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PROJECT NO. 52373

REVIEW OF WHOLESALE § PUBLIC UTILITY COMMISSION
ELECTRIC MARKET DESIGN § OF TEXAS

EXECUTIVE SUMMARY

As large municipal energy consumers and representative of a diverse array of energy customers in the state, Dallas, El Paso, Houston, Lewisville, Plano and Travis County, represent key Texans impacted by energy market decisions. Our collective vision – of a safe, reliable, and resilient energy system, that is affordable, clean, and equitable – is therefore essential to the Commission’s market design considerations, including Phase I and Phase II elements, and the final development of the ERCOT market redesign plan. In our comments, we recommend that the commission:

1. Increase the use of energy efficiency and demand response programs to equitably manage electricity and improve grid reliability;
2. Value and encourage a diversified resource base to provide a variety of grid benefits and services, and further strengthen grid reliability and resilience;
3. Minimize the severity and disproportionate impacts of power outages on different customer types;
4. Consider expanding Texans’ access to reliable electricity by connecting with adjacent grids; and
5. Ensure that there is a robust and inclusive market redesign stakeholder engagement process.

COMMENTS OF DALLAS, EL PASO, HOUSTON, LEWISVILLE, PLANO AND TRAVIS COUNTY

Dallas, El Paso¹, Houston, Lewisville, Plano, and Travis County (subsequently referred to as “the undersigned” or “we”), respectfully offer these joint-filed comments for consideration in Project No. 52373, the Review of Wholesale Electric Market Design.

Introduction

The undersigned are large municipal energy consumers and represent a diverse array of energy customers in the state. As local governments, the undersigned are also frontline responders and critical actors in crisis prevention and management. During Winter Storm Uri, we experienced firsthand the far-reaching impacts of energy loss. These went beyond enormous customer bills; the untenable living situations caused our communities great physical suffering and emotional harm. Further, as political subdivisions of the state of Texas, we also have a legislatively mandated goal per SB 241 to reduce municipal electric consumption by at least five percent each state fiscal year for seven years, beginning September 1, 2019.² Together, we share a vision of a safe, reliable, and resilient energy system, that is affordable, clean, and equitable.

The undersigned, and the constituents we represent, are greatly impacted by energy market decisions—including those being considered in Project No. 52373—and how those decisions are implemented.

We recognize the immense effort the Commission and other stakeholders have taken to comprehensively review wholesale market design to date, and the continued considerations and work ahead. Related, we recognize the Commission is now seeking technical comments to Phase II, however due to the quick, ongoing wholesale market review and the timing of local government processes to engage in regulatory processes, the undersigned submit these comments as overall holistic considerations relevant to Phase I and Phase II market elements and the final development of the ERCOT market redesign plan.

In that regard, we encourage the Commission to elevate the following local government priorities in wholesale market design:

1. Increase the use of energy efficiency and demand response programs to equitably manage electricity and improve grid reliability;
2. Value and encourage a diversified resource base to provide a variety of grid benefits and services, and further strengthen grid reliability and resilience;
3. Minimize the severity and disproportionate impacts of power outages on different customer types;
4. Consider expanding Texans’ access to reliable electricity by connecting with adjacent grids; and
5. Ensure that there is a robust and inclusive market redesign stakeholder engagement process.

Across our recommendations and throughout the entire market redesign effort, the Commission should prioritize equity as an integral component of any market reform and all associated policy and rule changes.³ This is in alignment with the Commission’s public-interest mandate to ensure that rates, operations, and services are just and reasonable to all Texans.⁴ In application, this may include more diverse stakeholder engagement across all phases of a reform effort. The Commission could explicitly include traditionally underrepresented communities, mandate program or rate directives that both ensure equal access to affordable and reliable energy services and reduce the disparity of energy burden across all residents and communities, ensure equitable economic and environmental impacts of any market changes, and more.

Discussion

¹ The review of Texas' wholesale market design, the Electric Reliability Council of Texas (ERCOT), will impact all Texans. While El Paso is not part of ERCOT, El Paso has joined this comment alongside other Texas local governments to help contribute to a beneficial outcome for all.

