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Request from: Public Utilities Regulatory Authority

Question:

Eversource Comments, Oct. 2, 2026, p. 2. Eversource states that the methodologies currently utilized to evaluate the cost-effectiveness of the Energy Storage Solutions (ESS) Program "may be an appropriate initial basis for setting per-kW payment levels."

a. Explain in detail how the ESS Program methodologies could be used to determine a per-kW incentive level at which anticipated benefits to all ratepayers exceed costs.
b. Based on the ESS Program methodologies, provide a proposed per-kW payment level that would achieve a 1.4 ratepayer impact measure (RIM) score and explain how the payment level was determined.
c. Discuss whether the existing ESS Program benefit-cost analysis (BCA) calculator can be used to evaluate the BCA of sustained energy output over a targeted period for a potential MPF. If so, provide BCA metrics for per-kW compensation at the above level. If not, discuss what adjustments to the calculator would be required.

Response:

a) Many of the fundamental grid service benefits associated with energy storage performing in the manner described in the Company's October 2, 2026 comments are the same benefits that would be realized in the ESS program i.e, avoided capacity, capacity DRIPE, transmission, and, potentially, distribution. These benefits are denominated as a specific dollar amount per kW of energy storage dispatched during peak demand event.
Given this, with few other adjustments, the ESS calculator can be used to inform what incentive levels are likely to result in benefits to all ratepayer exceeding costs. For the purposes of this exercise, the Company focused on benefits specific to Connecticut Ratepayers and analyzed results under the CT RIM, rather than the Regional RIM that is also calculated in the ESS tool. The Company does note that cost effectiveness is just one consideration in setting appropriate and impactful incentive levels.

There are some areas of imperfect alignment between the ESS calculator and the proposed MPF incentive design:

- The current ESS model is designed to evaluate a measure life of 10 years instead of the 20-year solar project timeline. However, setting the RIM is not likely to produce vastly different results when evaluated over 10 years vs. 20 years, due to the application of a 7% discount rate when calculating the RIM. Values more than 10 years in the future have a relatively small impact on the overall results due to being heavily discounted.

Therefore, the response to part b of the question is based on an evaluation of a **10-year period**.

- The current ESS model is only set up to model resources with a commercial operation date through 2027. The incentive level required to achieve a RIM that would be beneficial to Connecticut Customers (i.e. produce a RIM CT of 1.4) varies with a different COD because of changes in the underlying benefits from year to year. The response in part b **assumes a COD of 2027**.

- Incremental administrative costs for implementing the MPF are expected to be minimal, however they remain unknown in practice. Given this, the response to part b **excludes any administrative costs**.

- The multipart payment framework ("MPF") would apply to front-of-the-meter ("FTM") resources. Values used in ESS are grossed up to account for losses at the transmission and distribution level. MPF resources, however, may connect at higher voltages (e.g., primary voltage) and will therefore not have the same level of losses applied. The Avoided Energy Supply Costs ("AESC") study does not distinguish between losses at different voltages or portions of the electric power system; thus, no changes have been made to the losses applied. This is likely to result in slightly overstating the benefits to ratepayers from FTM installations.

- The ESS model currently includes participant bill savings as a cost in the RIM, which would not be applicable in an FTM installation. The response to part b **excludes participant bill savings** as a cost in the RIM.

- The ESS program encourages BTM resources to be sited in more constrained portions of the distribution system by offering a grid-edge adder as part of the upfront enrollment incentive. Therefore, it may be more likely that BTM energy storage can produce realizable benefits to the distribution system, whereas FTM systems that may be sited further from high load areas may be less likely to provide realizable benefits to the distribution system. For this reason, results in the response to part b of the question are provided **with and without distribution benefits**.

- The current ESS model uses the 2024 AESC values. While this is the most recent version available, many significant market changes have occurred since the last update. Eversource highly recommends revisiting this analysis when the 2027 AESC values become available.

b)

Using the ESS BCA Calculator, subject to the modifications and limitations described above, an incentive rate of $195 per kW-year produces a RIM CT of approximately 1.4 when excluding benefits to the distribution system. If full benefits to the distribution system are included, an incentive rate of up to $322/kW could result in a RIM CT of 1.4.

Eversource considers this analysis to be preliminary and does not recommend setting incentive levels based on it. As noted above, the Company believes that other factors beyond cost-effectiveness should be considered in setting appropriate incentive rates. Incentives should be set no higher than needed to spur market development, in order to maximize benefits to ratepayers.

c)

The current ESS calculator does not explicitly model increased benefits from longer-duration dispatches. Rather, it assumes full achievement of benefits from whatever dispatch window is utilized. As the nature of grid needs evolves, the Company anticipates that it will become necessary to increase the length of dispatches in order to achieve the full benefits, particularly as saturation of flexible resources flattens load profiles. The Company recommends longer duration periods be considered for inclusion in the MPF design in order to encourage new resources to be sized to account for those future dynamics.