



**Earnings Adjustment Mechanisms
Annual Report**

Cases 20-E-0380 and 20-G-0381

Niagara Mohawk Power Corporation d/b/a National Grid

April 14, 2025

1. INTRODUCTION

In the New York State Public Service Commission (“Commission”) *Order Adopting Terms of Joint Proposal, Establishing Rate Plans and Reporting Requirements*, the Commission authorized three-year electric and gas rate plans for Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid” or “the Company”) from July 1, 2021 through June 30, 2024.¹ In addition to the base three-year period, the rate plans include a “stayout” period beginning July 1, 2024, and ending the earlier of the effective date of revised rates for the Company or March 31, 2025.²

The Joint Proposal established several electric and gas Earnings Adjustment Mechanisms (“EAMs”) for the term of the rate plan.³ The EAMs established in the Joint Proposal are measured on a calendar year (“CY”) basis for each rate year: i.e., for rate year 1 (“RY1”), running July 1, 2021 – June 30, 2022, the corresponding EAMs are based on CY2021 performance; for RY2 (July 1, 2022 – June 30, 2023), EAMs are based on CY2022 performance and for RY3 (July 1, 2023 – June 30, 2024), EAMs are based on CY2023 performance.⁴ The Joint Proposal provided that “[f]or periods beyond RY3, the Company may annually file a petition for Commission consideration proposing EAMs for the upcoming year until it files to establish new base delivery rates.”⁵ Consequently, on March 26, 2024 the Company filed with the Commission a Petition to Establish Calendar Year 2024 Earnings Adjustment Mechanism Targets requesting a continuation of four of the Commission-approved electric EAMs for CY 2024 during the “stayout” period (“CY 2024 EAM Petition”).⁶ These EAMs are:

Electric Peak Reduction
LSRV Load Factor
DER Utilization
Transportation Electrification

Although the Commission has not yet issued a decision on the Company’s EAM Petition, the Company is providing this annual report for CY 2024 pursuant to Section 4.0 of Appendix 7 of the Joint Proposal in the event the Commission approves the continuation of the requested EAMs. This report provides a summary of the Company’s performance results, for the four electric EAMs referenced above, for which it has petitioned the Commission to continue for CY 2024.

As shown in Table 1 below, the Company achieved the maximum target for the Distributed Energy Resources (“DER”) Utilization EAM but did not achieve the minimum or threshold

¹ Cases 20-E-0380 and 20-G-0381, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid*, “Order Adopting Terms of Joint Proposal, Establishing Rate Plans and Reporting Requirements (issued and effective January 20, 2022).

² *Id.*, pp. 18-19.

³ Joint Proposal, Appendix 7, p. 1.

⁴ Joint Proposal, Appendix 7, p. 1. The exception to the CY EAM metric is the Gas Peak Reduction EAM, which instead is measured on a heating season basis. *Id.*

⁵ *Id.*

⁶ Cases 20-E-0380 and 20-G-0381, *Petition of Niagara Mohawk Power Corporation d/b/a National Grid To Establish Calendar Year 2024 Earnings Adjustment Mechanism Targets* (March 26, 2024).

targets for the Transportation Electrification EAM, Electric Peak Reduction EAM, or LSRV Load Factor EAM in CY 2024. The electric EAM outcomes result in a total positive revenue adjustment of \$5.87 million. The Company's ability to recover some or all of this amount from electric customers is subject to Commission approval of the Company's CY2024 EAM Petition.

Section 2 describes the Company's efforts and performance to achieve the goals.

Table 1: NMPC Electric EAM Results				
Metric	Targets		Earnings	Achievement
SYSTEM EFFICIENCY EAMS				
Electric Peak Reduction	Minimum	5956.0	\$1.22	6,023
	Midpoint	5886.6	\$2.45	
	Maximum	5817.3	\$4.89	
LSRV Load Factor	Minimum	4	\$0.49	1
	Midpoint	5	\$0.98	
	Maximum	7	\$2.45	
DER Utilization	Minimum	202,583	\$1.47	626,390
	Midpoint	231,523	\$2.93	
	Maximum	270,111	\$5.87	
BENEFICIAL ELECTRIFICATION EAMS				
Transportation Electrification	Minimum	544,180	\$1.22	509,220
	Midpoint	843,153	\$2.45	
	Maximum	1,124,174	\$4.89	

