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**PROJECT NO. 52373**

**REVIEW OF WHOLESALE ELECTRIC  
MARKET DESIGN**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**COMMENTS OF TEXAS CONSUMER ASSOCIATION**

Texas Consumer Association (TCA), a 501c(4) organization incorporated in the state of Texas, submits these comments for PUC Project No. 52373 - Review of Wholesale Electric Market Design. TCA is a non-profit, non-partisan, organization that has represented small business and individual Texas consumers on pocketbook issues for over 50 years.

The Commission asked a set of questions on September 2, 2021, about how to increase demand response from residential customers to advance power system reliability. TCA supports the goal of enabling more demand-side resources – demand response, energy efficiency, and behind-the-meter generation and storage -- to participate in the ERCOT power market and to provide grid reliability services. To this end, the Commission should explicitly recognize that demand-side resources are provided by individual households and businesses that may need more support than large industrial and commercial customers – but collectively, these customers offer significant, cost-competitive contributions to improve grid reliability.

These comments address three issues: the complementary roles of demand response, energy efficiency and other behind-the-meter distributed energy resources to support grid reliability, how to facilitate and strengthen residential and small commercial customer provision of demand response and demand flexibility services, and why market forces alone will not produce sufficient demand response and energy efficiency to improve reliability and counterbalance generation within ERCOT.

### Demand-side contributions to grid reliability

Demand response and demand flexibility (DR/DF) measures such as direct load curtailment, Emergency Responsive Load and aggregated, dispatchable behind-the-meter energy storage, generation and demand response can be used to provide fast-response ancillary services, capacity relief during peak use hours, and enhance customer and community energy resilience. But the magnitude, controllability and predictability of demand response and demand flexibility from residential and small commercial customers can be increased and better managed by investing in energy efficient buildings and devices.

Energy-efficient and weatherized buildings waste less energy, particularly during extremely hot or cold weather conditions. Since ERCOT's summer and winter peak loads are highly weather-driven, making homes and businesses more energy-efficient will lower those peak loads in measurable and predictable ways. Many modern energy-efficient devices are addressable (can be reached by an external controller or dispatcher) and could be aggregated into a DR/DF program as part of an energy efficiency upgrade. And when energy efficiency and DR/DF measures are deployed at scale, they can provide substantial peak reductions at lower cost than a new gas plant.

### How to facilitate small customer DR/DF provision

Few small customers will have sufficient information, funds and capability to seek out and invest in the capabilities that enable DR/DF activity. But given both information and enabling technology such as smart thermostats, residential and small commercial customers have the capability to reduce or shift their electricity use by 10 to 40%. Such load reductions are best facilitated by several measures:

- Giving customers enabling technologies such as smart thermostats, easy-to-use controls for energy using devices, and direct load curtailment control equipment for devices such as water heaters and pool pumps.
- Giving customers clear information about the types of events and conditions when they will be asked to contribute their responsive demand, and providing lead time if possible before specific events.
- Setting clear limits on device setbacks (e.g., maximum high summer air conditioner thermostat settings) and the capability to opt out of participating in particular DR/DF events.
- Giving customers clear information about how their participation in DR/DF will save them money and providing meaningful compensation for that participation since reliability services and peak capacity have significant market value.
- Giving customers access to their energy usage information.
- Assuring some level of provider accountability and customer protection, including customer data privacy. The IREC “Clean Energy Consumer Bill of Rights” is a good list of such provisions.

Not all DR/DF programs or models should be expected to participate directly in the ERCOT electric market, so we do not expect every transmission & distribution utility or retail electric provider to offer identical DR/DF offerings to their residential and small commercial customers. But the Commission should assume that many customers are willing to participate in DR/DF if it helps to save them money and advance grid reliability and should modify the TDU energy efficiency programs and REP rules to encourage and facilitate small customer DR/DF participation.

#### Out-of-market actions needed to grow DR/DF and energy efficiency

Several commenters and policymakers have suggested that rather than use designated energy efficiency funding from electricity consumers to grow Texas’ DR, DF and energy efficiency options and capabilities, these reliability-enhancing, customer bill-saving options should be funded by the market just like supply-side resources. Such assertions ignore several key realities:

- The same ERCOT market that funded 20 years of fossil and renewable generation growth has not yet produced equivalent growth of demand-side resources, because the dynamics

of financing, recruiting, and organizing demand-side resources from small consumers is so much more complex than building a large power plant.

- DR/DF and energy efficiency have only thrived in wholesale markets with both capacity and energy markets (so the same capacity revenues that support fossil generators provide additional funding for DR/DF and efficiency) and state policies designed to support clean energy by funding and expanding demand-side improvements.
- The benefits of aggregated demand-side resources do not accrue solely to the owners of the input assets. DR/DF and energy efficiency deliver public reliability benefits to everyone in ERCOT by reducing peak and ramping demands and fast ancillary services as well as jobs, customer bill reductions that grow the economy, customer and community resilience, and pollution reduction. These are the types of benefits that other states and communities are willing to fund with taxpayer resources and subsidies.
- Unlike most generation resources, EE is a baseload resource with little or no risk of non-performance — building insulation, caulking, and energy-efficient water heaters and heaters, deployed across millions of homes, always work and are never compromised by fuel delivery failures or broken equipment. Similarly, demand response deployed across millions of homes and businesses can be both dispatchable and predictable, operating to support grid reliability despite high gas prices or storms that freeze coal piles, shut nuclear plants and break transmission lines.
- Texas has already committed billions of electric ratepayer dollars to subsidize gas-fired generation in the name of reliability by paying for on-going out-of-market commitments (RUCs) and ancillary service costs by allocating those to all ERCOT ratepayers. We are also charging all ratepayers today in the name of reliability by forcing them to absorb the exorbitant costs of natural gas and ancillary services billed during Winter Storm Uri, even though those charges will raise customer bills without improving future grid reliability. We can achieve much more reliability at notably lower costs by funding more DR/DF and EE through expanded energy efficiency funding and more favorable PUCT rules and ERCOT protocols.

### **Conclusion**

TCA appreciates the opportunity to provide these comments and we look forward to engaging in this process with the Commission and other interested parties.

Respectfully submitted,



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