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**PROPOSED SCOPE FOR PUCT 2022
ENERGY EFFICIENCY RULEMAKING**

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PROPOSED SCOPE FOR PUCT 2022 ENERGY EFFICIENCY RULEMAKING

This lists topics that should be included in the scope of a rulemaking reopening and reforming Texas energy efficiency policy and rules in 2022, modifying the provisions of 16 TC §25.181 and 16 TAC §25.182. (See the PUCT's last energy efficiency order at <https://www.puc.texas.gov/industry/projects/electric/48692/48692adt.pdf>). It is important to begin a rulemaking as soon as possible to create a clear path forward and enable rapid energy efficiency program implementation for 2023 and beyond. This rulemaking could be informed by the utilities' 2022 annual EE program plan and Energy Efficiency Cost Recovery Filings (EECRFs) submissions.

Parallel action – the Commission should order at least two additional actions as you open up the EE rulemaking, to avoid having these fact-finding efforts delayed until the end of the rulemaking process.

- 1) Order a new EE-DR-LM potential study that targets technical and economic feasibility for winter and summer peak reduction and bulk energy savings
- 2) Order ERCOT to conduct a load research study using sophisticated data mining analytical techniques on the entire store of smart meter data, to develop new customer load profiles and updated behind-the-meter resources and load use patterns. These data and profiles should be used to inform and improve ERCOT's load forecasting and supply analytics.

SPEER staff have prepared a crosswalk between Texas statutory provisions pertaining to energy efficiency and how the statutory provisions have been enacted in rules. That crosswalk is a companion document. An over-arching question for stakeholders is whether any policy matters that are not explicitly specified in statute are open to Commission reinterpretation and revision at this time.

Specific topics that should be addressed in a new energy efficiency rulemaking that may address energy efficiency (EE), load management (LM), demand response (DR), and have implications for other distributed, behind-the-meter energy resources including distributed generation (DG) and storage:

- Program goals
 - Magnitude of energy efficiency portfolio goals, including both peak demand reduction and energy savings goals/targets – to what degree should peak reduction and reliability-improving measures be prioritized over traditional energy-saving measures?
 - Expansion of the program goal and applicability beyond summer peak relief to include winter peak and non-peak times and needs
 - Consideration of how best to serve Hard-to-Reach and Low-Income customers through program budgets and goal requirements
 - Expansion of EE budgets and totals – given the magnitude and urgency of grid reliability relief, how should EE program cost caps be modified?

- Cost effectiveness
 - Remove the requirement that individual EE and LM programs be cost-effective; allow portfolio cost-effectiveness.
 - Expand cost-effectiveness and benefits criteria to recognize reliability, health and equity benefits, carbon reduction, community economic benefits, transmission and distribution savings, grid risk reduction, and time-specific grid impacts, not just energy and peak capacity savings
 - Recognize EE, LM and DR time-varying T&D losses and capital deferrals in benefits and cost savings
 - How relevant are Texas' adopted avoided cost of energy and capacity estimates as markers for energy efficiency program cost-effectiveness assessment given current needs and potential EE benefits? Do those avoided cost estimates and methodologies need to be changed substantially given the urgency and magnitude of Texas and ERCOT resource adequacy and ramping needs?
 - What is the appropriate cost-effectiveness test to use for reliability-driven EE, LM and DR in a time when reliability-driven supply side and market changes appear to be unconstrained by either cost or cost-effectiveness considerations?
 - Many energy efficiency programs for low-income and multi-family housing are marginally cost-effective (using current C-E criteria) on a stand-alone basis, but can be cost-effective when delivered at scale in combination with multiple EE and DR measures per household. Yet much of ERCOT's weather-sensitive demand is driven by residential customers and most of the economic and public health harm from extreme weather events falls upon low-income and disadvantaged communities. Is it therefore appropriate to remove Texas' program-specific cost-effectiveness requirements and significantly increase the levels of EE and LM that should be delivered to low-income and multi-family Texans?
- Program elements – efficiency, load management, demand response and other distributed technologies
 - Texas has an urgent need to lower and moderate electric demand growth to improve resource adequacy and system resilience in the face of extreme demand growth, climate change-induced extreme grid challenges, and market uncertainties that are making new supply-side resource investment more challenging. How quickly can Texas deploy and use new EE, LM, DR and DG measures to alleviate these challenges?
 - What are the best EE, LM, DR and DG measures to use to moderate summer and winter peak demands and add grid operational flexibility (or reduce the need for grid operational flexibility)? Can we use the ACEEE October 2021 Texas study measures as a starting point? What other measures would be useful?
 - If EE measures do not immediately contribute to peak demand reduction, energy savings and grid flexibility, how should they be included in the new TX EE programs? (for instance, behavioral programs to teach energy efficiency, or market transformation and building code training and deployment efforts that will deliver longer-term benefits)
 - How should distributed generation and storage measures be incorporated in a reliability-oriented energy efficiency program?

