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ENERGY EFFICIENCY IMPLEMENTATION PROJECT UNDER 16 TAC § 25.181	§ § § §	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

COMMENTS OF THE STEERING
COMMITTEE OF CITIES SERVED BY ONCOR

I. INTRODUCTION

The Steering Committee of Cities Served by Oncor (OCSC) submits these comments (Comments) to the Public Utility Commission of Texas (Commission) regarding the Energy Efficiency Implementation Project (EEIP) under 16 TAC § 25.181 filed in Project No. 38578. Specifically, OCSC has two comments on load management programs which can be included in a utility's energy efficiency program portfolio under the EEIP. First, load management programs should be offered throughout the entire year but in a way that prevents double counting of demand savings. Second, every load management program should be cost-effective. These comments are detailed below along with relevant recommendations.

II. COMMENTS

As a general matter, OCSC supports and encourages energy efficiency as it is beneficial to ratepayers and the environment. OCSC also supports demand reduction programs since they help preserve system reliability and enhance competition. OCSC advocates for the use of both energy efficiency and load management programs. However, although load management programs are valuable, they are not energy efficiency programs. Whereas load management programs are designed to curtail load during peak periods, energy efficiency programs involve the installation of energy efficiency measures, including the removal of an inefficient appliance or installation of thermal energy storage. Accordingly, the two distinctly different types of demand reduction programs should not be conflated. Nevertheless, since the Commission currently allows load management programs to be included within a utility's energy efficiency program portfolio, OCSC offers the following comments specifically on load management programs.

Incentives Year-Round

Given the impacts of Winter Storm Uri and extreme summer temperatures, electric utilities should offer load management incentives throughout the year. Texas is challenged not only during the summer but also during the winter to meet peak demand and support grid emergencies. With respect to this past summer alone, the Electric Reliability Council of Texas (ERCOT) declared 10 all-time peak demand records.[1] These records for demand during the summer can largely be attributed to the state's growing population, booming economy, and an unprecedented heat wave. On the other hand, according to ERCOT's projections which were released in October, 15 generation units are expected to be out of service this winter.[2] This lack of generation units will create a 20 percent chance of a grid emergency in the event of severely cold temperatures.[3] Offering load management incentives throughout the year should help lower risks of grid emergencies and increase reliability.

With regards to the Energy Efficiency Cost Recovery Factor, the Commission should ensure that under 16 TAC § 25.182 an electric utility does not inflate its energy efficiency performance bonus. Under 16 TAC § 25.182(e), a utility that exceeds its demand and energy reduction goals will be awarded a performance bonus.[4] Specifically, a utility that exceeds 100% of its demand and energy reduction goals will be awarded 1% of the net benefits for every 2% that the demand reduction goal has been exceeded, with a maximum of 10% of the utility's total net benefits.[5] Net benefits consist of "the sum of total avoided cost associated with the eligible programs administered by the utility minus the sum of all program costs."[6] A utility could much more easily obtain its performance bonus if it combined demand savings throughout the whole year rather than just the peak summer months. A utility under the current reading of 16 TAC § 25.182 could add the demand reductions, even if such reductions are attributed to the same load, to double the sum of total avoided costs under a load management program which allows a customer to be interrupted during both the summer and winter peaks. The result would be a performance bonus that is larger than reasonable.

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[1] 2023 Peak Demand Records, https://www.ercot.com/static-assets/data/news/Content/a-peak-demand/2023/all-time-records.htm#July2023 (last visited Nov. 10, 2023).

[2] Winter 2023-24 Capacity Scarcity Risk Assessment, https://www.ercot.com/files/docs/2023/10/02/Winter-2023-24-Capacity-Scarcity-Risk-Assessment.pdf (Oct. 2, 2023).

[3] ERCOT Market Notice, Issuance of Request for Proposals for Capacity for Winter 2023-24 under ERCOT Protocols Section 6.5.1.1(4) (Oct. 2, 2023).

[4] 16 Tex. Admin. Code § 25.182(e) (TAC).

[5] 16 TAC § 25.182(e)(3).

[6] 16 TAC § 25.182(e)(2).

Under CenterPoint Energy Houston Electric, LLC's (CenterPoint) Commercial Load Management (CLM) and Residential Load Management (RLM) pilots, CenterPoint has expanded its load curtailment ability to 24 hours a day, 7 days per week through November 2023. In return, CenterPoint will pay a bonus incentive to project sponsors for demand reduction at sites where curtailment hours and availability period have been extended. CenterPoint believes that this will provide support for potential grid emergencies that occur outside of the defined summer peak period. Previously, the CLM and RLM programs were designed to operate from 1:00 P.M. to 7:00 P.M. during the months of June, July, August, and September, excluding weekends and holidays. Although electric utilities should offer load management incentives throughout the entire year, CenterPoint should not be able to use the demand reduction from November to inflate its energy efficiency performance bonus. Moreover, it is concerning that CenterPoint can deploy its load management programs 24 hours a day and only must notify ERCOT of any deployment by 10:30 A.M. the day following the deployment. Under the original program design, CenterPoint had to notify project sponsors 30 minutes before the project start time. Under the pilot programs, it is not clear whether CenterPoint still intends to notify project sponsors 30 minutes before the start time. If there is no requirement to notify project sponsors before each deployment, CenterPoint can strategically plan its curtailments, no matter the time of day. Consequently, CenterPoint can further inflate its energy efficiency performance bonus.

OCSC recommends that the utility set separate demand reduction goals for the winter and summer. This separation of winter and summer demand reduction goals should lead to greater reliability since utilities will be more incentivized to meet demand reduction in both the summer and winter. In addition, both the winter and summer demand reduction goals should include only certain months. A utility will not be able to over-recover its performance bonus if it cannot combine demand reductions from the summer and winter months.

Cost-Effectiveness

Any load management program that offers incentives to reduce demand must be cost-effective. 16 TAC § 25.18(1)(d) defines cost-effectiveness as when "the cost of the program to the utility is less than or equal to the benefits of the program."[7] A utility may only recover the

[7] 16 TAC § 25.181(d).

reasonable costs of a portfolio of cost-effective energy efficiency programs.[8] Thus, this cost-effectiveness standard must apply to any new energy efficiency program, including load management programs, and utilities cannot recover costs for load management programs that are not cost-effective. A load management program that does not reduce demand or save energy with incentives that do not meet the cost-effectiveness standard is not eligible for recovery. Ultimately, utilities that deploy load management programs should be required to prove that each program is cost-effective.

III. CONCLUSION

OCSC, as both electric consumers and advocates of retail customers who reside or do business within the corporate limits of cities across the state, supports energy efficiency through the EEIP. OCSC appreciates the opportunity to submit these Comments on load management programs to the Commission.

Respectfully submitted,

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[8] *See* 16 TAC § 25.182.