



## **Filing Receipt**

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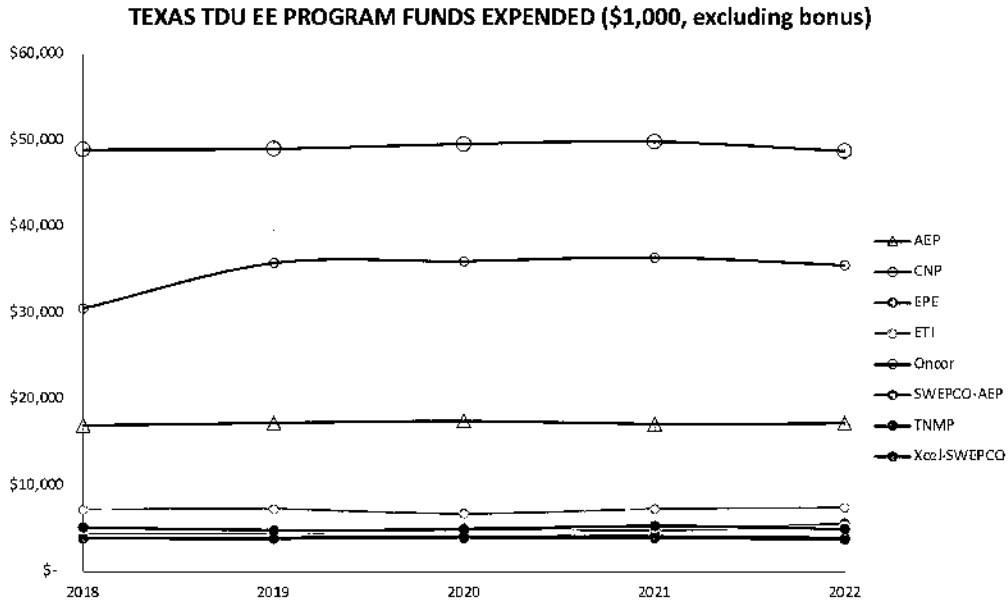


Having reviewed the EEIP WG summary and stakeholder comments filed in Project 38578, we wish to respond to Commissioner Jackson’s question, “What should energy efficiency look like for modern day Texas?”

**Reframing the cost cap** – The Committee of Cities Served by Oncor (“Cities”) argues caution over raising the ERS spending limits and revising energy efficiency cost-benefit test from program-based to portfolio-based cost-effectiveness evaluation. The Cities warn that higher energy efficiency program costs could raise customer bills and keep “ineffective” efficiency programs in the utilities’ suite of offerings.

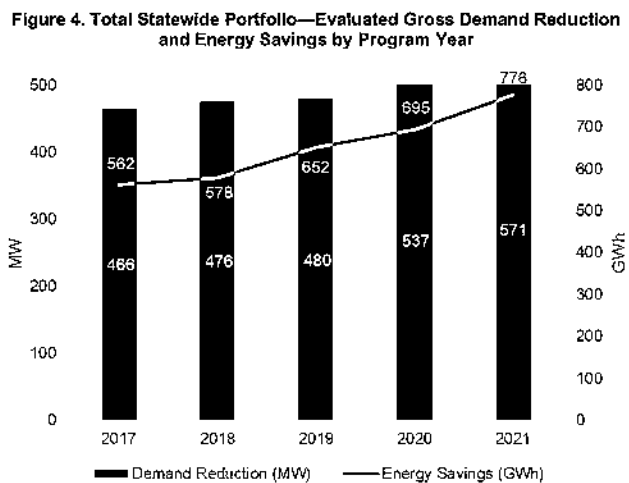
We appreciate the Cities’ concern for retail customers’ electricity cost burden, but recommend that the Commission and stakeholders reframe how we think about energy efficiency costs. This reframing should consider both what has been driving electric bill increases and how energy efficiency lowers rather than increases customers’ electric bills.

First, Texans have seen substantial growth in retail electricity costs – Energy Information Administration data indicates that average Texas retail electric costs for all customers have risen from 8.24 cents/kWh in December 2018 to 10.59 cents/kWh in December 2022, **a 28.5% rise over only 4 years**. Over the same period, Texas investor-owned utilities’ expenditures on required energy efficiency programs have remained almost flat, with statewide energy efficiency program expenditures rising only 5.2% on average from 2018 through 2022 (per data submitted to the PUCT in EEIP annual reports, per utility program cost graph below). Higher fuel costs and ERCOT-specific market and Uri cost recovery measures have driven electric costs higher while energy efficiency program costs have fallen on inflation-adjusted terms.