- Reexamine how energy efficiency, LM, DR and DG measures should be allocated among customer classes; in particular, how much should EE and LM efforts be targeted to serve residential, small commercial and low-income customers and communities rather than industrial and commercial customers?
- Since there are high obstacles that prevent low-income and multi-family residents and renters from co-paying or fully funding most EE measures, yet there is a huge savings opportunity from using EE and DR to reduce their loads, what co-payment or investment matching should these citizens be required to fund to receive TX EECRF services?
- The Commissioners have talked about moving demand response measures and usage out of the energy efficiency rule and out of the TDU's management, to have these funded and driven by market demand. Is it reasonable to expect that market forces will deliver high levels of demand response or load management at this time (or ever) for any customers other than large industrial and commercial customers? If demand response and load management can be used constructively to address reliability-specific challenges (such as voltage management, transmission congestion relief), should we maintain a capability for TDUs to use DR and LM to for local grid management needs as well as to respond to ERCOT emergency calls and market signals?
- When should these DR and LM services be utilized in the market, and when should they be "reserved" for emergency alerts?
- Distributed generation is included as a qualified technology under the current EE rule. Are there reasons to reevaluate the types and scale of DG and qualifications or compensation for its use at this time? If so, why should this change and what changes are needed?
- What should be the role of retail electric providers and competitive service providers in delivering EE, DR, LM and DG services to Texans? Under what circumstances should REPs and CSPs be allowed to collect and use EECRF funds? When and how could REP and CSP efforts complement or compete with TDU EE programs and measures?
- If it's appropriate as a policy matter to change REP or TDU roles in EE delivery and DR and LM execution, should those changes be implemented immediately, or be delayed to reduce execution complications until Texas has implemented enough EE, LM and DR to meet grid reliability challenges in a meaningful way?
- Program procurement and management
 - Will Texas' current approach to EE procurement (TDU procurement, third party measure delivery, deemed savings, audit-based measurement and verification) still work if EE program goals and measures are changed and greatly increased?
 - Do any elements of current EE procurement and management need to be changed? Which and how?
 - Should there be state-wide energy efficiency marketing and education programs to complement local and TDU efforts?
- Cost recovery
 - Who should pay for the increased costs of expanded EE programs?

- If grid reliability is a public good and higher EE and DR substantially enhance grid reliability, is it appropriate to allow industrial or other customers to be exempted from funding EE and DR programs?
- TDU compensation and performance bonuses
 - Should TDU performance bonuses be based on meeting both peak demand and energy savings goals? How should TDU EE performance payments be revised and calculated?
 - Rather than a broad goal at this time, given the importance of Texas' grid reliability challenge and the human consequences of grid failures, would it be appropriate to reshape utility EE compensation to a pay for performance model targeted to peak reduction and social equity results? Should the Commission look at other mechanisms for TDU compensation, such as lost sales revenue in lieu of a performance bonus?
 - How much compensation and performance bonus is appropriate? Would a TDU compensation cap be appropriate?