Eversource's program administration costs such as incremental labor costs, which may be necessary to develop, implement, and administer the program; contractor labor; third-party consultant support; market research costs; marketing (website and marketing collateral) and outreach costs; costs that may be incurred to support the role and functions of the third-party administrator the Authority will hire to provide overall administration; and other vendor costs that may be submitted to Eversource as part of the program. Eversource Brief, dated 08/19/2021, p.10

Eversource also stated that capital costs such as changes to the billing system (beyond planned capital changes) to allow for novel or more sophisticated tariffs and billing, changes to metering, and information technology changes may require recovery through a different mechanism such as the Electric System Improvement (ESI) reconciliation mechanism, or an interim distribution rate step adjustment. Id., p. 11. For the costs incurred by third-party innovators, Eversource suggested a process whereby innovators are reimbursed by the EDC for costs that have been previously reviewed and approved by the Program Administrator and the Authority. These costs would then be included as part of the EDC's NBMFCC costs. Id., p. 12.

UI also suggests that the cost recovery method be simple and uniform for all parties. UI Written Comments, dated 04/23/2021, p. 8. Further, UI recommended that Pathway 1 projects, which may include third-party owned or customer-owned assets, be recovered through the NBFMCC. For Pathway 2 EDC-led projects, which call for traditional utility investment, UI suggested that costs be recovered through a deferred regulatory asset with carrying costs at the relevant EDC's weighted average cost of capital until the EDC's next available rate proceeding. For Pathway 3 pilot projects, UI recommended that "front of the meter" solutions be owned by and become rate base distribution grid assets for the EDCs. UI suggested that the innovator-owned "behind the meter" assets would be subject to cost recovery through NBFMCC line items recovered through the RAM process. UI Brief, dated 08/19/2021, pp. 3-4.

The OCC suggested that the "fail fast" approach should be incorporated at all program phases so that projects that do not deliver on projected benefits at a reasonable cost are provided with an exit ramp. OCC also stated that the Phase 4 scaling process should be as competitive as possible to gain the most benefits for Connecticut consumers and provide a reasonable assessment of the state of technology. Id., pp. 5-6.

The Connecticut Industrial Energy Consumers (CIEC) agreed with the Authority's statement in the Final Straw Proposal that pilot projects would only proceed through the IES Program if cost effective. CIEC Brief, dated 08/19/2021, p. 2. CIEC also recommended that the Authority sharpen the cost controls and risk mitigation measures embedded in the IES Program to protect customers. Specifically, CIEC recommended that the IES Program should include an overall cost cap as well as limits on the annual EDC budgets and individual pilot initiatives. Id., p. 2. CIEC also advocated that the maximum potential award to any pilot project should be a lifetime cap, meaning that spending on any individual pilot could not exceed the cap even if the project cycles back through the IES Program after Phase 4. Last, CIEC commented that project costs and benefits accrue at different times and through different utility bill components. Id., p. 3.

CI and the CGB noted that it is important for PURA and the EDCs to send a signal on the level of investment opportunity available for potential innovator applicants should their technology solutions be deemed successful through the prior three phases. CGB and CI Brief, dated 08/20/2021, p.3. As such, the parties reference the $5 million budget proposed by the Authority for any single initiative and highlighted that continuously communicating what PURA is willing to commit to a successful project would support the implementation of the IES Program and provide certainty for innovators. Id., p. 3.

Sunrun agreed that the $5 million per project cap appeared to be reasonable and noted that it may be necessary to establish annual budget caps or other protections depending on the level of program participation. Sunrun Written Comments, dated 04/23/2021, p. 4. Sunrun also commented that additional detail on cost recovery mechanics and guidelines would be helpful for innovators. Id., p. 4.

b. Authority Analysis

Connecticut will benefit from an IES Program that is grounded in a sound regulatory structure, incorporating common-sense consumer protections. In response to and consistent with stakeholder feedback, the Authority will implement a simplified and

streamlined mechanism for cost recovery that is consistent for all parties. In all cases, it is the Authority's intent to ensure appropriate ratepayer protections given the pioneering nature of the IES Program, and to ensure that any ratepayer costs are accompanied by commensurate expected benefits

The Authority appreciates the valuable comments submitted by multiple stakeholders regarding cost recovery, cost effectiveness, and ratepayer protections. The IES Program Design Document appended as Attachment B includes significant elaboration on the IES Program cost recovery and embedded ratepayer protections. The IES Program was intentionally designed with safeguards that will lessen ratepayer exposure and will maximize the potential benefits of innovation proposals. These safeguards have been enhanced and supplemented based on the comments provided by stakeholders.

The Authority finds that the IES "fail fast" design described in the Final Straw Proposal is an appropriate guardrail that will contribute to the cost effectiveness of the IES Program. This structural element will provide the freedom and flexibility to retire projects that do not demonstrate sufficient potential to scale and represents an important tool to limit cost impacts by ensuring that program funds are directed to successful projects that are delivering commensurate value. The "fail fast" approach is a strategic design principle that is incorporated throughout each phase of the program cycle. Initially, multiple clean energy innovation concepts in Connecticut will be encouraged in Phase 1 where all initiatives will be thoroughly reviewed and vetted, with a selected subset of proposals rigorously screened during each subsequent IES phase. Specifically, IES projects will be evaluated against and required to meet increasingly detailed and precise criteria at each of the four IES Program phases to proceed to the next phase of the program or to scale. Further, the Program Administrator will monitor and provide regular reports, as detailed in the IES Program Design Document, on the status of the pilot project during the deployment phase, Phase 3. In short, projects participating in the IES Program will be under continuous eventuation and, by the final phase of the program, only the initiatives that demonstrate readiness to scale and are projected to accrue net benefits at scale as measured by the four key metrics, will proceed.

