



## Filing Receipt

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**PROJECT NO. 52373**

**REVIEW OF WHOLESALE  
ELECTRIC MARKET DESIGN**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**COMMENTS OF  
CONSERVATIVE TEXANS FOR ENERGY INNOVATION**

COMES NOW Conservative Texans for Energy Innovation (CTEI) and files these Comments in response to the Commission's Questions for Comment filed in this proceeding on September 2, 2021. CTEI is a non-profit clean energy education and advocacy organization comprised of thousands of Texans seeking to promote energy innovation and clean energy policies grounded in the conservative principle of common sense, market-based solutions that allow fair competition and provide greater access to clean, affordable, and reliable energy.

**Executive Summary**

Robust consumer response to high price signals is a sign of a healthy competitive electricity market. While one expects electric generators to compete against each other to provide energy to the market, once consumers become engaged and exercise their ability to reject high prices by strategically reducing their consumption, a truly competitive market results, with the added bonus that the electric grid becomes more reliable.

CTEI commends the Commission for taking steps to better understand what promotes healthy participation by consumers in the electricity market. Customer engagement should be fostered rather than suppressed, and new technologies are increasing the opportunities for customers to become more active participants in the energy market.

**Comments**

The Texas competitive electricity market is one of the most robust competitive markets in the United States, if not the world. According to ERCOT, we have more than 1,800 active market

participants that generate, move, buy, sell, or use wholesale electricity.<sup>1</sup> Many of these participants are engaged in fierce competition amongst themselves to serve more than 26 million customers in the region. Customers in the majority of the ERCOT region that is open to retail competition have the option to choose who to purchase their retail electricity from and even the nature of generation resource to which they allocate the production of the electricity they consume. But all customers in the ERCOT region regardless of their retail supplier also have the ability to exert additional competitive pressure on the market by exercising their ability to determine, at least to some extent, how much electricity they want to consume at any time. This ability to control consumption in response to high retail prices, calls for conservation, or any other signal is known as demand response, and it has the potential to dramatically improve the competitive landscape the more robust it becomes.

Through demand response, customers can signal the larger market when prices have become too high. This response can be made individually as a reaction to retail costs, which large industrial customers frequently do, but also through aggregations of customers working together with their retail electric provider or other third party. Demand response is a key tool to provide additional pressure to ensure that the wholesale market is efficient, and, at the same time, reduce stress on the electric grid when overall demand is high.

To date, large industrial and commercial customers appear to be the primary participants in economic demand response. Even though economic demand response by definition is a reaction to economic signals rather than the command and control of the grid operator, the reduction of demand at times of stress on the grid directly supports reliability. As the Commission evaluates

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<sup>1</sup> ERCOT Fact Sheet, July 2021 (available at [http://www.ercot.com/content/wcm/lists/219736/ERCOT\\_Fact\\_Sheet\\_7.13.21.pdf](http://www.ercot.com/content/wcm/lists/219736/ERCOT_Fact_Sheet_7.13.21.pdf)).

how to improve the reliability of the ERCOT grid, the Commission is wise to investigate how it can ensure that demand response by residential customers becomes more robust.

By participating in demand response, residential customers have an additional (and remarkably inexpensive) strategy to be “energy entrepreneurs.” For example, during hot summer days, a person’s decision to raise the temperature of their thermostat just a little or close blinds or shades for windows on which the sun is shining can, in aggregate, significantly reduce stress on the grid. These steps can reduce that person’s electric bill, but when coordinated with others, and especially when they are paid to take these actions, the participants can earn money (or bill credits) at the same time. In addition to the advanced metering infrastructure that already has been deployed, new technologies including next generation sensors, smart home and appliance devices, consumer software programs, electric vehicles, and even emerging blockchain-based peer to peer trading programs will drive additional demand response options in the future. Retail electric providers and other entities that help customers harness the value of these technologies also will be able to aggregate customers to coordinate more sophisticated consumption management actions that support reliable grid operations.

When ERCOT issues calls for conservation, the current process leans on customers’ good will to help their fellow Texans to ensure reliable grid operations. No doubt, this is an admirable quality in the state. But given that these Texans are taking actions that benefit all of us, it would probably encourage even greater participation if customers were compensated for their efforts that, in effect, save money for everyone on the grid.

For years, the Commission has considered issues related to demand response and how to improve customer participation in the competitive market.<sup>2</sup> While there may have been some

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<sup>2</sup> See, for example, Project No. 41061, Rulemaking Regarding Demand Response in the Electric Reliability Council of Texas (project opened in Dec. 18, 2012).

progress made as result of those prior proceedings, CTEI strongly supports the Commission taking concrete steps and making measurable progress to enabling greater customer participation in the ERCOT competitive market.

### **Conclusion**

CTEI 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 that reads "Matt Welch". The signature is written in a cursive, flowing style.

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