

NARUC PBR Working Group PIMs Database

February 1, 2024

Status ⓘ

Select...

Topic ⓘ

Applicability

Select...

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	Incentive Structure	Period of Performance	Emergent Topic	Applicability
Upside	Fixed amount	2021 - 2023	TE; EQ	Electri
Upside	Fixed amount	2021 - 2023	TE; EQ	Electri

Performance Period Concluded)

Utility incentives are misaligned with affordable and equitable decarbonization



CAPEX BIAS creates a utility preference for capital-intensive projects (e.g., power plants, T&D infrastructure)



GOLD PLATING refers to the utility's incentive to overinvest in capital projects in order to earn a higher return



THROUGHPUT INCENTIVE encourages the utility to increase energy sales to increase its revenue



RESISTANCE TO THIRD-PARTY AND CUSTOMER-OWNED SOLUTIONS can undermine cost effectiveness and an equitable distribution of benefits

PIMs can help realign utility incentives with other desired outcomes

What are they?

A **performance incentive mechanism (PIM)** consists of a **financial incentive** tied to a **metric** and **target**.

PIMs can be structured in many ways. For example:

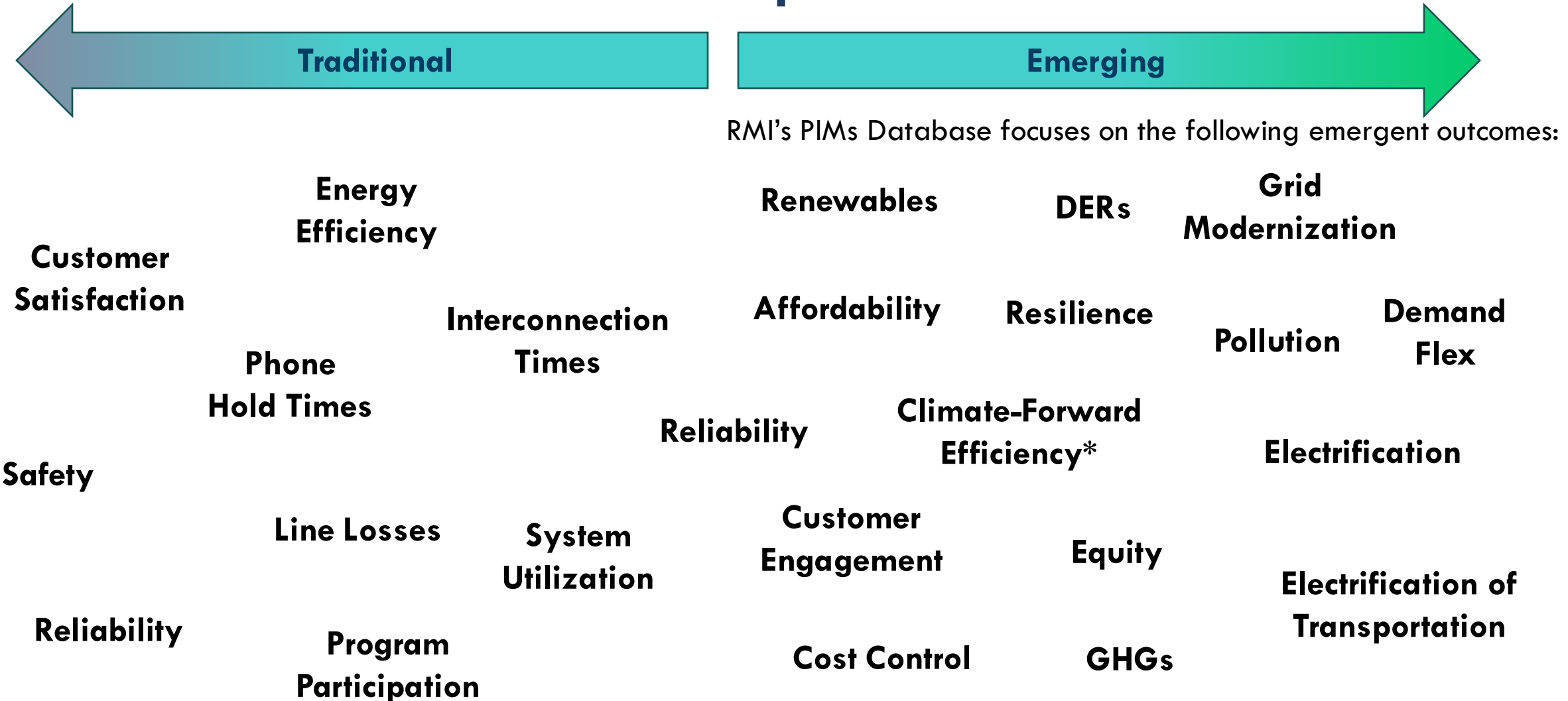
- Failure to achieve a target triggers a penalty.
- An incremental incentive is awarded over a range of performance.
- The utility earns a share of estimated savings. This is known as a **shared-savings mechanism (SSM)**.