² S.B. 241, 85th Tex. Leg., §1.29.c (2017)

³ “Social equity is the active commitment to fairness, justice, and equality in the formulation of public policy, distribution of public services, implementation of public policy, and management of all institutions serving the public directly or by contract, regardless of race, gender, national origin, or income level.” Svara, James H., and James R. Brunet. “Social Equity Is a Pillar of Public Administration.” *Journal of Public Affairs Education* 11, no. 3 (2005): 253–58. <http://www.jstor.org/stable/40215707>.

⁴ Review of Wholesale Electric Market Design: Comments of American Council for an Energy-Efficient Economy. Washington, D.C.: American Council for an Energy-Efficient Economy, 2021 https://interchange.puc.texas.gov/Documents/52373_104_1152424.PDF.

1. Increase the use of energy efficiency and demand response programs to equitably manage electricity demand and improve grid reliability

The undersigned are aligned with the Commission on the importance and prioritization of grid reliability and resilience to future extreme weather-related or other crises. A reliable grid is central to ensuring that electricity in our communities remains adequate, safe, and stable on a day-to-day basis. Further, a resilient grid is paramount to ensuring that the grid and our communities are prepared for and able to operate through significant disruptions no matter the cause.

As referenced in the Commission's Phase I elements, an immediate opportunity to achieve grid reliability and resilience is to expand existing energy efficiency (EE) and demand response (DR) programs. These could be co-deployed as complementary technologies in utility customer-facing offerings to maximize customer benefit by. Additionally, EE programs should be deployed aggressively to lower peak load, new and existing EE programs should be designed to support residential home preparedness for extreme weather, and—overall—the Commission should increase program targets for EE programs and residential DR aggregation.

These programs are not only highly effective and cost-competitive grid resources, but they can also tangibly benefit Texans on a day-to-day basis by lowering customer energy bills, improving quality of life, and decreasing energy burden. Integrated programs—where EE and DR are utilized simultaneously—can increase the benefits of EE and DR measures beyond what either type of program could deliver alone.⁵ Given this, we ask that the Commission mandate that transmission and distribution utilities (TDUs) implement complementary integrated residential DR programs with EE programs. This will help to optimize grid reliability for Texas communities.

According to an October 13, 2021 study from the American Council for an Energy-Efficient Economy (ACEEE), deploying residential EE and DR measures under statewide direction over five years in Texas could offset about 7 GW of summer and 11 GW of winter peak load.⁶ These measures could offset the need for new gas combined-cycle generators, which would likely only operate during peak demand. They would also likely cost 39% less than the addition of new gas plants, resulting in significant customer bill savings.⁷

To expand EE programs, the undersigned urge the Commission to conduct an exploratory study to raise EE targets in the state and subsequently direct TDUs to create new EE programs.⁸ Both new and existing programs should place an emphasis on home insulation, smart thermostats, and home heating and cooling to reduce both energy use and peak loads and improve the preparedness of residential homes for extreme weather or other crisis conditions.⁹

To better optimize and increase the impact of aggregated residential DR programs, the undersigned suggest that the Commission require TDUs to design DR aggregation programs that are transparent to customers, are standard across the state, and compensate customers for the services that they provide to the grid.¹⁰ Through these program design changes, customers will be better educated on their real-time energy data and program options, be able to make

⁵ Id.

⁶ “ACEEE finds that a set of seven residential energy efficiency and demand response retrofit measures, deployed under statewide direction over five years (2022 start-up, 2023–2027 deployment) could serve about 9 million Texas households and offset about 7,650 MW of summer peak load and 11,400 MW of winter peak load—approximately equaling the capability of the proposed new gas combined-cycle generators—at a 5-year total programmatic cost of about \$4.9 billion.” From Nadel, Steven, Christine Gerbode, and Jennifer Amann. 2021. *Energy Efficiency and Demand Response: Tools to Address Texas's Reliability Challenges*. Washington, D.C.: American Council for an Energy-Efficient Economy.

⁷ Ibid, 19.

⁸ The undersigned suggest that the Public Utility Commission of Texas (PUCT) raise the Energy Efficiency Resource Standard (EERS) to at least 1% energy saving by the end of 2025.

