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

COMMENTS OF OHMCONNECT TEXAS ON THE SMART THERMOSTAT PILOT PROPOSAL

OhmConnect Texas is a small Retail Electric Provider (REP) serving Texas residential customers inside ERCOT competitive areas with a special focus on creatively engaging customers through participation in demand response. This allows the REP to reduce its exposure to higher demand periods and associated prices, and to allow the benefits to be shared with customers, reducing their costs of power.

We had intended to request a public hearing to address the Joint Utilities adoption on April 8, of the REP Coalition proposal for a demand response “pilot,” because we believe that it is an important area of potential savings that has historically been overlooked and under valued. But other parties have chosen to submit written comments. And staff have set out a number of important questions on the larger issues which should be addressed with respect to the underlying PUC efficiency rules (Section 25.181 in their entirety). And, finally, on April 26, three work-days ago, a Staff memo stated that comments “should” be submitted by a time certain today, May 1. So, we have determined to submit brief comments for the record, and pray the staff accept these for consideration by the commission.

First, like other commenters before us, we note that there is nothing fundamentally wrong with the proposal submitted by the REP Coalition, or the Joint Utilities support. Incenting the distribution of additional smart thermostats is laudable. We would also join the commission staff and others in expressing support for the utilities finding ways to work with REPs to implement customer programs. We aren’t clear that it requires a pilot program, although it can perhaps help establish alternative pathways to remote certification of device installation. The law has promoted such collaboration since the passage of the Goal for Energy Efficiency in 1999, and is further encouraged by the language of SB1699, although REP participation in utility programs remains very low.

REPs are the only entities able to monetize the accessible market benefits of demand response and are a natural partner for scaling up small customer demand response capacity in the market. It is time to discover how this element of the market can work. For that reason, our primary comment on the proposal itself, is that, at the minimum, a second-tier incentive be established in the pilot for REPs that participate and actually enroll customers installing a smart thermostat, and provide measurable demand response according to some metric, such as that in SB1699.

That is, the program proposed simply provides a monetary incentive to REPs that document a customer successfully installed a discounted smart thermostat, period. There are deemed energy savings for the average benefit that such action alone delivers historically. As the REP coalition proposal notes, that would increase the customers “capabilities” to participate in demand response, but actually participating in demand response at times critical to the ERCOT grid, is “outside the scope of this program.”

It is regrettable the pilot would be offered to only a few REPs, but that is the nature of a pilot and, limits of existing utility budgets. Comments the pilot gives significant competitive advantage to a few is undermined by the modest scale of the proposal, although a budget is not proposed in the Joint Utility comments. The benefit may be that a few REPs get a jump-start on participation, and for that reason, we agree that a fair mechanism be used to manage REP participation.

But, several parties, including the REP Coalition and Joint Utilities indicate or imply that the proposed pilot may serve as a response to SB1699 (88th Regular Session), but as noted, the proposal to incentivize the distribution of smart thermostats, allowable today under PUC rules and the utility's program manual, expands current practice minimally. It may help systematize a simple installation verification process, but Texans have already funded a multi-billion-dollar smart meter deployment that allows REPs and/or the utilities to validate any actual savings associated with households receiving the subsidized smart thermostats, or other smart appliances. ERCOT's 'weather-sensitive loads' component of the Emergency Response Services is effectively a demand response program, validated using meter data with a market-leading set of baseline methodologies. Weather-sensitive loads are those such as smaller customer air conditioning and heating, which represent over 70 percent of the ERCOT peak load.

We look forward to a more robust process for stakeholders in the commission's reconsideration of the Goal for Energy Efficiency in Section 25.181, particularly in light of the need to implement SB 1699. That law not only encourages deployment of smart appliances generally, and participation of REPs specifically, but among other things, also requires the PUC adopt a statewide performance goal for demand response.

Importantly, a statewide demand response goal is not limited to implementation of utility incentive programs, although SB1699 allows for their contribution if appropriate. We suggest that the utility incentive programs were created to address market failures. For example, individual customers may not make optimum investment for themselves for a variety of reasons, such as access to cash or credit, or split incentives between landlords and tenants, and simple lack of timely and relevant information in a form that customers can put to use. More importantly from a public policy point of view, consumers making more optimum investments in efficiency and demand response generate public benefits, some of which the Goal for Energy Efficiency (PURA 39.905, codified in 25.181) recognize for the funding of utility incentives.

The highest value benefit to be sought by the subsidy of advanced communicating appliances is their potential for enabling customer participation in the ERCOT market. Customers love shiny new appliances but are reluctant to have them controlled by someone else. So, utility demand response programs should be used to help educate consumers about the benefits of participating in demand response, for individuals and society. They should help overcome consumer reluctance to enroll in demand response offerings of their retail supplier, which can then directly impact the market. For example, the commission could specify that to receive pilot incentives customers must install a smart device, and by enrolling in an aggregation of their retail supplier, participate in ERCOT's ERS, as weather sensitive loads. ERCOT's RFP for demand response to address the south Texas transmission constraints could be as simple as expanding the existing weather sensitive loads program, to purchase what is required.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert King". The signature is fluid and cursive, with the first name "Robert" and last name "King" clearly distinguishable.

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