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**ENERGY EFFICIENCY
IMPLEMENTATION PROJECT
UNDER 16 TAC § 25.181**

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**PUBLIC UTILITY COMMISSION

OF TEXAS**

**COMMENTS OF OCTOPUS ENERGY
ON THE REP COALITION'S PROPOSED SMART THERMOSTAT PROGRAM**

Octopus Energy, REP License #10262, files these Comments regarding the proposal for a smart thermostat market transformation program as filed on April 1, 2024, by the Alliance for Retail Markets and the Texas Energy Association for Marketers (collectively, the "REP Coalition"). Octopus Energy is generally supportive of REP Coalition's proposed smart thermostat program as an important step toward expanding opportunities for demand response for residential customers. However, Octopus Energy disagrees with some of the Joint Utilities' suggested implementation details filed on April 8, 2024. Octopus Energy urges the Commission to direct Utilities to distribute smart thermostats as soon as possible, so that customers can be brought into demand response programs during the 2024 summer peak season. Octopus Energy also recommends moving forward with a rulemaking pursuant to SB1699 to explore more expansive options for deepening residential demand response participation.

COMMENTS

Thermostats Should be Deployed for Summer 2024

Octopus Energy supports the proposed pilot as a fast and simple way to accelerate deployment of smart thermostats to residential customers and facilitate participation of those customers in REP demand response programs. Octopus Energy has serious concerns with the implementation timelines proposed by the Joint Utilities, however. According to the Joint Utilities, only Oncor would consider deployment of thermostats in 2024, with CenterPoint potentially

deploying in 2025; the other two utilities, AEP and TNMP, are unwilling to do more than consider a potential deployment by 2026. These timelines are far too slow to meet the current needs of the Texas electricity system, which is undergoing unprecedented demand growth, and we strongly recommend that the Commission direct the utilities to get thermostats deployed in time for Summer 2024 demand response participation. The utilities showed their ability to rapidly increase demand response opportunities for large customers prior to the winter of 2022, and there is no reason such rapid response should not be available for residential customers leading into the summer of 2024.

Thermostat Deployments Should Not Be Limited to Only 3-5 REPs

Octopus Energy is also concerned with the Joint Utilities' suggestion that they will limit the pilot to only three to five REPs. Joint Utilities do not state what criteria they will use to determine which REPs are allowed to participate, but by limiting the pilot to a chosen few, that necessarily means some REPs and their customers would be excluded from the opportunity. Those REPs who are excluded would be at a competitive disadvantage in a highly competitive retail electricity market. Octopus Energy supports all REPs having nondiscriminatory access to utility energy efficiency and demand response programs, including this smart thermostat deployment program. However, to the extent that the Commission agrees with the Joint Utilities' proposal to limit program access to only a handful of REPs, Octopus Energy recommends that the Commission conduct a lottery whereby interested REPs would be selected randomly to have access to the program in its initial phases before it is opened to all REPs. Additionally, as Octopus Energy has commented previously in other proceedings, some major "gentailers" in the state are in fact multiple REPs that are under a single corporate umbrella (e.g., Gentailer Corporation d/b/a REP 1, REP 2, REP 3, REP 4 and REP 5); therefore, such a lottery would need to be designed so that a

single corporate entity with multiple REPs would be limited to one entry into the lottery rather than being able to take all of the three to five slots available in a utility program, which would confer an inappropriate competitive advantage to that corporate entity.

The Commission is Still Obligated to do a Rulemaking Under SB1699 That Goes Further than What is Proposed by the REP Coalition

Although Octopus Energy supports moving forward with a smart thermostat pilot expeditiously, with thermostats deployed to residential customers in time for Summer 2024 demand response participation, we do not agree that this pilot would satisfy the requirements of SB1699, as the REP Coalition asserts in their filing. Section 5 of SB1699 added PURA § 39.919, which, among other provisions, explicitly requires the Commission to conduct a rulemaking to establish goals to reduce average total residential load. The statute also contains several other elements that must be taken into consideration in the development of a rule promoting residential demand response. While the REP Coalition's proposed pilot is a good way to accelerate smart thermostat deployment quickly, Octopus Energy recommends that concurrently with ordering the utilities to move forward with the program, the Commission should open a rulemaking to explore more expansive options for deepening demand response participation for the residential customer class. Given that SB1699 requires promotion of smart meter technology as well as expanding opportunities for adoption of home technologies that go beyond smart thermostats, Octopus Energy recommends that a rulemaking should transition toward competitive delivery of market-based, actual measured savings (rather than deemed savings estimates), where REPs are compensated on a pay-for-performance basis for the demand response they actually deliver. Working out the details will take time and should not stand in the way of an initial thermostat deployment for Summer 2024; therefore, Octopus Energy recommends that the Commission move forward in parallel paths toward these complementary objectives.

CONCLUSION

Octopus Energy appreciates the opportunity to provide these Comments and looks forward to working with the Commission and other interested parties on these issues.

Respectfully submitted,



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