Energy efficiency program expenditures and cost caps have not kept pace with other Texas drivers. Between 2018 and 2022, Texas population grew by 5% to exceed 30 million citizens, statewide electricity use grew by 11%, and ERCOT peak load grew by 8.9% to exceed 80 GW of coincident demand. Since Texas spent less than \$130 million on energy efficiency program costs in 2021, while total state retail electricity revenues reached \$39.797 billion that year, we could triple our efficiency program expenditures tomorrow without causing a noticeable increase in customers' total electric bills.

Even with flat electric efficiency program budgets, the Texas utility efficiency programs managed to increase energy and demand reduction savings every year, as reported by Tetra Tech, at lifetime savings costs of \$12.66/kW and \$0.016/kWh.



Tetra Tech’s Statewide Energy Efficiency Portfolio Report for Program Year 2021 also found that the utilities’ energy efficiency programs have demonstrated rising cost-effectiveness as electricity prices have increased, reaching 3.8 (benefits divided by costs) for the 2021 programs. In other words, every dollar that the utilities spent on energy efficiency and demand response yielded about \$3.80 in savings, as shown below. Although 2022 results are not yet in, the value of energy and capacity savings avoided by energy efficiency investments likely increased as energy fuels and electricity costs rose last year. Thus, Texas should be spending even more on these energy efficiency programs to further reduce the burden of electricity costs on customers in the Oncor Cities and elsewhere. Because efficiency investments lower grid costs overall, higher efficiency program investments should deliver net reductions to the energy cost component of customer bills even as it increases the energy efficiency line item elsewhere on the retail electric bill – and we should explain and highlight that savings.

**Figure 10. PY2021 Evaluated Savings Cost-Benefit Ratio and Cost of Lifetime Savings**

|                  | Evaluated Cost-Benefit Ratio  | Cost of Lifetime Savings (KW) | Cost of Lifetime Savings (kWh) |
|------------------|---|-------------------------------|--------------------------------|
| AEP Texas        |  3.5 | \$14.49                       | \$0.018                        |
| CenterPoint      |  4.2 | \$12.48                       | \$0.015                        |
| El Paso Electric |  3.8 | \$13.97                       | \$0.017                        |
| Entergy          |  4.4 | \$10.01                       | \$0.013                        |
| Oncor            |  3.9 | \$12.98                       | \$0.016                        |
| SWEPCO           |  3.5 | \$12.80                       | \$0.017                        |
| TNMP             |  3.0 | \$13.59                       | \$0.018                        |
| Xcel             |  4.4 | \$10.97                       | \$0.014                        |

**Separate energy efficiency and demand response programs and goals** – Although there is agreement that EE and DR programs should be integrated, that is not happening at present, and the EEIP WG summaries are not entirely clear about whether and how efficiency and demand response programs and goals should be fully separated or remain joined. We fear

that as long as the utilities can reach their bonus goals using low-cost, on-going demand response programs, they will continue to under-deliver more costly energy efficiency measures. Therefore we advocate separating energy efficiency goals and programs from demand response programs and goals, but coordinating them particularly to link residential demand response with home insulation improvements.

Because demand response programs cost so little, and low-cost lighting measures will be less available, energy efficiency-only program costs will certainly rise. But good energy efficiency programs offer great benefits including long-lasting kW and kWh savings, reduced grid reliability risk, avoided transmission, distribution and congestion costs, and occupant health, safety and bill savings – even as these measures remain cost-effective in comparison to new generation. We believe that greater attention to and investment in energy efficiency, separated from but coordinated with demand response, will yield lasting rewards for all Texas energy consumers.

**Retail Electric Provider participation** – We concur with the REP Coalition that there is a valuable and necessary role for REPs in delivering energy efficiency and demand response measures in Texas. We recognize that collaboration and coordination of customer targets and program delivery methods will not be easy, but it is worth doing in order to expand overall customers reached and kW and kWh savings that benefit all Texans.