In response to stakeholder comments, the Authority has added significant additional details and safeguards regarding the approval of project cost recovery to the IES Program Design Document. All Pathway 1 and Pathway 3 projects will now be required to enter into contracts with the EDCs for reimbursement of their prudently incurred costs.[9] The costs that project innovators will be allowed to seek recovery for, including a project-specific cap, will be identified in the Interim Decision issued by the Authority selecting pilot projects for deployment. The Interim Decision will be issued in the appropriate IES Program cycle docket during Phase 2 of the program cycle. The Interim Decision may also identify some portion, half or more, of the proposed project's costs to be tied to specific reporting requirements and/or the completion of key project

[9] The EDCs indicated in their proposed implementation plan that they intended to reimburse third-party innovator costs associated with Pathway 3 projects after internal review. These costs will then be submitted in their annual RAM filing, which will be subject to a prudency review. This process may still be applicable to third-party costs not subject to additional Authority approval, as determined in the Phase 2 Interim Decision.

milestones. The Interim Decision may also require the EDCs to submit some or all Pathway 3 project innovator costs to the Authority for approval in advance of the EDCs' reimbursing innovators for their costs. Similarly, the Interim Decision may require some or all Pathway 1 project innovator costs to be submitted to the Authority for approval in advance of the EDCs' reimbursing innovators for their costs. Any costs submitted for the Authority's approval will be subject to review by the Program Administrator and the Authority, with the input of the IAC as necessary and appropriate, prior to authorization and reimbursement. Any costs that are submitted for recovery that are not deemed to be prudent and applicable to the IES Program will be disallowed. This cost recovery plan is consistent with best practices including Authority rulings in the Energy Storage Solutions Program.

The IES Program Design Document includes multiple, additional customer guardrails, including overall program and project budget caps and a future Evaluation, Measurement, and Verification (EM&V) process. The IES Program Design Document adopts an overall IES Program budget of $25 million for the first year with a $5 million cap per project that participates in the IES Program. The annual program budget may be adjusted in subsequent years of the IES Program based on recommendations from the Authority, the Program Administrator, and the IAC, but the initial $25 million provides an appropriate consumer protection measure and would allow the program to start smaller with the anticipation of building and scaling on success in the future. As recommended by stakeholders, the Authority clarifies that the $5 million maximum potential award to any pilot project is a lifetime cap, meaning that spending on any individual pilot could not exceed the cap even if the project cycles back through the IES Program after Phase 4. As noted above, the $5 million project cap is consistent with similar programs in other jurisdictions such as Vermont and Hawaii. Finally, the EDCs' proposed 5-year estimated budget will be addressed in Section III.C.6.

It should be noted that IES Program benefits are largely expected to accrue elsewhere, either directly to pilot participating customers or indirectly to the system and non-participating customers writ large. Further, due to the nature of early market technologies and programs, it is best to take a portfolio approach and to not over or under correct based on early experience with a limited number of pilots. Thus, a process for comprehensively evaluating project costs and benefits is expected to be necessary. Ultimately, the Authority plans to develop, in consultation with the IAC, a process to holistically evaluate the first three IES Program cycles, leveraging lessons learned from the EM&V processes established in the Energy Storage Solutions and Electric Vehicle Charing programs. This assessment will help to capture outcomes of the IES Program to-date, including the overall effectiveness of the program in achieving its intended objectives, and may inform updates or amendments to the program to enhance performance.

Further, the Authority finds that the NBMFCC charge is an appropriate cost recovery mechanism for costs related to the IES Program. It should be noted that the EEP Program, the predecessor for the IES Program, successfully utilized the NBMFCC as its cost recovery mechanism. Thus, the use of the NBFMCC to recover costs associated with the IES Program is logical and has been demonstrated to be appropriate in similar context.

Last, the Authority also observes that stakeholders, including Connecticut Innovations, indicated that there may be opportunities to leverage non-ratepayer funds to help catalyze innovative project development and deployment within the IES Program. Specifically, CI has committed to make available $50 million in funding for clean energy initiatives. CGB and CI Joint Comments, dated 04/23/21, p. 3. These funds can provide qualified innovators with the needed capital that can advance Connecticut's clean energy economy and reduce the amount of cost that would be borne by ratepayers through the NBMFCC. Further, CI and CGB have announced the SparkCT Energy Innovation Award, which will provide "up to $1.5M in investment capital and other support to companies with projects successfully proven viable through the IES Program, both in the year they complete the IES Program cycle or at any time thereafter to support the scaling of solutions". CGB and CI Joint Written Exceptions, dated 03/17/22, pp. 1-2. The Authority commends CI and CGB's support of the innovation ecosystem and anticipates that while any such funding arrangements would take place outside of the IES Program process (i.e., would be complimentary of any authorized ratepayer funding), these anticipated funds will greatly contribute to the overall objectives of the IES Program and will help to create an innovation ecosystem within Connecticut. Outside funding opportunities from CI, hedge funds, and other entities, including federal funding, is encouraged, as such financial support will help enable a wider and more robust range of participation overall. However, any funding conflicts-of-interest should be disclosed by IAC members and other stakeholders engaged in the IES program cycle process during the appropriate Phase (e.g., if a project is receiving additional financing support prior to Phase 1 submissions, financial disclosure should be made during Phase 1 submission). Additionally, the Authority notes that CI and other investors may wish to use the Phase 1 process to vet projects and project developers; any financial commitments made prior to the issuance of the Authority's Interim Decision in Phase 2 will be considered in determining which projects are selected to be piloted.

