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ENERGY EFFICIENCY	§	PUBLIC UTILITY COMMISSION
IMPLEMENTATION PLANS	§	OF TEXAS

COMMENTS OF RECURVE ANALYTICS, INC. ON ENERGY EFFICIENCY WORKING GROUP SUMMARIES

Recurve Analytics, Inc. (Recurve) is an industry leader in meter-based demand flexibility. Recurve provides transparent, accessible analytics to track changes in consumption and demand due to program interventions for individual buildings and in the aggregate, to support resource planning and facilitate performance-based transactions. We have consistently encouraged and supported market-based solutions that can scale and ensure demand-side resources can make a meaningful contribution to the grid. The Recurve Platform provides leading utilities, regulators, and aggregators with a secure, scalable solution to deploy demand flexibility as a resource.

Carmen Best of Recurve participated in the Goals Working Group and reviewed the summaries from the other working groups to prepare this response. Our comments are momentarily suspending the realities of regulatory or legislative changes that may be required to operationalize our recommendations. To summarize our comments on each working group discussion, we propose a vision for how energy efficiency and demand response can be more fully recognized as a reliable grid-supportive resource that delivers tremendous value to participants and general ratepayers alike.

Comments on the Goals Working Group Outcomes

Vision: *Goals for demand-side investments are aligned with the value they bring to grid reliability for any hour of the year and long-term customer resilience and verified based on actual changes in consumption at the meter.*

- Recurve **supports higher energy efficiency and demand response goals** and recommends that the PUCT (or the utilities) quantify the actual changes in consumption delivered to assess performance against the goals. Texas is well-positioned to quantify the impacts of the portfolio using hourly energy consumption data, given the historic

investments in smart meter infrastructure. Savings attributable to the new goals should reflect the actual changes in energy consumption relative to current energy usage (i.e., existing conditions baseline). By using actual changes in energy consumption, savings will represent the actual value delivered to the system and bill savings to customers rather than a theoretical code baseline.

- Instead of setting Texas EE program goals based on peak MW reductions, Recurve **recommends adopting goals based on the monetary value of kW peak and KWh reductions**, calculated using updated avoided costs.[1] A monetized goal aligned with the system benefit would synchronize the combined value of kW peak and kWh reductions with the realistic avoided cost value delivered. It would allow the seamless inclusion of other values the Commission may recognize (i.e., resiliency, reliability, air quality, etc.).
    - The Commission could define and approve the value of reducing or shifting energy consumption for discrete times of the year, such as peak, net peak, or other time-bound conditions that align with supply-side reliability issues.[2] Sources for defining the value could include prior year Operating Reserve Demand Curve (ORDC) averages or other relevant system information. The time-variable value stream can be visible to all stakeholders in the planning process and market actors optimizing pathways to meet the goals.
    - We support the continued focus on achieving peak kW impacts to ensure investments are aligned with the greatest system value. We recommend putting a high monetary (system benefit) value on the peak kW hours already defined in legislation (or a new set of peak kW hours) that reflect current grid constraints.
    - Energy savings (kWh) impacts for non-peak hours also have significant value in addressing seasonal reliability needs (i.e., higher summer energy savings value to help avert system-wide emergencies) and customer resilience (i.e., efficiency measures like insulation) and should be appropriately reflected in the goal.

[1] A system benefit goal would reflect the monetary value of net beneficial changes in energy use in the long term to support the grid. It would align with the utility cost test framework which summarizes the benefits derived to the utility system above the costs born by ratepayers to deliver the services.

[2] If energy savings impacts are calculated on an houry basis, having a monetized value for each hour simplifies the converstion of the savings to a dollar value. The monetary value provides a price signal to market actors to encourage interventions that optimize value to the grid on a daily and seasonal basis, not just at pre-defined peak with a flat average avoided cost.

- Delivering peak kW or kWh to constrained parts of the grid could earn an even higher value with a geographically based premium.

- Recurve **supports revising cost caps** to allow demand-side investments to track value rather than be hindered by an arbitrary cap. The funding cap, for example, could be used as a budget floor, and the PUCT could adopt an alternative mechanism for utilities to recover investments that exceed the cap.

- Recurve **supports the continued use of the Utility Cost Test (UCT)** as the most representative cost test for comparing demand-side investments with other system resources.

    - The most important update for cost-effectiveness in Texas is ensuring the avoided costs are a realistic reflection of the value of load management in the state rather than a national average published by the Federal Energy Information Agency.

    - The local value of the avoided cost, including the time value of load management, would mirror the system benefits delivered from each unit of energy saved or peak load reduced. The system benefits in the UCT are compared to the costs to deliver that value.

    - Ultimately, if EEIP goals were anchored on system benefits delivered rather than a kW or kWh goal, the recognized **value** of changes in energy consumption would **be** the goal.