REPs appear to have better alignment with customers' interests, better marketing and communications capabilities, and different business models that motivate them to seek different energy impact targets than the TDU efficiency programs. In particular, the TDUs only operate their demand response programs when ERCOT reaches Emergency Alert 2 levels – this infrequent usage wastes opportunities to use DR to manage the grid better in real time, compromises customers' understanding and training about whether and why they are in a DR

program, and gives customers little compensation for their participation. Form EIA-861 data show that in 2021 there were only 700,955 residential and 13,037 commercial customers enrolled in demand response programs statewide. Since 82% of those DR customers are in San Antonio and Austin, we must conclude that the TDUs have little interest or capability in providing meaningful DR offerings to the weather-sensitive customers who drive 50% of ERCOT's summer and winter peak loads. It is time to give REPs the opportunity to access some portion of energy efficiency program funds to offer residential and commercial DR programs with better customer enablement approaches and modern automation tools that can be used regularly for customer bill control, routine grid management, portfolio cost control, and year-round grid reliability and resilience. This will be the only way to attain greater flexibility and dispatchability of customer loads.

However, we would also require that REPs receiving efficiency program funds must give customers some basic energy efficiency education and program measures – including smart thermostats, LED bulbs, water-saver faucet inserts, door insulators, and leads to the TDU efficiency program and its suppliers – along with their DR offerings.

**Utility bonuses** – There is broad agreement that the utilities' bonus system should be revised to better link their efficiency program rewards with the state's desired policy goals. We support this concept and recommend that future bonus elements should include these goals:

- Number of low income and hard to reach customers served and MW and MWh savings realized from those programs;
- Better program management efficiency for low income and hard to reach customers using measures such as income proxies (e.g., qualification through SNAP participation, Section 8 housing or census tract location, or low rural population density) and locational targeting;
- For TDUs in ERCOT, effectively enabling REPs to access customers and deliver DR and EE savings (as measured by increases in the number of customers signed up by REPs and EE and DR delivered); and,
- Effectively accessing and using available federal and state grant and loan program funds to expand the amount and reach of Texas energy efficiency programs.

**Measure actual savings using meter data** – One under-discussed topic during the EEIP Working Groups was how to determine savings realized from the utilities’ energy efficiency programs. We support Recurve’s recommendation that the Commission study how to use advanced meters and data on customers’ actual energy usage to determine actual savings from energy efficiency and demand response interventions.

Texas adopted the deemed savings and audit approach at the start of Energy Efficiency Resource Standard implementation because there were no easy, cost-effective ways to measure actual customer usage and program savings at that time. Since then, the availability of advanced meters, extensive data records storage and sophisticated computational methods has transformed utilities’ and retail electric providers’ ability to calculate actual energy savings from energy efficiency program measures and demand response events.

According to Form EIA-861, in 2020 the Texas investor-owned electric utilities had 6,290,671 electric meters of which 5,730,881 were advanced meters; SWEPCO and El Paso Electric have since announced plans to install smart meters. We encourage the Commission to study how other states and entities are using advanced meter data for more effective and cost-effective energy efficiency and demand response program targeting, measurement and validation and implement Texas-appropriate data-based measurement and verification methods.

**“Me Too!”** – We concur with other parties and the EEIP summary on several additional points that merit mention without length:

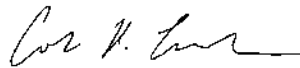
- **Cost-effectiveness** – We concur that changes to the efficiency program cost-effectiveness measures and benefits are needed to better reflect the extensive, multi-dimensional values delivered by energy efficiency and demand response programs.
- **Education and marketing** – Texas has done a poor job at explaining all of the reasons why energy efficiency is valuable and marketing efficiency and demand response to customers and community leaders. Because energy efficiency and demand response offer such extraordinary reliability and economic benefit to all Texans, we should invest in ways to expand program awareness and adoption.
- **Higher efficiency and demand response program goals** – yes please.



- **Lost Revenue Adjustment Mechanism** -- It worth asking whether Texas should adopt an LRAM mechanism to make utilities whole for the revenues they lose due to the impacts of energy efficiency and demand response programs. However, we concur with Oncor Cities that the Commission`s past decisions to reject an LRAM should stand, particularly since Texas electricity demand and costs are rising so quickly and our energy efficiency achievements are so small that EE and DR will not compromise TDUs` revenues any time soon.

We thank the Commission, staff and parties for your collective efforts in the EEIP Work Group and for your consideration of these late-filed comments.

Respectfully submitted,



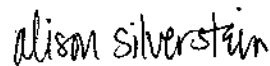
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