2. EAM PERFORMANCE SUMMARY

2.1 Electric EAMs

2.1.1 Electric Peak Reduction EAM

The Electric Peak Reduction (“EPR”) EAM incentivizes the Company to deliver New York Control Area (“NYCA”) coincident electric system peak reductions⁷ that provides additional system benefits and lowers supply costs to customers. Section 1 of Appendix 7 of the Joint Proposal provides that to the extent there is a decline in the actual weather normalized NYCA-coincident electric system peak below the rate year minimum level established for the EPR EAM, the Company will receive an incentive under the EPR EAM.

The performance period for the NYCA coincident peak is defined as “non-holiday weekday hour occurring in July or August in which actual load in the NYCA was highest.”⁸ The NYCA peak hour was 7/8/24 from 5-6 pm. The NYISO reported weather-adjusted coincident peak of 6,023MW, which does not meet the minimum target outlined in the CY2024 EAM Petition. Therefore, the Company will not be eligible to receive an incentive under the EPR EAM.

This outcome-based metric is influenced by several programs and initiatives. The Company is implementing a portfolio of demand response offerings, including: Term- and Auto-dynamic load management (“DLM”) programs, Commercial System Relief Program (“CSRP”) for commercial customers, as well as Connected Solutions and Behavioral Demand Response for residential participation. In addition, the Company’s energy efficiency offerings are designed for both peak coincident and overall energy use savings. The electric energy efficiency portfolio’s performance further contributes to overall peak reduction. The Company is also supporting the growth of solar and storage through the implementation of Volt-Var Optimization (“VVO”) initiatives, remote witness testing and Non-Wires Solutions (“NWS”) Request for Proposals.

Table 2. Electric Peak Reduction EAM: Targets and Results				
Level	Target (MW)	Incentive (\$M)	Result	Positive Earnings Adjustment
Minimum	5956.0	\$1.22	6,023	\$0
Midpoint	5886.6	\$2.45		
Maximum	5817.3	\$4.89		

2.1.2 LSRV Load Factor EAM

The LSRV Load Factor (“LLF”) EAM is designed to improve the load factor of constrained portions of the distribution system that are not currently or likely to be Non-wires Alternative

⁷ Demand response curtailments from National Grid customers who are enrolled in the NYISO’s Special Case Resources program will be added back to the Company’s weather-normalized metered load for consistency with the NYISO’s process to determine installed capacity requirements.

⁸ NYISO Market Administration and Control Area Services Tariff – 5.10 NYCA Minimum Installed Capacity Requirement

areas. The LLF EAM will be based on load factor improvements in LSRV substations identified in the Company’s Value of Distributed Energy Resources (“VDER”) Value Stack Credits Statement. For 2024, the Company reports one out of eight LSRV areas experienced a constant or improving load factor from the prior year, achieving performance that does not meet the earnings threshold set in the CY2024 EAM Petition. The load factors of the eight LSRV areas for 2023 and 2024 are reported below.

Reductions in peak energy and overall energy use will lead to improvements in load factor. The Company continues to explore ways to tailor program delivery, marketing, and incentives to better align with the additional system value within the areas that have the greatest impact on load factor improvements.

Table 3. LSRV Load Factor EAM: Substation-Level Results				
Substation	2023 Load Factor	2024 Load Factor	2023 to 2024 Year-to-Year % Change	Eligible for Achievement
74 MILITARY TB1	0.536	0.439	-18.10%	no
74 MILITARY TB2	0.501	0.486	-2.99%	no
SOUTHWOOD TB1	0.544	0.498	-8.46%	no
SALISBURY TB 1	0.773	0.578	-25.23%	no
21 MAIN Total	0.497	0.787	58.35%	yes
PINEBUSH TB 1	0.744	0.579	-22.18%	no
DUGUID TB1	0.606	0.577	-4.79%	no

Table 4. LSRV Load Factor EAM: Targets and Results				
Level	# of sites	Incentive (\$M)	Result	Positive Earnings Adjustment
Minimum	4	\$ 0.49	1	\$0
Midpoint	5	\$ 0.98		
Maximum	7	\$ 2.45		

2.1.3 Distributed Energy Resource Utilization EAM

The DER Utilization EAM incentivizes the Company to increase efficiency during the interconnection process and work with third parties to expand the use of DER in the Company’s service territory. This metric will measure the sum of the annualized megawatt hours (“MWh”) from incremental DER, including solar and energy storage resources.

