



## **Filing Receipt**

**Filing Date - 2023-04-20 06:28:34 PM**

**Control Number - 38578**

**Item Number - 96**

**PROJECT NO. 38578**

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

**§  
§  
§**

**PUBLIC UTILITY COMMISSION  
OF  
TEXAS**

**COMMENTS OF  
ADVANCED ENERGY MANAGEMENT ALLIANCE**

COMES NOW the Advanced Energy Management Alliance (AEMA) and files these Comments in response to the Commission Staff's April 4, 2023 memo in the above-captioned proceeding. AEMA is a trade association under Section 501(c)(6) of the Federal tax code whose members include national distributed energy resource companies and advanced energy management service and technology providers, including demand response (DR) providers, as well as some of the nation's largest demand response and distributed energy resources (DERs) and consumers. The comments herein represent the views of the organization as a whole rather than those of any individual member.

**Introduction**

AEMA appreciates the opportunity to provide the Commission with feedback on the Energy Efficiency Stakeholder Working Groups. Many of AEMA's members participated in the working groups and are optimistic that the conversation started in those working groups will lead to meaningful improvements to energy efficiency and demand response in Texas. We believe this must be an ongoing effort until the potential for energy efficiency and demand response is met. To that end, we urge the Commission to address, at a minimum, the following critical topics in an Energy Efficiency and Cost Recovery Factor (EECRF) Rulemaking:

- 1. Appropriate goals for energy efficiency and demand response.** Energy efficiency and demand response can provide cost-effective reliability to the grid. AEMA believes

that Texans will be best served by demand savings goals that are commensurate with rapidly changing grid conditions and immediately achievable EE and DR potential.

- 2. Incentives for demand response and energy efficiency that accurately reflect the value of the grid benefits that customers are equipped to provide.** The EECRF programs should incorporate the value of avoided energy and T&D costs in development of customer incentives for the load management programs, in addition to the cost of avoided generation capacity. Moreover, program incentives should incorporate the value that demand-side resources provide in the winter to compel new and continued customer participation.
- 3. Best practices for integrating energy efficiency and demand response programs.** Energy efficiency serves as the gateway to demand response as many EE technologies (e.g., appliances, thermostats) are able to enroll in load management programs, and the purchase or installation is the ideal stage at which to incentivize DR participation. Combining EE and DR measures, as some non-ERCOT utilities have done through their appliance marketplaces (i.e., DR pre-enrollment or “DRPE”), has tremendous potential and cost-effectiveness benefits relative to separate EE and DR measures.
- 4. The use of portfolio level cost-effectiveness versus program level cost-effectiveness.** Calculating cost-effectiveness at the portfolio level enables innovation and flexibility in the development of Market Transformation Programs (MTP), Standard Offer Programs (SOP) and Load Management (LM) programs, and supports higher incentives for Hard-to-Reach (HTR), Underserved, and Low- and Moderate-Income (LMI) customers in programs typically constrained by cost-effectiveness.

We address each of these recommendations in turn, below.

## Comments

### **1. AEMA recommends that the Commission address appropriate goals for energy efficiency and demand response.**

Energy efficiency and demand response are proven ways to support grid reliability by incentivizing reduced energy usage and serving as a resource that can mitigate peak demand. Despite the consistent achievement of EECRF demand savings goals, the deployment of EE measures and DR participation still both lag the overall potential of these resources. Stakeholders pointed out in the first Program Goals Working Group meeting on January 23, 2023, that “the goals are outdated and too low as all utilities are meeting, even exceeding, the set goals.”<sup>1</sup> Based on this stakeholder input, we urge the Commission to re-visit the proposal by Sierra Club to modify energy saving targets to 0.25 percent by 2023, 0.50 percent by 2024, and 1 percent by 2025.<sup>2</sup>

Especially in light of the ongoing reliability concerns in Texas, there is also a critical need to examine how the Commission can likewise set goals around peak demand. This is an especially important topic as the Commission considers how to bridge to the intended rollout of the Performance Credit Mechanism (PCM). Furthermore, there is stakeholder agreement that a “kW Peak Demand Goal is the priority of Texas and makes sense for the Texas grid.”<sup>3</sup> AEMA has previously suggested that the Commission should set reliability-related DR goals, such as a goal of acquiring emergency reliability-responsive DR programs of at least 10% of system peak load.<sup>4</sup> We offer this proposal again as a starting point for developing goals for demand response and peak demand, and are eager to work with stakeholders to develop a concrete goal for peak demand.

---

<sup>1</sup> Stakeholder Working Group Progress Update, at p. 6.

<sup>2</sup> Sierra Club Petition, at p. 17.

<sup>3</sup> Stakeholder Working Group Progress Update, at p. 10.