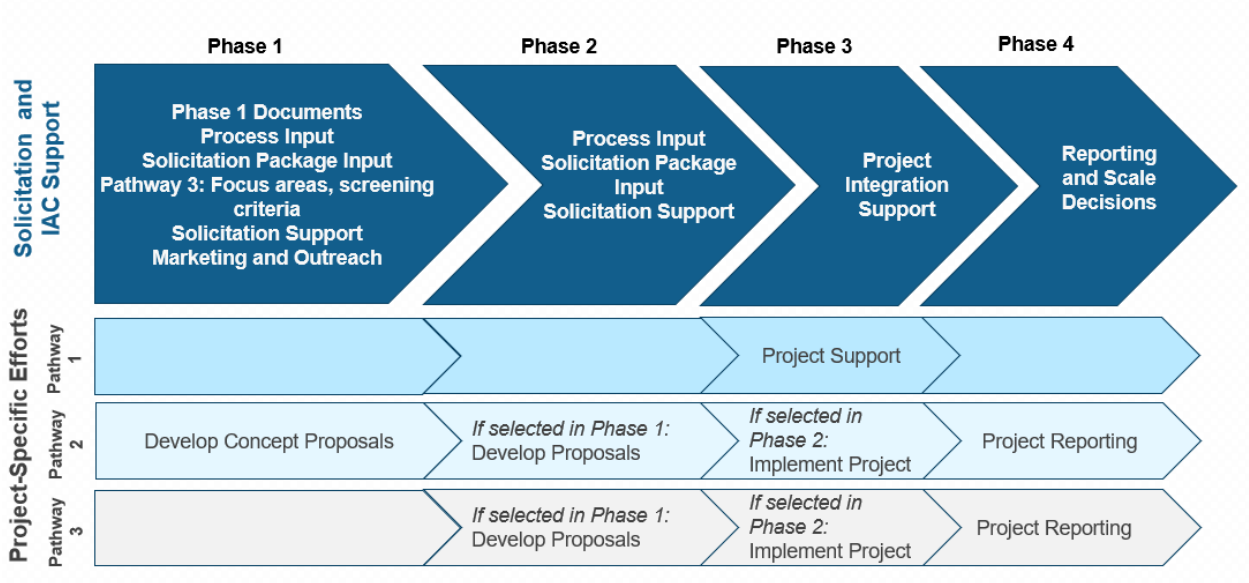
6. EDC Implementation Plan

On October 12, 2021, the EDCs submitted their Joint Motion and Implementation Plan for the IES Program (Implementation Plan) at the Authority's request and in accordance with Section 11.1 of the Final Straw Proposal. The Authority directed the EDCs to address specific IES Program elements and topics in their Implementation Plan. Final Straw Proposal, p. 45.

The Implementation Plan consisted of an executive summary and program description, the EDCs' plan to support and implement the IES Program, and a proposed budget for cost recovery.

The EDCs stated that they will collaborate and coordinate with the Authority, the Program Administrator, and the IAC through each phase of the IES programmatic process. The EDCs will each have a sitting member on the IAC who will be responsible for coordination with the EDC's technical staff and Subject Matter Experts (SMEs) to provide the support required to ensure successful IAC engagement and successful IES Program execution. The EDCs provided an overview, included as Figure 1 below, which summarized their roles for innovation solicitation, IAC, and project-specific efforts throughout Phases 1-4 of the IES Program process. Implementation Plan, p. 3.

Figure 1. EDCs' Role in IES Program Processes and Projects



a. Phase 1

The EDCs proposed that in order to support an efficient, transparent, and equitable process for Pathway 3, they would conduct initial project screening within Phase 1 rather than developing partnerships prior to the initiation of the IES Program cycle. Id., p. 4. The EDCs advised that they would develop preferred focus areas for Pathway 3 and propose requirements, screening processes,[10] and decision-making for Phase 1 Pathway 3 projects to the IAC for inclusion in the Phase 1 solicitation materials. During the screening processes for Phase 1, the EDCs propose to provide their recommended projects to the IAC for inclusion in Pathway 3. Id., p. 4.

The EDCs included that they would review solicitation materials developed by the Program Administrator for Phase 1 and provide feedback. In addition, if needed, the EDCs can provide support with marketing and outreach to third parties using existing EDC communication channels such as websites, newsletters, and outreach to trade allies and commercial customers. Id., p. 4.

Once Phase 1 proposals have been submitted by third-party developers, the EDCs will score the proposals using IAC templates and attend scoring calibration and shortlisting meetings. The EDCs stated that they will be available to answer questions from the Program Administrator and/or third-party developers, as required for the IES Program. The EDCs advised they will strive to provide the information to the IAC three months before the planned issuance of the Innovation Solicitation and the beginning of Phase I of a program cycle. Id., p. 5.