The Company interconnected 513.6 MW of solar and 16.1 MW of storage in the period January 1 through December 31, 2024. This brings the annualized total to 627,225 MWh of DER utilization which exceeds the maximum target outlined in the CY2024 EAM Petition. The Company exceeded the prior year’s record high of solar interconnections by 57%.

Table 5. DER EAM: Results by Technology		
Eligible DER Technology	Total Installed Capacity (MW)	Annualized Production (MWh)
Solar Photovoltaic	513.6	602,884
Battery Storage	16.1	23,506
Total	529.7	626,390

Table 6. DER EAM: Targets and Results					
Level	MW	MWh	Incentive (\$M)	Result (MWh)	Positive Earnings Adjustment
Minimum	167	202,583	\$ 1.47	626,390	\$5,870,000
Midpoint	191	231,523	\$ 2.93		
Maximum	233	270,111	\$ 5.87		

2.1.4 Transportation Electrification EAM

The Transportation Electrification (“TE”) EAM encourages Company efforts that will result in increased adoption of light-duty electric vehicles which lead to a decrease in lifetime CO₂e (carbon dioxide or carbon dioxide equivalent) emissions on a marginal emissions basis.

These technologies are considered based on their associated annualized lifetime CO₂e emission reductions as further discussed below. If the amount of lifetime CO₂e emissions due to incremental adoption of light-duty electric vehicles are reduced by an amount exceeding the minimum emission target levels for the calendar year, the Company will receive an incentive under the TE EAM.

Approximately 11,181 incremental EVs were registered in the Company’s service territory⁹ in calendar year 2024, resulting in 509,219 lifetime tons of CO₂ avoided. The breakdown by technology type is provided in Table 7, below.

The performance has achieved approximately 94% of the CO₂ avoidance required to meet the full year performance minimum threshold for earnings outlined in the CY2024 EAM Petition.

Table 7. Transportation Electrification EAM: Incremental Vehicles in Operation and Associated CO ₂ Reductions		
Technology	Incremental Vehicles in Operation in 2024	Lifetime CO ₂ e Reductions (tons)
Light-duty Battery Electric Vehicle (“BEV”)	5,933	287,751
Light-duty Plug-in Hybrid Electric Vehicle (“PHEV”)	4,130	109,445
Light-duty Commercial Electric Vehicles (“Fleet”)	1,118	112,024
Total	11,181	509,220

⁹ The Company’s service territory is defined by the Joint Utility zip code criteria completed in 2021 among the Joint Utilities, NYSERDA, and Atlas Public Policy for EV reporting purposes.

Appendix A
2024 Annual EAM Performance

Cases 20-E-0380 and 20-G-0381

Niagara Mohawk Power Corporation d/b/a National Grid

Earnings Adjustment Mechanisms

CY 2024 Annual Report

		Targets	2024 Earnings Adjustment Opportunity (\$M)	Actual Results	Positive Revenue Adjustment (\$M)
SYSTEM EFFICIENCY EAMS					
Electric Peak Reduction	Minimum	5956.0	\$1.22	6,023	\$0
	Midpoint	5886.6	\$2.45		
	Maximum	5817.3	\$4.89		
LSRV Load Factor ¹⁰	Minimum	4	\$0.49	1	\$0
	Midpoint	5	\$0.98		
	Maximum	7	\$2.45		
DER Utilization	Minimum	202,583	\$1.47	626,390	\$5.87
	Midpoint	231,523	\$2.93		
	Maximum	270,111	\$5.87		
BENEFICIAL ELECTRIFICATION EAMS					
Transportation Electrification	Minimum	544,180	\$1.22	509,220	\$0
	Midpoint	843,153	\$2.45		
	Maximum	1,124,174	\$4.89		

¹⁰ Earnings are pro-rated between minimum, midpoint, and maximum target levels.