PIMs be used to **motivate improved performance** in specific areas.

How PIMs support business model reform

- Can provide opportunity for utilities to earn a competitive return on non-traditional investments, leveling the playing field by addressing the opportunity cost of more capital-intensive investments
- Can shift utility priorities in favor of desired policy outcomes

There is a wide range of emergent outcomes for PIMs that incentivize affordable and equitable decarbonization



Introducing RMI's PIMs Database

A new resource to reference PIMs implemented across the U.S. on a variety of emergent topics. The PIMs Database currently features...

136 PIM Designs

15 states

CO, CT, DC, HI, IL, KS, MA,
MI, NC, NJ, NY, RI, VT,
WA

33 utilities & Energy
efficiency program
administrators

Xcel, DCSEU, Hawaiian
Electric, Ameren, ComEd, Con
Ed, National Grid, Puget
Sound Energy, others...

13 emergent
outcomes

Demand flexibility, equity,
electrification, grid
modernization, resilience,
others...

How Regulators Can Use the Database

Question	How the PIMs Database Can Help
Are there any active PIMs in place elsewhere that incentivize [insert topic or outcome of interest]? How are the metrics and targets structured?	The PIMs database categorizes each PIM by emergent outcome, such as grid modernization, equity, resilience, etc. It also provides detail on the focus (e.g., specific outcomes, programs, or actions that the PIM is intended to encourage) and design of the PIM. Another state's PIM could provide a useful model to substantiate PIM development in your own jurisdiction.
How are incentives structured?	The PIMs database contains information on whether a PIM is upside-only (reward), downside-only (penalty), or symmetrical (both). This information could be useful when developing a new PIM with a specific incentive structure or assessing the design of a proposed PIM in your own jurisdiction.
What PIMs have had long runs and why? Why have others been sunset prematurely?	The PIMs database contains a narrative history intended to help users understand the broader context in which the PIM exists. It delves into the reasoning behind regulatory decisions to modify or discontinue a PIM. This history might help you assess when a PIM of your own design should be updated or retired.

What's Next for the PIMs Database

- Regular updates as PIMs evolve and new mechanisms are adopted
- Expansion to include information on utility performance against PIMs
- Analysis on PIM design & performance trends
- Insights via the quarterly PIMs Database newsletter ([sign up here!](#))

**15+ states have implemented
PIMs to meet emergent
outcomes**

Example PIMs focused on renewable energy

Evergy (KS)

A symmetrical PIM incentivizes the company to increase the capacity factor (%) for the Western Plains Wind Farm relative to a target to ensure ratepayer savings from utility ownership

Multiple Utilities (NY)