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10 Among other proposed processes, the EDCs may periodically propose for the IAC's consideration a short list of third-party developers to exclude from the solicitation based on documented history of non-performance.

i. Grid Needs Assessment

The EDCs explained how existing information will be leveraged to provide qualitative and quantitative assessments of grid needs that inform IES Program cycle objectives and guide potential third-party applicants. They advised that a high-level solicitation exhibit that summarizes grid needs will be developed and links to additional detail for third-party developers to review will be provided. In future IES Program cycles, the EDCs will update this information as appropriate. The Grid Needs Assessment will be summarized from the Baseline Distribution System, Financial, and Distributed Energy Resources (DER) Deployment Data and Information from Docket No. 17-12-03RE07, PURA Investigation into Distribution System Planning of the Electric Distribution Companies.[11] Id., p. 5.

ii. Customer Needs Assessment

The EDCs will help identify emergent and ongoing customer challenges as a means of surfacing opportunities for innovators to add value. For the first IES Program cycle, the EDCs will develop a high-level solicitation exhibit that summarizes customer needs. In future cycles, the EDCs will update this summary. The EDCs will leverage existing customer-needs information, such as summaries of research, internal databases, and information systems broken down by geographic/customer segment, in areas of market research, energy burden, arrearages, and others. The EDC also stated that they perform interactive and outage surveys that can often provide insight to customers' needs and sentiments. They mentioned that Eversource has an online community with hundreds of Connecticut members, and a product and research team that may be utilized to help test ideas and concepts submitted through the IES Program. Id., p. 5.

The EDCs advised they will also provide summary outage information from years 2012 to 2020 from Docket No. 17-12-03RE03, PURA Investigation into Distribution Planning of the Electric Distribution Companies Electric Storage. Id., p. 6.

iii. Existing Program Inventory

For the first IES Program cycle, the EDCs stated that they will summarize existing programs in Connecticut and their eligible customers, focusing on areas that third-party developers must not duplicate with proposals that would ultimately end up being excluded from the IES Program. In future rounds, the EDCs will update this summary and links with new information as appropriate. Id., p. 6.

iv. Preferred Focus Area

Using the grid needs, customer needs, and program inventory, the EDCs will identify and describe preferred focus areas to help inform projects in all pathways. These

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[11] See, Docket No. 17-12-03RE07, Notice of Issuance of Straw Proposal and Request for Written Comments dated July 30, 2021, Attachment A – Straw Non-Wires Alternative Program Design, Appendix B, http://www.dpuc.state.ct.us/2nddockcurr.nsf/8e6fc37a54110e3e852576190052b64d/940a274f8bd5c38c852587520079950a?OpenDocument.

focus areas will be shared at the beginning of each IES Program cycle, with a filing submitted to the Authority, as well as a presentation during the Innovation Workshop launching the new IES Program cycle. The focus areas may include any appropriate technologies, grid needs, or target customer segments. The focus areas will be flexible and not overly prescriptive or narrow in scope. Often, a high-level definition of a focus area is the best way to encourage inclusion, exploration, and investigation of creative solutions. In addition to focus areas, the EDCs will also clarify any barriers to specific projects (e.g., billing system constraints on tariff structures). Id., p. 6.

v. Market Outreach

During each IES Program cycle initiation, the EDCs will develop and share a plan to conduct outreach and support participation by third-party developers. This document will identify groups and associations targeted for outreach, as well as recommended communications channels and approaches most likely to attract third-party developers proposing innovative pilot projects. The EDCs expect that the Program Administrator will be responsible for the market outreach for the IES Program, but the EDCs can support marketing and outreach through existing channels as well. The EDCs included market outreach costs in their estimated 5-year budget plan detailed in Section III.C.6.e. Id., p. 7.

vi. Project Integration

For the first cycle of the IES Program, the EDCs will develop a document to clarify the project integration approach for the IAC and third-party developers. This document can be included as an exhibit in the innovation solicitation and will describe project integration and interconnection approaches for projects selected through the IES Program process. In future rounds, the EDCs will update this document as needed.

The EDCs stated that they will support the integration and interconnection of appropriate projects deemed safe for deployment for the IES Program. All pilot proposals or projects requiring interconnection will be required to follow the Authority-approved process. Id., p. 7.

vii. Data Privacy & Security

The EDCs will provide readily available energy-related data via open and transparent mechanisms to facilitate the objectives of the IES Program. For the first cycle, the EDCs will develop a document to summarize data compilation and transfer, along with data privacy and security, for potential third-party developers. This document can be included as an exhibit in the solicitation that contains a high-level description of these topics with links to existing documents. In future rounds, the EDCs will update this document as needed. The EDCs will leverage existing and developing information in developing the Data Compilation and Transfer Plans, as well as the Data Privacy and Security Plan. Id., p. 8.

b. Phase 2

The EDCs stated that for Pathway 2 and Pathway 3 projects selected for Phase 2, the EDCs will develop Phase 2 proposals consistent with the approach defined for Phase 1. Id., p. 10. That is, the EDCs will support the development and review of Phase 2 solicitation materials, including the request for proposals, requirements, metrics, scoring templates, and scoring processes. Additionally, the EDCs will recommend standardized innovator participation guidelines, contracts, performance standards or Memoranda of Understanding, between the third-party developer and the respective EDC(s) to ensure contract terms and conditions are available up front to avoid confusion and delivery of anticipated benefits to customers once an Innovation Pilot is accepted. During the screening processes, the EDCs will be available to answer questions from the Program Administrator and/or third-party developers, as defined by the IES Program requirements. During Phase 2, the EDCs expect to leverage additional SMEs throughout the organizations to identify specific barriers or answer questions. Id., p. 9.

c. Phase 3

The EDCs will support projects across all three pathways, along with providing general program development support. For example, the EDCs expect to support, as needed, project integration and interconnection, marketing and outreach, and data privacy and security. As needed, and consistent with the data sharing plan above, the EDCs will support third-party developers with information regarding existing programs, grid needs, and customer demographics, for example. Id., p. 10.