⁹ “Energy efficiency—the kilowatt-hours we avoid by eliminating waste—is, on average, our nation’s least-cost resource. Efficiency also delivers a host of other benefits. It can target savings where and when needed the most, creates jobs, spurs other economic development, reduces customer utility bills, makes homes and buildings more comfortable, and reduces harmful pollution.” From ACEEE, “Renewables Are Getting Cheaper but Energy Efficiency, on Average, Still Costs Utilities Less,” December 18, 2018, <https://www.aceee.org/blog/2018/12/renewables-are-getting-cheaper-energy>.

¹⁰ Enabling proactive residential customers to use DR in the wholesale market is challenging due to the diversity in power consumption patterns. We instead propose that an aggregator (an established load-serving entity or other player) should bid aggregated residential DR resources—DR resources from a group of residential customers—in a wholesale market. The aggregator would execute load curtailment contracts with the DR resources to ensure their availability and incentivizes customers to participate at pre-contracted prices.

educated decisions to enroll, and be compensated for the value of their services.¹¹ The undersigned believe that this would increase residential customers' willingness to participate in such programs.

EE and DR programs in Texas could provide a particularly high benefit for low- and moderate-income (LMI) residences. This is because LMI and multi-family (MF) residences in Texas tend to be less weather-prepared, energy-efficient homes that waste large amounts of energy.¹² They should be designed transparently so that LMI customers can understand and utilize the programs. Programs should not create the unintended negative impacts that can arise from other load shaping mechanisms like responsive tariffs. To achieve this, the Commission could require that at least 40% of electric utility energy efficiency program savings come from retrofits of LMI and MF housing.¹³ They could also look to ACEEE's October 13, 2021 report for specific programs and program compensation plans that would target LMI and MF residences. The development of energy efficiency programs could—and should—have significant equity impacts. Well-designed programs would reduce barriers to more affordable energy for those communities most confronted with energy burden.

EE and DR programs are immediate opportunities to improve Texas' grid reliability issues, and can complement a full wholesale electric market solution that includes firm capacity and other market design changes. That said, we look forward to the opportunity to grow these EE and DR programs in our communities to assist the Commission in building a more reliable and resilient grid in Texas.

2. Value and encourage a diversified resource base to provide a variety of grid benefits and services, and further strengthen grid reliability and resilience

Related to Phase I and II, we urge the Commission to design a market that permits all generation, storage, and distributed energy resources (DERs)—like residential solar—equal access to the grid to increase dispatchable resources. Enabling these resource types to participate in the competitive wholesale market expands the resources that can contribute to an expanded stable, resilient wholesale energy market. Many local governments in Texas—and some of the undersigned—have specific energy goals which are driving investment in and construction of renewable energy and storage projects. Residents are also investing in DERs. Furthermore, as local governments continue to evolve their thinking about community resiliency and consider options such as microgrids or facilities centered around shelter-in-place services, there is an increasing opportunity that customer assets can be utilized to beneficially service the grid. These non-traditional generating resources and storage assets should be maximized to provide services when needed and increase grid reliability, and the local governments are happy to work collaboratively with other grid actors to ensure there is transparency allowing these additional resources to best be utilized.¹⁴

We also encourage the Commission to establish policies that allow residential customers to see and respond to real-time electric prices and requests for demand flexibility to enable them to make well-informed decisions about participating in residential DR aggregation. The Commission can facilitate this by using mechanisms to make individual customer energy data accessible to customers and aggregators (with customer agreement), enhance availability of demand automation and management technologies, and facilitate aggregation of loads and behind-the-meter generation and storage to provide DR. This would signal the need for DR to residential customers who otherwise might not have pursued DR technologies in their homes or businesses.

To achieve these outcomes, the Commission should work with ERCOT to—as mentioned to in the Phase I considerations—create pathways for generation, storage, demand response, and DERs to participate in the wholesale market. This may necessitate the establishment of a new ancillary services market, which should be technology agnostic and permit many buyers and sellers to easily enter and exit.

3. Minimize the severity and disproportionate impacts of power outages on different customer types;

¹¹ TDUs would need to equip customers with smart meters to benefit from this type of program design.

¹² Drehobl, Ariel, Lauren Ross, and Roxana Ayala. 2020. How High Are Household Energy Burdens? Washington, D.C.: American Council for an Energy-Efficient Economy. <https://www.aceee.org/research-report/u2006>.

¹³ See footnote 5.

