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United States Department of Energy
Grid Deployment Office
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Re: Comments of R Street Institute in Response to Request for Information (RFI) (DE-FOA-0002827)

The R Street Institute (R Street) appreciates the Department of Energy's (DOE) request for information regarding how to spend \$10.5 billion effectively, as approved by the Infrastructure and Investment Jobs Act (IIJA).¹

In its RFI, DOE outlined the background of the effort, potential programs and details of those programs. DOE also sought comments on six categories to assist in finalizing the program details associated with the Grid Resilience and Innovation Partnerships Program (GRIP). Eligibility for the GRIP program will focus on competitive solicitations from eligible stakeholders to meet certain goals of the program, including "[m]aximizing Benefits of an upgraded and modernized grid for American communities, including increased resilience and reliability and increased access to affordable, lower carbon electricity."² To help inform the finalization of its program design, DOE seeks public comment on its draft

¹ "Request for Information: Grid Resilience and Innovation Partnerships Program," Request for Information, DE-FOA-0002827, U.S. Department of Energy, Aug. 30, 2022.

<https://www.fedconnect.net/FedConnect/default.aspx?ReturnUrl=%2ffedconnect%2f%3fdoc%3dDE-FOA-0002827%26agency%3dDOE&doc=DE-FOA-0002827&agency=DOE>

² Ibid., p. 1.

design for the GRIP program. Comments may be used by DOE to modify the draft and to develop future programs offerings related to the GRIP program.

DOE identified three strategic goals for the GRIP program:

- 1) Transform community regional, interregional and national resilience, including in consideration of future shifts in generation and load.
- 2) Catalyze and leverage private sector capital for infrastructure deployment.
- 3) Advance community benefits.

To implement these goals, the GRIP program identifies three topic areas of focus, which form the basis for DOE grants to implement the GRIP program and the types of projects DOE seeks to fund from the IIJA:

- 1) Grid Resilience Grants.
- 2) Smart Grid Grants.
- 3) Grid Innovation Program.

For each program, DOE will offer up to 50 percent cost sharing for any project approved under the topics. Eligibility for each program is described in the RFI, but includes utilities, grid operators, public utility commissions, vendors, local governments, tribes, and other for- and non-profit organizations. To assist with its program development, DOE identified six categories of questions for stakeholders to respond to, such as DOE's Proposed Implementation Strategy for GRIP program, and specific questions for each grant topic area. R Street's comments are limited to DOE Category 1.

R Street Comments to DOE's RFI

Category 1: DOE's Proposed Implementation Strategy for GRIP program

Question 3: How can funding from the GRIP program best overcome challenges impeding the development of transmission, grid solutions, and interconnecting new generation and storage to improve grid resilience and reliability?

R Street notes that grid enhancing technologies (GETs) can provide significant benefits to the transmission system yet continue to languish waiting for wider adoption. A key barrier to this adoption is the utility business model itself which does not incentivize efficiency or usage of non-utility assets.³ If a utility identifies a transmission need, it is in the utility's interest to solve that problem with a new capital asset rather than invest in lower-cost technologies that may solve or delay the need. Technologies, like GETs, can help utilities better manage and operate their transmission systems, but result in less capital-intensive investments like new transmission or generation. The Federal Energy Regulatory Commission (FERC) has recognized the importance of GETs, but FERC can push for greater

³ *Post-Workshop Comments on Grid-Enhancing Technologies*, Comments of the R Street Institute, Docket No. AD19-19-000 (Feb. 14, 2020). https://www.rstreet.org/wp-content/uploads/2020/02/FINAL-Hartman-GETs_Post-Workshop_Comments.pdf

adoption of such technologies.⁴ Nevertheless, R Street encourages DOE to support deployment of GETs through the GRIP funding program.

Question 5: Any comment on the overall solicitation process, structure, prioritization, requirements, and assessment criteria presented in the draft FOA. The Draft FOA (DE-FOA-0002740) can be found <https://www.fedconnect.net/fedconnect/?doc=DE-FOA-0002740&agency=DOE>.

R Street's comments focus on the importance of accountability. However the final program is designed, it is vital that DOE have some form of accountability attached to the delivery of funds. R Street's view is informed by the experiences from DOE's implementation of the American Reinvestment and Recovery Act (ARRA). There, DOE issued several billions of dollars for a variety of smart grid investment grants and demonstration programs. While each awardee was required to identify program goals and requirements, and did submit appropriate reporting requirements and metrics, there was little in the way of accountability to ensure such goals and requirements were met. Indeed, there was little accountability to ensure that the actual implementation was developing in a way that would meet the goals. For example, a recent report from Mission:data notes that DOE awarded \$3 billion to electric utilities to install advanced metering infrastructure (AMI) from the ARRA program.⁵ The AMI investments funded by DOE were to include several technological and customer-facing requirements including providing customer access to AMI data. As Mission:data found:

[...] a decade after ARRA funded the installation of 17.38 million advanced meters nationwide, most of the data access benefits promised to customers have been deactivated. Despite 89.7% of federally-funded meters having real-time access capabilities, today only 2.9% are enabled. This essential feature of advanced metering has been rendered unusable in 13.99 million meters funded by federal taxpayers.⁶

The ARRA program included the condition that each awardee had to fund the remaining costs of the project, similar to the structure proposed in this FOA. For regulated electric companies, this usually resulted in a proceeding or application before their applicable regulatory authority. Oftentimes, such applications occurred in advance of receipt of DOE funding; indeed, a component of the ARRA program was for applicants to show that they had already received approval for the other 50 percent of project costs. This resulted in an incentive for the electric utility to show its regulator a significantly cost-effective application, since DOE was funding 50 percent of the project, which meant that its application may have not included significant details about the program itself. In fact, due to the timelines for seeking ARRA grants, it may not have been possible for any state regulatory commission to conduct a

⁴ See, e.g., "Ten Congressional Electricity Reforms to Improve the Economy and Environment," R Street (Feb. 15, 2022). <https://www.rstreet.org/2022/02/15/ten-congressional-electricity-reforms-to-improve-the-economy-and-environment>.

⁵ "Deactivated: How Electric Utilities Turned Off the Data-Sharing Features of 14 Million Smart Meters," Mission:data, September 2022. https://static1.squarespace.com/static/52d5c817e4b062861277ea97/t/631253069bdd82629d3ea079/1662145291709/Deactivated_white_paper.pdf.

⁶ Ibid., p. 3.

full cost-effectiveness review, or review of the application, before the utility needed to submit its application to DOE. As a result, a gap was introduced. This gap covered both the program design and how program funds were spent as neither DOE nor the state commissions were structured to conduct such post-hoc reviews.

As the Mission:data report details, once the money was out the door, there was no one to ensure that the utility program design and implementation was done correctly and there was no one who could clawback funding spent by the utilities that was not in line with the program design. To avoid such issues with IJIA and GRIP funding, it is vital that DOE identify more stringent requirements on program design and implementation and ensure that any projects that receive funding from DOE under the GRIP program spends the money in a way that benefits the customers and the public, not just utility shareholders. R Street recommends two actions to address this gap:

- 1) DOE Mechanisms

While R Street is unsure whether DOE has such authority, DOE should consider applying a clawback mechanism for any projects that are funded by GRIP. Clawback language would require that awardees continue to show that program design and implementation meet the requirements of the GRIP program, meet certain metrics and goals and continue to be cost-effective for the public. To the extent that such a program is no longer meeting those requirements, DOE would be able to clawback any or all funding expended to date.

A second option would be for DOE to disburse funds in allocated tranches as the awardee shows compliance with the program design and requirements. This would limit the ability of an awardee to simply pocket any unspent funding due to poor project and technical design implementation. The purpose of both of these suggestions is to ensure that DOE funds programs that are worth the investment while protecting the taxpayers who fund this program.

Additionally, DOE should require detailed reporting from awardees describing the project, goals met to date, estimates of meeting future goals, expenditures to date and funding remaining, to name a few. It is important to the public that awardees are transparent in how they are using taxpayer funding; such clarity can help illuminate potential misuse or misapplication of funding. DOE should develop detailed cost and project reporting tables and project checklists that awardees would be required to submit on a regular basis. Lastly, DOE should assign staff to review the reports and prepare a semi-annual report, moving to an annual report after a certain amount of years, that identifies areas of success and those in need of improvement. The public is relying on DOE to ensure that its funding is spent well.

- 2) Collaboration with State Agencies

R Street recognizes that DOE is interested in funding projects that have lined up additional funding. For electric utilities, this means that state regulators will need to approve funding for the remaining half of any project cost. R Street recommends that DOE closely collaborate with state commissions and the National Association of Regulatory Utility Commissioners (NARUC) to ensure that funds spent by utilities are done appropriately. The end result of the problems identified by Mission:data is that taxpayers and

the utility ratepayers funded a project that was designed and implemented in a way that ensured customer benefits would not be realized; for example, the project limited, through program design and technology decisions, access to customer-usage data enabled by AMI. R Street recommends that DOE and the state regulators collaborate on actions one or both entities could take to ensure that utilities are accountable and that the projects meet the requirements of the program. Such options could include:

- Provide project funding to a state commission or state energy office to manage rather than disbursing project funds directly to a utility.
- Allow state approval to come after awarding a grant to allow states to perform cost and program design review, in accordance with applicable state law.
- Allow state regulators authority to audit and investigate utility program design in order to direct refunds of DOE funding should utility programs not meet the goals and requirements of the GRIP program.

Conclusion

R Street appreciates the opportunity to provide these comments to DOE.

Respectfully submitted,

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