For Pathway 2 and Pathway 3 projects selected for deployment (Phase 3) in an EDC's territory, the EDCs will deploy the projects consistent with the agreed-upon proposal and follow their standard Project Management Organization (PMO) implementation processes. These processes include Project Initiating, Planning, Executing, Monitoring and Controlling, and Project Closure. The EDCs will report on project metrics proposed in Phase 1 and finalized in Phase 2. During the active lifetime of the project, EDC projects will meet defined reporting requirements. Id., p. 10.

d. Phase 4 & Annual Reporting

The EDCs will support the IAC throughout Phase 4 on reporting and decision-making on scaling projects. Id., p. 11. Additionally, on an annual basis, the EDCs will prepare and share a report providing an overview of projects deployed through Pathway 2 and Pathway 3. The report will summarize project deployment, integration, and timelines, as well as providing a high-level overview of challenges and deviations from plans and projections. The report will include appendices or links to Phase 4 Final Project Reports on individual projects. Id., p. 13.

e. EDC Projected Costs (5-year Budget)

The EDCs provided an estimate of their combined projected 5-year costs to assist in the administration of the IES Program. The EDCs' total budget includes anticipated EDC expenses, as well as certain categories of anticipated Program Administrator

expenses, such as salary and marketing. The EDC proposed budget includes the following assumptions:

- A total of 8 to 13 projects per year will be selected for implementation.
- EDCs will use existing resources for the majority of the work.
- The EDCs will not need to incorporate special equipment or technology unless they are fully paid for by the proposed innovation pilot project.
- Initially each EDC will utilize only 1 Full-Time Employee to administer the IES Program.
- Beginning in 2024, an additional 1 Full-Time Employee will be utilized per EDC based on anticipated IES project volume increases.
- Proposed amounts for Project Administrator expenses will be adjusted based on the actual prices resulting from the RFP for a Program Administrator.
- No additional costs have been budgeted for other members of the IAC.

The Table below summarizes the EDCs' 5-year estimated budget.

	2022	2023	2024	2025	2026	Total
Project Development (Category 2 cost)	$8.4M	$16.8M	$17.2M	$18.1M	$19.0M	$79.5M
Programmatic/Administration Expenses (Category 1 costs)[12]	$1.8M	$1.8M	$2.2M	$2.2M	$2.2M	$10.2M
Total Estimated Costs	**$10.2M**	**$18.6M**	**$19.4M**	**$20.3M**	**$21.2M**	**$89.6M**

f. Stakeholders Input

The OCC, CIEC, BETP, CI, CGB and CI responded to the Authority's request for written comments regarding the Implementation Plan.

The OCC outlined three categories of concerns including lack of detail, connection to related Authority proceedings, and cost recovery. First, OCC stated that the Implementation Plan lacks descriptive detail as to what should be included in documents and protocols to arrive at a clear determination as to how true consumer benefits can be achieved. OCC Written Comments, dated 11/10/2021, pp. 1-2. In addition, OCC believes that the Implementation Plan does not sufficiently recognize the impact of the other reopened proceedings in the ongoing Authority investigation stemming from Docket No. 17-12-03. OCC includes concerns about consumer data privacy and security in this category of comments and suggests that additional resources from the Connecticut Cybersecurity Committee and the 2020 Connecticut Public Utility Annual Cybersecurity Report be considered and utilized. Id., p. 3. Finally, OCC reiterated previous concerns

[12] The EDCs stated that the budget represents an 80% / 20% split between Eversource and UI for Category 1 costs with the exception of Program Managers.

regarding the details of cost recovery, advocating from the enhancement of consumer protections. OCC believes that it remains unclear what specific protocols will be in place to ensure that incurred costs are prudent and valid and whether there are differences regarding development costs and deployment costs, and how these costs are to be recognized and differentiated.

CIEC submitted that specific, prudent, and firm spending limits are critical customer protections that should be identified before the EDCs begin implementing the IES Program. CIEC indicated that the EDCs' Implementation Plan failed to satisfy the Authority's stated intent that the IES Program include "common-sense guardrails" to protect customers. They also surmised that an overall program budget of almost $90 million, with annual budgets of approximately $20 million in four of the five program years is excessive. CIEC recommended that the IES Program should start with a smaller budget. CIEC Written Comments, dated 11/10/2021, p. 3.

BETP suggested that clarity from the EDCs be provided on whether the development of the grid needs assessment, customer needs assessment, project integration plan, and preferred focus areas will occur during a pre-phase period leading up to Phase 1 of a program cycle or during Phase 1. BETP Written Comments, dated 11/10/2021, p.4.

BETP also recommended that the EDCs should provide justification for determination of the short list of third-party developers excluded from an IES Program solicitation. Id., pp. 5-6. Additionally, BETP requested that Eversource provide a brief overview of its project integration process and procedures, similar to UI. Id., p. 6.

