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# SIERRA CLUB

## LONE STAR CHAPTER

PROJECT NO. 38578

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

**COMMENTS OF THE LONE STAR CHAPTER OF THE SIERRA CLUB ON ALLIANCE FOR RETAIL MARKETS' AND TEXAS ENERGY ASSOCIATION FOR MARKETERS' PROPOSAL ON A SMART THERMOSTAT PILOT MARKET TRANSFORMATION PROGRAM**

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The Lone Star Chapter of the Sierra Club is the state chapter of the Sierra Club, a member of ERCOT, and a frequent participant in ERCOT, PUCT and legislative discussion around the electric grid and energy policy in the Lone Star State. During the recent regular session of the Legislative Session in 2023, we were strong supporters of both SB 1699 by Senator Nathan Johnson (sponsored in the House by Chairman Todd Hunter) and SB 114 by Senator Menendez (sponsored in the House by Rep Rafael Anchia), which dealt with rules and programs related to distributed energy resources and residential demand response program respectively. A modified version of some aspects of SB 114 were ultimately included in the final version of SB 1699 which encourages the Commission and stakeholders to expand efforts for residential demand response in the ERCOT market as an important way to keep prices lower and help make our grid more reliable. As a reminder, peak winter and summer records of the last few years have largely been driven by spikes in residential and small consumer demand responding to weather extremes (and inefficient housing stock).

While a first step, the Sierra Club is very supportive and appreciative of the Alliance of Retail Markets and Texas Energy Association for Marketers' Proposal on a Smart Thermostat Pilot Market Transformation Program. Under the proposal, the PUCT could authorize a new pilot program that would encourage utilities that are required to meet certain demand reduction and energy savings goals under PUCT rules related to Utility Code Chapter 39.905 to work more directly with Retail Electric Providers to enable more Texas residential consumers to lower their

energy use during peak demand periods, and receive potential compensation in the process. As stated in the pilot, “the Program addresses certain goals expressed in Senate Bill 1699 and is designed to comply with 16 Tex. Admin. Code § 25.181 (TAC) relating to the Energy Efficiency Goal implementing § 39.905 of the Public Utility Regulatory Act (PURA).” We believe this pilot, if approved, could lead to many more Texas families having access to smart thermostats with demand response capabilities, and ultimately helping them to save money and make our grid reliable through market-based demand response programs. We view this proposed pilot as directly responsive to the legislative direction provided in SB 1699 (and SB 114), and specifically the section of the bill allowing TDUs to directly fund retail electric providers to enable demand response capabilities.

We do want to make clear in supporting this pilot proposal we as an organization are not offering an opinion on other worthy efforts or future proposals that might have a different structure, including those that would utilize third-party demand response providers (as opposed to retail electric providers) but we understand that the ARM and TEAM proposal is specifically meant to overcome some of the relatively slow incorporation of demand response programs into the competitive market. We are also hopeful that the pilot - if approved and implemented - will provide the Commission, its third-party evaluator and other stakeholders with real world experience and data that can help shape future TDU and non-TDU market-based programs. SB 1699 in addition to encouraging utilities to more directly work with REPs on demand response programs, also requires the Commission to set overall demand reduction goals for residential customers that have certain devices in their premises that allow for demand response capability, and any data that is derived from the pilot program can help inform that process.

In terms of improvements or modifications to the proposal submitted by ARM and TEAM, we would suggest that there might be three issue areas to clarify. First, we believe it is important that it is clear that the pilot program could be used in multiple seasons and time periods, and is not limited to the traditional “Summer” peak period. ERCOT is changing rapidly as solar, wind and storage resources are built out, and the peak periods that have traditionally been the most challenging are changing as well. The pilot program should be nimble to address multiple peak periods and even potentially local distribution and transmission issues that can occur. In fact, winter months now seem to be more challenging for the market than summer months.

Second, it is not clear from the proposal whether the anticipated savings would be measured using a “deemed saving” approach or through actual meter (and smart thermostat) data, but we would encourage the use of actual measured data, rather than assumed savings. We think this would ultimately prove useful to future programs and potential rulemaking to fully implement SB 1699.

Finally, existing TDU demand response programs have been subject to an MOU with ERCOT on their use during EAA events, but we would hope these programs can be run more flexibly to meet the needs of consumers, and the REPs that help manage their electricity service. In other words, we hope that ERCOT or the Commission will not limit the use of these resources. Of

course, to the extent such programs are available for EEA events, we would welcome their use, but we would not want them to be limited to only those periods.

The Sierra Club looks forward to working with stakeholders and the Commission on the successful implementation of the proposed pilot program. As we have often stated, we also believe the Commission should begin a rulemaking sooner rather than later to fully implement SB 1699, and address other aspects of demand response and energy efficiency that are part of the TDUs. The Commission led a successful series of workshops on certain changes needed in rules surrounding the utility program, and should begin a rulemaking and or project to implement changes in keeping with the Blueprint approved in December of 2022, and legislative and stakeholder interest.