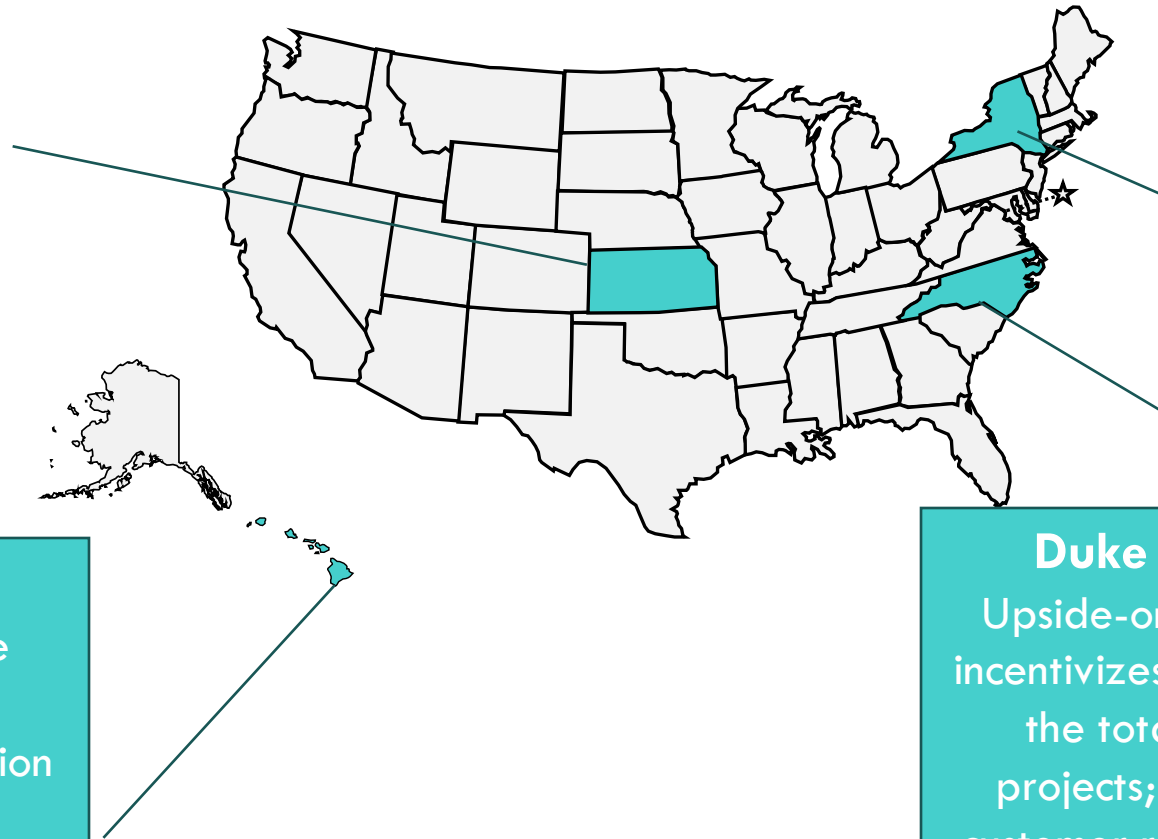
Upside-only PIMs incentivize NY utilities to increase utilization of distributed energy resources (measured in MWh of annual solar and storage output from resources interconnected in a given rate year)

Hawaiian Electric (HI)

Multiple PIMs incentivize the timely and cost-effective procurement and interconnection of large-scale renewable resources

Duke Energy Progress (NC)