<sup>4</sup> See September 9, 2021 Project 52373

**2. AEMA recommends that the Commission collaboratively develop incentives for demand response and energy efficiency that accurately reflect the value of the benefits that customers are providing to the grid.**

AEMA has observed that the value of winter peak capacity and avoided T&D costs are not adequately reflected in the avoided cost inputs that ultimately inform the incentives utilities are able to offer customers and aggregators for load management. As Sierra Club articulated in its petition for rulemaking, the benefits of avoided T&D costs are not included in cost-effectiveness calculations.<sup>5</sup> This leads to perpetual undercounting of the benefits of energy efficiency and demand response, which in turn prevents customers from realizing the full benefits through participation incentives.

As an example, the CenterPoint and Oncor Residential Load Management (RLM) programs offer aggregators of weather-sensitive load between \$30-40/kW for average demand reduction provided by a given DR aggregation during the June-September capability period (the TDUs offer different incentive levels). Given that the typical household reduces metered load 1-1.5 kW on average across all events throughout the DR season, aggregators earn roughly \$30-60 per participant per year. As this value must be shared among aggregators, customers, and device manufacturers, the economics are unable to provide meaningful compensation for any of the parties involved. Recognizing the value of T&D and other non-energy benefits, as is standard practice in many other states, would allow utilities to increase their incentives and in turn drive increased participation across all customer segments.

AEMA also agrees with stakeholders that geotargeting can be used to more accurately understand the localized value of demand response. This, in turn, should improve the

---

<sup>5</sup> Sierra Club Petition, p. 16

understanding of how a given customer can support summer and winter peaks, and create a path for them to be compensated appropriately and fully.

**3. AEMA recommends that the Commission adopt best practices to integrate energy efficiency and demand response programs.**

Many technologies, such as smart thermostats, have both energy efficiency and demand response benefits. The installation of this dual-benefit technology immediately provides energy efficiency benefits, but also enables the customer to participate in load management or other grid service programs. However, AEMA observes that in Texas there is a sizable gap between the number of customers that have technologies that increase energy efficiency compared to the number of customers actually enrolled in a load management program. To bridge this gap, the Commission should adopt best practices that will integrate energy efficiency and demand response programs. This should include discussion on the merit of the following principles, adopted from the February 8th, 2023 Best Practices Discussion:

1. The participation pathway should be simplified for customers, including utilizing pre-enrollment in programs upon purchase of an eligible technology.
2. REPs and other third-party demand response aggregators should be able to access energy efficiency incentives for customers at the time of customer enrollment.
3. The income validation process should be streamlined to ensure that low-income customers can access future Inflation Reduction Act incentives.
- 4. AEMA recommends that the Commission make a determination on the use of portfolio level cost-effectiveness versus program level cost-effectiveness.**

AEMA believes that the Commission must address the proper use of cost-effectiveness for two reasons. First, the use of portfolio level cost-effectiveness will help achieve broader

participation by LMI and HTR customers in energy efficiency programs. It also should create greater flexibility for utilities to shift unused funds in one program to other successful programs. Second, addressing cost-effectiveness will allow the Commission to revisit the use of the Utility Cost Test to ensure that all achievable benefits are being incorporated into the EECRF portfolio evaluation. We are concerned that programs are currently undervalued (for example, T&D costs are not incorporated) and support a holistic re-examination of the Utility Cost Test to craft a more Texas-centric model.

### **Conclusion**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Katherine Hamilton", written in a cursive style.

Katherine Hamilton  
Executive Director  
Advanced Energy Management Alliance  
katherine@aem-alliance.org  
Office: 202-524-8832  
Cell: 703-517-9410

**PROJECT NO. 38578**

**REVIEW OF MARKET REFORM  
ASSESSMENT PRODUCED BY ENERGY  
AND ENVIRONMENTAL ECONOMICS,  
INC. (E3)**

§  
§  
§

**PUBLIC UTILITY COMMISSION  
OF  
TEXAS**

**COMMENTS OF  
ADVANCED ENERGY MANAGEMENT ALLIANCE**

**Executive Summary**

AEMA urges the Commission to address, at a minimum, the following critical topics in an Energy Efficiency and Cost Recovery Factor (EECRF) Rulemaking:

1. **Appropriate goals for energy efficiency and demand response.** Energy efficiency and demand response can provide cost-effective reliability to the grid. AEMA believes that Texans will be best served by demand savings goals that are commensurate with rapidly changing grid conditions and immediately achievable EE and DR potential.
2. **Incentives for demand response and energy efficiency that accurately reflect the value of the grid benefits that customers are equipped to provide.** The EECRF programs should incorporate the value of avoided energy and T&D costs in development of customer incentives for the load management programs, in addition to the cost of avoided generation capacity.
3. **Best practices for integrating energy efficiency and demand response programs.** Combining EE and DR measures, as some non-ERCOT utilities have done through their appliance marketplaces (DR pre-enrollment or “DRPE”), has tremendous potential and cost-effectiveness benefits relative to separate measures for EE and DR participation.
4. **The use of portfolio level cost-effectiveness versus program level cost-effectiveness.** Calculating cost-effectiveness at the portfolio level enables innovation and flexibility in the development of EECRF programs, and supports higher incentives for Hard-to-Reach (HTR), Underserved, and Low- and Moderate-Income (LMI) customers in programs typically constrained by cost-effectiveness.