CI and CGB were generally supportive of the proposed Implementation Plan. CI reiterated that it will be creating a $50 million Greentech Fund, which may provide funding to support innovation pilots. CI stated that the Greentech Fund would invest in the most promising of the identified technology companies, providing funding to support the EDCs' goals. CI inquired whether the EDCs would be interested in appointing an individual or team to work together periodically to help source, identify, and conduct due diligence on companies intending to participate in the IES Program.

g. Authority Analysis

The Authority appreciates the efforts of Eversource and UI to produce and present their Implementation Plan at the October 25, 2021 Stakeholder Workshop. The Authority finds that the Implementation Plan attempted to address the topics highlighted in Section 11.1 of the Final Straw Proposal. The Authority also recognizes the concerns raised by other stakeholders in their November 10, 2021 Written Comments. Overall, the Authority finds the EDCs' Implementation Plan to be sufficient, with the additional context and specificity provided in the attached IES Program Design Document. However, the Authority does require the EDCs to clarify and modify certain aspects of the Implementation Plan to provide greater clarity to all stakeholders.

The Authority finds that Implementation Plan addresses the needs for stakeholder guidance from the EDCs with particular emphasis in the initial IES Program solicitation process, and during Phase 1 of the IES project cycle. The Implementation Plan is

consistent with the Authority's Final Straw Proposal in that it finds that high level support exhibits will be beneficial to the IES Program and process. Specifically, the EDCs plan to provide supporting exhibits that: identify customer and grid needs; summarize existing Connecticut energy programs and their eligible customers; identify and describe preferred focus areas for all project pathways; develop and share a plan for outreach and support; detail the EDCs' project integration approach; and summarize data compilation, data transfer, and data privacy and security for third-party developers. The EDCs have also indicated that they will provide updates to the various documentation in subsequent IES Program cycles as needed.

The Authority also accepts the Implementation Plan as proposed in Phase 2 (for Pathway 2 & 3 projects) and Phases 3 and 4. The Authority finds that applying an approach consistent with Phase 1 during Phase 2 of the IES Program is logical and appropriate. The Authority also finds the EDCs' roles described for Phases 3 and 4, project pilot deployment and scaling, acceptable.

Additionally, the EDCs provided a 5-year budget for their combined estimated projected costs to administer and support the IES Program as part of the Implementation Plan. These calculations assumed that 8 to 13 projects per year will be selected for implementation. While the Authority is hopeful that the number of projects for implementation will grow over time, the Authority declines to approve the EDC's proposed $89 million budget. The Authority finds that the 8 to 13 estimated number of projects selected projects per year is high particularly in Years 1-2 (2022 -2023) and does not align with the maximum first year budget of $25 million. Instead, the Authority will require the EDCs to revisit their budget and to assume totals of 3-5 projects for IES Program selection in Years 1 and 2, 4-6 projects in Years 3 and 4, and 6-8 projects in Year 5. The Authority will require the EDCs to provide an updated budget estimated based on the revised number of anticipated projects.

The Authority finds that the EDC Implementation Plan meets the needs of the IES Program, given the additional context and specificity provided in the attached IES Program Design Document, and grants the Implementation Plan filed under Motion No. 14 with the following clarifications and modifications:

1. The EDC must elaborate on the criteria/justification that would be utilized to create a list of third-party developers that would be excluded from an IES solicitation.

2. The EDCs will be required to clarify their role in providing market outreach based on the guidance provided herein and in the Program Design Document. The Authority finds that the Implementation Plan is inconsistent on this topic. Specifically, in Section 1.1 of the Implementation Plan the EDCs stated… "If needed, the EDCs can provide support in the marketing and outreach to third parties using existing EDC communication channels such as websites, newsletters, and outreach to trade allies and commercial customers." Implementation Plan, p. 4. This is inconsistent with Section 1.2.5 of the Implementation Plan, which stated, "During each [IES Program] cycle initiation, the EDCs will develop and share a plan to conduct outreach and support participation by third-party developers." Id., p. 7.

3. The Authority will require the EDCs to provide any existing supporting documentation described or referenced in the plan, including, but not limited to, the PMO Process for Phases 1-4. The Authority will also require the EDCs to file a summary document of all the documentation that it committed to file under the Implementation Plan by program phase, and to the extent known, an estimated deliverable date. The Authority's intent is to review and make available to all stakeholders, any documentation as early in the process as possible.

4. The Authority will require the EDCs to provide additional estimated budget scenarios using the same table format that reduces the number of assumed projects for implementation to 3-5 projects for IES Program selection in Years 1 and 2, 4-6 projects in Years 3, and 5-8 projects in Year 5.

5. Any information proposed in the Implementation Plan to be provided prior to the beginning of the first IES Program cycle shall be submitted by September 16, 2022.

While the EDCs will be required to submit an updated budget estimate in line with the above direction, the Authority is in no way pre-approving such budget nor is this Decision an endorsement or approval of the EDCs' projected costs to assist in the administration of the IES Program. All costs incurred by the EDCs as a result of its participation in this program will be subject to a prudency review in the appropriate Rate Adjustment Mechanism (RAM) proceedings. Both EDCs shall endeavor to reasonably minimize the costs associated with the IES Program; the efforts taken by the EDCs to minimize costs will be assessed as part of the relevant prudency review.