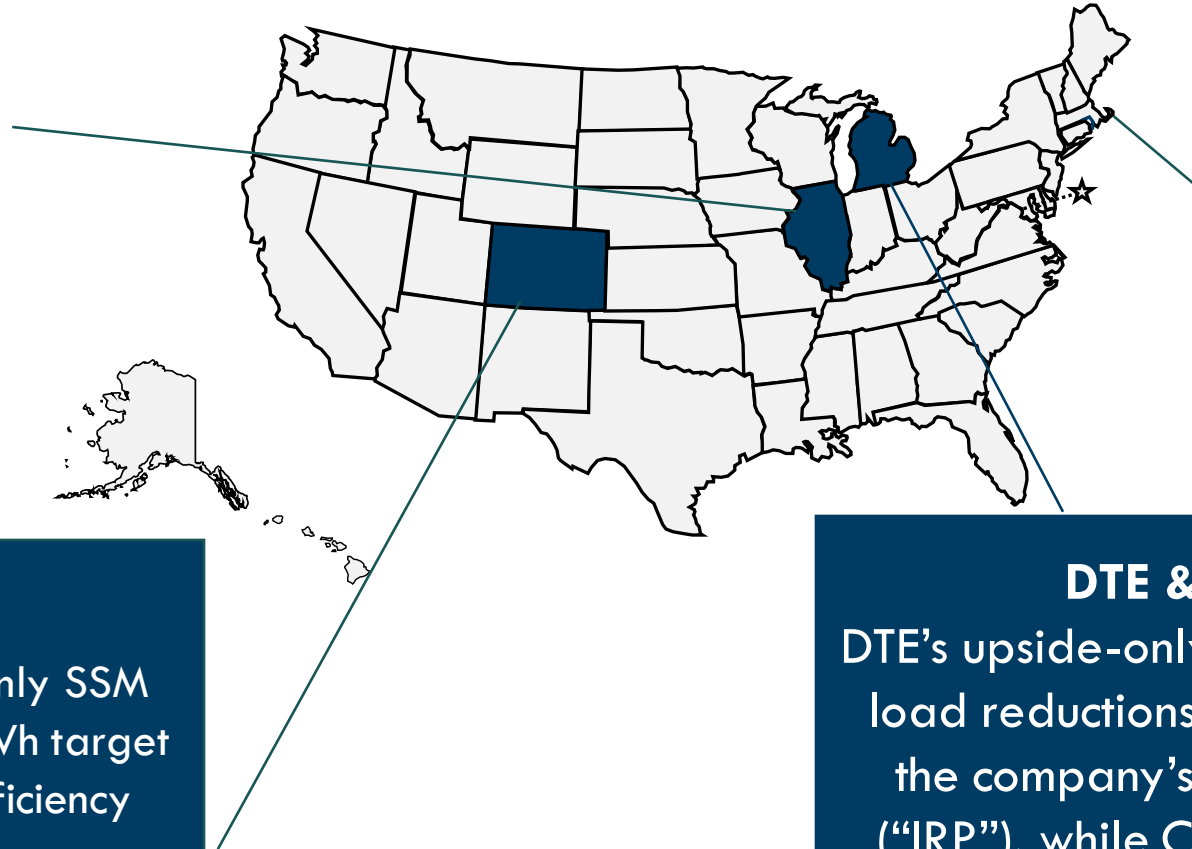
Upside-only PIM with multiple metrics incentivizes the company to increase: (1) the total number of net metering projects; (2) commercial & industrial customer renewable program capacity; and (3) utility-scale renewable resources each year



Example PIMs focused on demand flexibility

ComEd & Ameren (IL)

Both utilities have symmetrical, ROE-basis point incentive PIMs that incentivize targeted MWs of peak load reduction each year



Rhode Island Energy (RI)

Upside-only PIM incentivized the company to achieve targeted MWs of annual peak capacity savings through customer programs and non-wires alternatives (“NWA”)


Xcel (CO)

Xcel had an upside-only SSM that incentivized a GWh target of annual energy efficiency savings

DTE & Consumers (MI)

DTE’s upside-only PIM incentivizes MW peak load reductions past a target identified in the company’s integrated resource plan (“IRP”), while Consumers’ upside-only PIM incentivizes incremental MWs of demand response capacity growth

PIMs Database Demo

Created by 

PIMs Database

Emergent Performance Mechanisms across the United States

◀ BACK TO RMI

PIMS DATABASE

EMERGENT TOPICS

State

Utility

Status ⓘ

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Incentive Type ⓘ

Incentive Structure ⓘ

Emergent Topic ⓘ

Applicability

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State	Utility	PIM Name	Status	Incentive Type	Incentive Structure	Period of Performance	Emergent Topic	Applicability	
CO	Xcel	Equity PIM – Charging Ports metric	Inactive (Performance Period Concluded)	Upside	Fixed amount	2021 - 2023	TE; EQ	Electric	<div>Details</div>
CO	Xcel	Equity PIM – EV Rebates metric	Inactive (Performance Period Concluded)	Upside	Fixed amount	2021 - 2023	TE; EQ	Electric	<div>Details</div>

RMI.org/PIMs-Database

Q&A and Discussion

We welcome:

- Questions you're holding about the database itself
- Reflections on how you'd use the database
- Particular topic areas that piqued your interest that you're hoping to explore further
- Or other questions or discussion inspired by the presentation!

Contact Us

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RMI is happy to support PUCs by:

- Walking through the database with Commissioners and/or staff
- Providing technical assistance and consultative support on specific PIM questions
- Discussing PIM development processes and stakeholder engagement

