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**PUC PROJECT NO. 52373**

**REVIEW OF WHOLESALE ELECTRIC  
MARKET DESIGN**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**TEXAS-NEW MEXICO POWER COMPANY’S RESPONSE TO STAFF’S REQUEST  
FOR COMMENT ON WHOLESALE ELECTRIC MARKET DESIGN**

TEXAS-NEW MEXICO POWER COMPANY (“TNMP”) submits the following response to the request for comments on questions issued by the Staff of the Public Utility Commission of Texas for review of the electric wholesale market design. As instructed, a separate Executive Summary is attached as Exhibit “A”. These responses are timely filed on September 9, 2021.

**Response to Staff’s Questions**

- 1. Describe existing and potential mechanisms for residential demand response in the ERCOT market.**
  - a. Are consumers being compensated (in cash, credit, rebates, etc.) for their demand response efforts in any existing programs today, and if not, what kind of program would establish the most reliable and responsive residential demand response?**
  - b. Do existing market mechanisms (e.g., financial cost of procuring real time energy in periods of scarcity) provide adequate incentives for residential load serving entities to establish demand response programs? If not, what changes should the Commission consider?**

**Response:** TNMP does not operate a residential demand response program. However, according to the 2021 Jun-Sep ERS Obligation Report related to TNMP ESI IDs, there are over 2000 residential ESIDs in TNMP’s service territory participating in ERCOT’s Emergency Response Service. Under 16 TAC §25.181(g)(5), TNMP historically has set aside amounts to fund programs

and will continue to encourage and facilitate REP participation permitting REPs the opportunity to offer residential load management or demand response programs.

**2. What market design elements are required to ensure reliability of residential demand response programs?**

- a. What command/control and reporting mechanisms need to be in place to ensure residential demand response is committed for the purpose of a current operating plan (COP)?**
- b. Typically, how many days in advance can residential demand response commit to being available?**

**Response:** TNMP does not operate a residential demand response program.

**3. How should utilities' existing programs, such as those designed pursuant to 16 TAC §25.181, be modified to provide additional reliability benefits?**

- a. What current impediments or obstacles prevent these programs from reaching their full potential?**

**Response:** TNMP interprets "provide additional reliability benefits" as a tool that could be deployed or implemented within 30 minutes. Additionally, TNMP notes that the majority of energy efficiency programs are designed to reduce consumption and reduce future demand peaks, such as implementing more efficient weatherization or replacing less-efficient lighting and equipment with more efficient options. Consequently, outside of load management, these programs are not focused on proactively delivering real-time reliability. TNMP's previous investigation of potential residential demand response programs raised concerns about cost-effectiveness. Yet, if a program is implemented for reliability, then it ought to be judged, for both effectiveness and cost-recovery, on the whether it achieves that goal. The cost-effectiveness

standard currently applied to energy efficiency programs evaluates programs based on their efficiency benefits, not reliability. Additionally, existing cost caps impose a restriction in that a utility has to balance its entire energy efficiency portfolio within those caps instead of prioritizing a reliability program due to its potential for improving reliability. Thus, TNMP believes reliability programs would be better operated separately from existing energy efficiency programs or excluded from the cost-effectiveness and cost-caps currently required.

Lastly, another characteristic affecting non-residential load management, is that industrial customers have exercised their prerogative to opt-out of participation in energy efficiency thereby removing material loads from the reach of TNMP's load management. These industrial loads are at both distribution and transmission voltage.

**4. Outside of the programs contemplated in Question 3, what business models currently exist that provide residential demand response?**

**a. What impediments or obstacles in the current market design or rules prevent these types of business models from increasing demand response and reliability?**

**Response:** TNMP does not have any experience with other models. However, implementing a new program within existing energy efficiency programs will cannibalize the dollars apportioned to existing programs unless cost caps in the existing rule are adjusted or new program(s) is excluded from those caps.

**5. What changes should be made to non-residential load-side products, programs, or what programs should be developed to support reliability in the future?**

**Response:** TNMP is exploring potential solutions responsive to this question such as year-round demand response. However, as mentioned above, those industrial loads that have chosen to opt-out of energy efficiency, are not included in existing energy efficiency programs. Finally, based on the cost-effectiveness test currently measuring energy efficiency programs, TNMP believes that proactive, reliability focused programs should be operated and managed separately from the standard energy efficiency programs.

### CONCLUSION

TNMP appreciates the opportunity to respond to Commission Staff's Questions for comment in this project. A short summary is attached as Exhibit "A".

Respectfully submitted,

*/s/ Scott Seamster*

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## Executive Summary

TNMP appreciates the opportunity to respond to the questions and inquires in this Project No. 52373. Per Staff's instructions, TNMP provides the following summary of its responses:

### TNMP Summary Responses

- TNMP does not operate a residential demand response program.
- Most energy efficiency programs seek to reduce consumption and not proactively address reliability.
- For cost-effectiveness, energy efficiency programs evaluated on their efficiency benefits; not on reliability.
- Energy efficiency cost caps do not prioritize reliability goals.
- New reliability programs added to existing energy efficiency programs will take dollars from energy efficiency.
- Reliability-focused programs should be maintained and operated separately from energy efficiency programs.