Furthermore, while the EDCs will use the above assumptions regarding the number of project selections, the actual IES Program costs will depend entirely on the number of projects actually selected. These budget estimates and the above assumptions regarding the number of project selection serve no purpose other than to provide a potentially indicative cost estimate; they will not be used or seen as a cap or a floor on the number of projects that can be selected through a given IES Program cycle.[13]

IV. NEXT STEPS

The Authority anticipates the following next steps for the IES Program following the issuance of its Final Decision:[14]

- Early 2nd Quarter 2022:
  - Issue Program Administrator Request for Proposal
- End of 2nd Quarter 2022:
  - Hire Program Administrator
  - Review EDC estimated budget scenarios

[13] See, Section III.C.5.b. for a discussion on the ratepayer risk mitigation and cost recovery guardrails included in the IES Program in response to the stakeholder comments received.

[14] Tentative next steps are indicated by the inclusion of "(Tent.)".

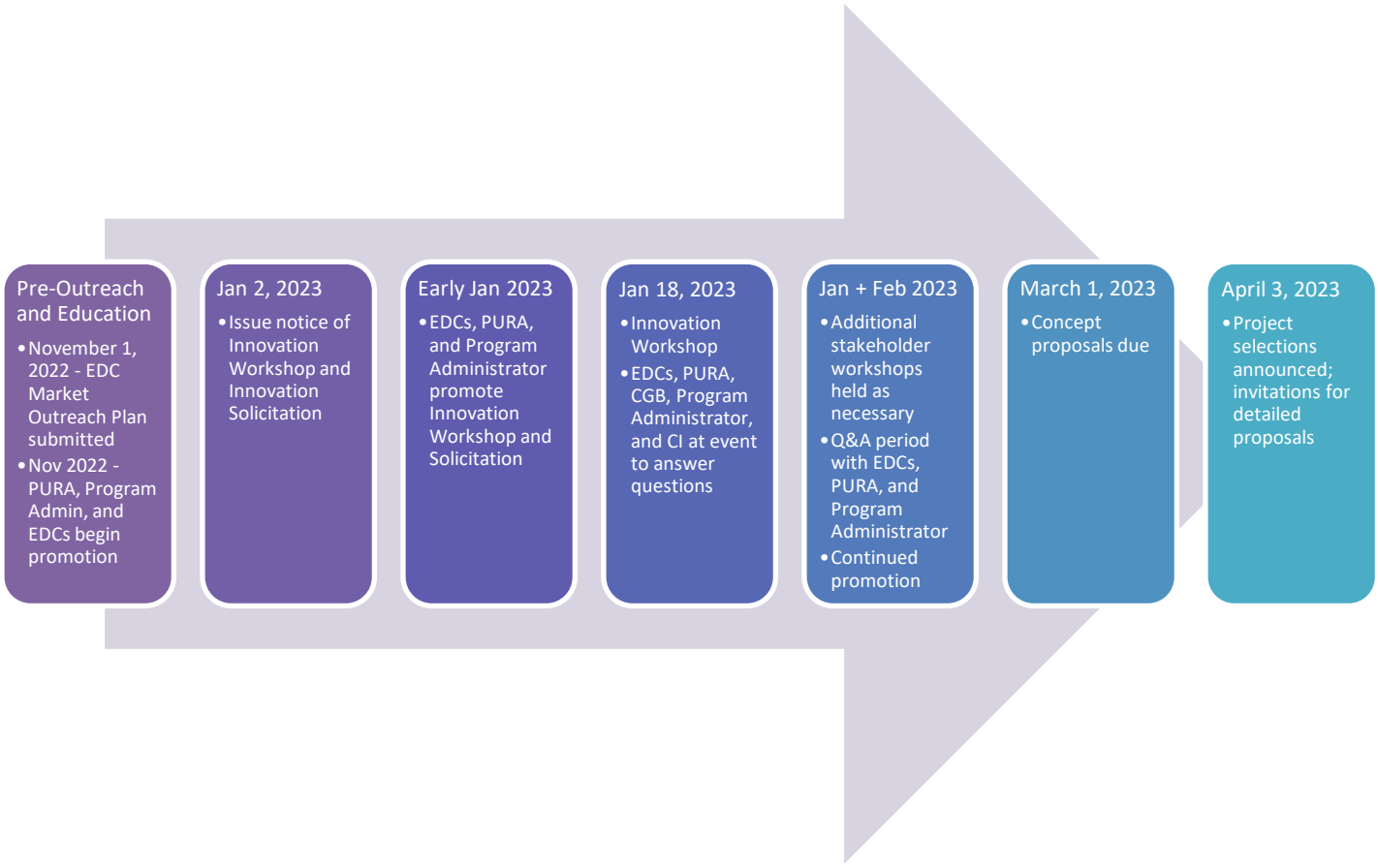
    - Establish Innovation Advisory Council; hold first meeting and develop bylaws and operating procedures[15]
- September 15, 2022:
    - EDCs submit Grid Needs Assessment, Customer Needs Assessment, Existing Program Inventory, Preferred Focus Areas, and any other information required of the EDCs for IES Program Cycle 1
- End of 4th Quarter 2022:
    - Develop Cost-Benefit Analysis template
    - Develop pro forma EDC contracts
    - IAC approval of the program cycle objectives
    - Finalize all IES Program Cycle 1 resources, including any updates to the IES Program Design Document; append the EDCs' Grid Needs Assessment, Customer Needs Assessment, Existing Program Inventory, and Preferred Focus Areas, along with other EDC documentation

- Beginning of 1st Quarter 2023:
    - Initiation of IES Program Cycle 1, Phase 1
    - Issuance of Innovation Solicitation
    - Innovation Workshop
- End of 4th Quarter 2023 (Tent.):
    - IES Program Cycle 1, Phase 1 and Phase 2 Complete
- Beginning of 1st Quarter 2024 (Tent.):
    - Initiation of IES Program Cycle 2, Phase 1
    - Issuance of Innovation Solicitation
    - Innovation Workshop
    - IAC begin discussion regarding EM&V process(es)

Figure 2, below, outlines in greater detail a tentative schedule from IES Program Cycle 1, Phase 1 based off the framework established in the appended IES Program Design Document.