- Recurve **supports portfolio optimization with goals and cost tests applied to the full portfolio** rather than individual programs or projects.

    - This provides program administrators greater flexibility in achieving the goals and optimizing system benefits.

    - Exceptions may be necessary for certain social objectives within the portfolio, like disadvantaged community outreach, workforce training investments, or market transformation initiatives.

- Recurve **supports performance bonuses** for the utilities and recommends that they are:

- Anchored in a recognized and agreed-upon **value** of delivered peak and energy impacts quantified at the meter.
- Allow for the added incentives to achieve discrete social/public objectives above and beyond legislative mandate (i.e., reaching underserved communities, reducing energy burden, etc.)

Comments on the Low-Income and Underserved Segments Working Group Outcomes

Vision: *Investment in low-income and underserved segments is streamlined as part of program delivery, providing equal access to energy-saving technologies and value for contributing to system benefits.*

- Recurve **supports using energy consumption analytics to identify customers** in historically underserved segments that will benefit from reducing their energy burden.
- Recurve **supports using simplified incentive multipliers** on "market rate" programs to encourage greater outreach and engagement in underserved communities.
- Recurve **supports tracking and monitoring metrics on program reach** to maintain accountability for low-income and underserved segment engagement. It may be appropriate to consider improvements on the metric in the performance bonus calculation as an adder.

Comments on the Program Planning Working Group Outcomes

Vision: *Program planning parameters reflect current grid needs to encourage streamlined, efficient programs that deliver system benefits and customer value.*

- Recurve supports **updating the avoided cost values to align more closely with current and future grid needs**. The avoided cost value delivered should be recognizably similar to system costs experienced and known to TDUs, REPs, ERCOT, and the PUCT.
- Recurve **supports performance bonuses that motivate investment in demand-side resources** that bring demonstrated value to the grid and ratepayers in general.

- We **support performance bonuses based on delivered net system benefits**, using realistic avoided cost values and quantified at the meter rather than based on deemed estimates.

- We **encourage the Commission to consider how a lost revenue adjustment mechanism could work.** Allowing utilities to utilize the demand-side investments to manage system costs as part of their rate case would further align this investment with delivering grid value.[3]

- We **support removing cost caps** (or keeping them as a floor), allowing utilities to optimize budgets based on delivered value to the grid.

- We **support keeping the performance incentive calculation related to net system benefits** delivered (rather than a percentage of spend) to keep the bonus based on performance.

Comments on the Demand Response Working Group Outcomes

Vision: *Demand response activities are not separate and apart from energy efficiency, but the combined benefits are reflected in the hourly value of delivered system benefits.*

- We recommend the PUCT consider **adopting a common meter-based quantification approach for energy efficiency and demand response** to reliably quantify the impacts and value delivered at any given time of day or day of the year where smart meter infrastructure is deployed.[4]

- We **support an update to the definition of peak** to improve alignment with current system needs, and recommend a regulatory mechanism to keep it up to date, rather than being confined to a legislative definition.

- We support **revisiting avoided costs to better value the benefits of demand response and energy efficiency**. We recommend the PUCT establish a time-variable value stream that is realistically aligned with avoided costs to the ERCOT system so every efficiency and DR program is grid supportive.

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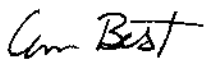
[3] We understand that at the moment, the EECRF seems to be kept separate from base rates. In many jurisdictions utilities are allowed to actively use energy efficiency and demand response to reduce the cost or avoid T&D investments. In those cases it makes sense to consider these costs in the rate case.

[4] For more information: *Expanding Energy Efficiency Open Source Measurement Methods to Incorporate Demand Response for Grid Stability*. Joe Glass, Steve Suffian, et al. ACEEE Summer Study 2022 Proceeding paper.

- We support **revising the cost cap to align investments with the actual system value** delivered to ratepayers.

Texas has a long history of market-based solutions to optimize energy investments. EEIP has a unique opportunity to realign its value and implementation focus. With outcomes tightly aligned with grid needs and performance accountability EEIP can reflect the Texas principles of open markets, competition, and customer choice. Data-driven decision-making and shifting to a meter-based approach for deploying energy efficiency (instead of deemed fixed incentives) will enhance portfolio competition and accountability. Higher goals with value aligned with Texas' reliability needs will animate more investment and engagement in the state. Customers will have more options for driving toward energy independence and improved resiliency, and the state will benefit from greater grid reliability at a lower cost than alternatives.

Respectfully submitted,



Carmen Best
Chief Policy Officer
Recurve Analytics, Inc.
340 S Lemon Ave. #8958
Walnut, CA 91789
carmen@recurve.com
608.332.7992