[15] The Authority plans to hold the first IAC meeting before July 1, 2022. The Authority will notify docket Participants of the final IAC members and those in attendance for the meeting through correspondence filed in the instant proceeding.

Figure 2. Tentative Program Cycle 1, Phase 1 Schedule



V. IES PROGRAM CYCLE DOCKET

The Authority will annually open a program cycle docket using the numbering and naming convention, Docket No. XX-08-07 – IES Program Cycle ZZ, with "XX" being the last two digits of the relevant year and "ZZ" being the program cycle number (e.g., 01, 02, 03, etc.). As changes to the program cycle process and phases are made, the Authority may amend the above numbering and naming convention. The inaugural IES Program Cycle 1 docket is expected to be Docket No. 22-08-07, which EDCs and stakeholders shall also use to submit necessary documentation or information prior to the beginning of the first IES Program Cycle.

The program cycle dockets will serve as the administrative record for each program cycle and will contain the record on which the Phase 2 Interim Decision and the Phase 4 Final Decision are made. As such, the Program Administrator's annual reports and the project innovators' final reports shall be submitted in the relevant program cycle docket. Any regulatory applications or "scale up" dockets shall be made separate and apart from these program cycle dockets.

VI. CONCLUSION AND ORDERS

A. CONCLUSION

The IES Program will provide an opportunity to realize and advance innovative solutions that can deliver value to all electric customers. This program will create opportunities to scale high-value, customer-facing solutions that may otherwise face barriers to market entry. The IES Program will promote equity by delivering benefits to all customer classes and segments, developing green jobs to provide statewide economic benefit, and effectively using customer funds through the deployment of cost-effective projects. This program will strive to close market gaps and identify and foster long-term solutions for the electricity network and end-users. The establishment of the IES Program is within PURA's authority pursuant to Conn. Gen. Stat. §§ 16-11 and 16-244i, is in the public interest, is aligned with the state's clean energy goals and is an important component of Connecticut's Equitable Modern Grid.

The Innovative Energy Solutions Program Design Document, filed as Attachment B, outlines the program design, structure, and governance of the IES Program, and will serve as the program initiation manual.

The inaugural Innovative Energy Solutions Program cycle will be initiated in January 2023.

B. ORDERS

For the following Orders, the Company shall file an electronic version through the Authority's website at www.ct.gov/pura. Submissions filed in compliance with the Authority's Orders must be identified by all three of the following: Docket Number, Title, and Order Number. Compliance with orders shall commence and continue as indicated

in each specific Order or until the Company requests and the Authority approves that the Company's compliance is no longer required after a certain date.

1. No later than May 2, 2022, the EDCs shall jointly clarify and file as compliance (i.e., not for Authority approval) its Implementation Plan, as directed in Section III.C.6.g. of this Decision, regarding the following:

    a. Explain the criteria/justification the EDCs would utilize to create a list of third-party developers that would be excluded from an IES Program solicitation.
    b. Clarify the provision of the Market Outreach Plan, specifically, the role of the EDCs in providing market outreach.
    c. Provide any existing supporting documentation described or referenced in the plan, including, but not limited to, the PMO Process for Phases 1-4. The Authority will also require the EDCs to file a summary document of all the documentation that it committed to file under the Implementation Plan by program phase, and to the extent known, an estimated deliverable date.

2. No later than May 2, 2022, the EDCs shall jointly file as compliance (i.e., not for Authority approval) an updated budget estimate that incorporates the Authority's revised estimated number of projects per year for Years 1-5, as directed in Section III.C.6.g. of this Decision.

3. No later than July 1, 2022, each EDCs shall identify and provide as compliance (i.e., not for Authority approval) a point of contact and dedicated email address through which developers may contract the EDCs to discuss the IES Program. Such information shall be made publicly available through the EDCs' and IES Program websites.

4. No later than September 16, 2022, the EDCs shall submit as compliance (i.e., not for Authority approval) in the appropriate IES Program cycle docket (i.e., Docket No. 22-08-07) a Grid Needs Assessment, Customer Needs Assessment, Existing Program Inventory, and Preferred Focus Areas, and any other documentation or information proposed in the Implementation Plan to be provided prior to the beginning of the first IES Program cycle.

DOCKET NO. 17-12-03RE05 PURA INVESTIGATION INTO DISTRIBUTION PLANNING OF THE ELECTRIC DISTRIBUTION COMPANIES – INNOVATIVE TECHNOLOGY APPLICATIONS AND PROGRAMS (INNOVATION PILOTS)

This Decision is adopted by the following Commissioners:

Marissa P. Gillett

John W. Betkoski, III

Michael A. Caron

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Public Utilities Regulatory Authority, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.

Jeffrey R. Gaudiosi, Esq.
Executive Secretary
Public Utilities Regulatory Authority

March 30, 2022
Date

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