¹⁴ In addition to allowing all resources to participate in markets, the PUCT should establish better rules for individual customer and DER participation in the Energy Reliability Council of Texas (ERCOT) and Texas' grid outside of ERCOT.

To avoid a repeat of sustained power outages and to enable the grid to quickly recover from outages, we request that the Commission work to ensure that outages do not disproportionately impact any subset of customers, including vulnerable populations. To accomplish this, the Commission could require that TDUs modify their current distribution circuit designs using sectionalization for more granular outage management and modernize distribution segmentation strategies to proactively address future weather or other extreme crises.¹⁵ TDUs could divide circuits into small sections, with critical facilities on their own or with few customers. This would also enable them to rotate what power they have more evenly amongst customers. To ensure that health and associated impacts of outages are minimized and equitable across all circuits, the Commission should encourage TDUs to work more closely with customers, especially local governments, in disaster planning and response efforts.

Local governments are critical actors in emergency prevention, response, and management. They have emergency management plans for crises and are the first line of support to communities in a disaster. As such, the undersigned are well positioned to be thought partners in TDU disaster planning and response. They can help make TDU planning processes more comprehensive, efficient, and collaborative with existing local government efforts. Further, the Commission could require stakeholder engagement in TDU planning processes or otherwise encourage and guide customer-TDU collaboration.¹⁶

The Commission could also mandate or otherwise help incentivize TDUs to develop and implement energy storage programs for all critical facilities, so that customers have equal access to emergency care in crisis. For example, the Commission could require that TDUs co-develop critical facility backup planning with local governments to ensure that all community needs—especially those in low-income areas, are considered. This could be a prerequisite for receiving Commission approval on resource or other investment plans. Financial support for these programs could be pursued through assistance funds or rebate programs, and could also have specific targets for reaching LMI customers.

4. Consider expanding Texans’ access to reliable electricity by connecting with adjacent grids

While we recognize Texas’s electricity market has historically been able to effectively serve its residents on its own, we understand that there may be opportunity to strategically utilize energy resources from adjacent markets.¹⁷ A study conducted by Americans for a Clean Energy Grid in the wake of Winter Storm Uri found that each additional gigawatt (GW) of transmission ties between ERCOT and the Southeastern U.S. could have saved nearly \$1 billion, while keeping the heat on for hundreds of thousands of Texans.¹⁸ Expanding Texas’ traditional approach by directly connecting with other regional grids or implementing other infrastructure changes to allow transfer of electricity to ERCOT expands the available resources, potentially reducing costs, and ultimately allowing for more opportunity to effectively serve our communities. Interconnecting to other markets can improve both Texas’ and regional actors’ emergency management capabilities during grid outage events and make our system more reliable.

5. Ensure there is a robust and inclusive market redesign stakeholder engagement process

Local governments are large electricity consumers and also represent millions of energy customers across Texas, and are some of the entities—amongst many—that wholesale electric market redesign decisions and future proceedings will impact. Thus, the Commission should actively engage local governments, and more broadly, all impacted Texans, in the wholesale electric market redesign process to ensure that energy is affordable for all

¹⁵ “The PUCT should order utilities to modify their distribution systems using sectionalization devices wherever feasible to cut up each circuit into smaller sections, starting on those circuits hosting critical facilities so that a single hospital doesn’t lock in service for a giant chunk of a city and leave others literally out in the cold. Sectionalization around critical facilities and industrial customers will enable more granular outage management and outage rotation among customers.” From Wood, P., Gee, R., Walsh, J., Perlman, B., Klein, B., Silverstein, A. 2021. Never Again: How To Prevent Another Major Texas Electricity Failure. PUC of Texas Commissioners Report.

¹⁶ We recognize that disaster planning may be directly influenced by Texas legislation, and we hope to work alongside the Commission and our partner TDUs to ensure that legislation enables and drives truly equitable and resilient outage management solutions.

¹⁷ If ERCOT connects to and is subsequently able to use resources across more geographic area, it will lessen the impacts of resiliency and reliability issues Texas, because Texas will be able to transport electricity from a much broader area than just the state of Texas. Additionally, in terms of peak demand, the hottest time of the day in Texas is potentially a less hot part of the day for more northern or western states, so other regions could support Texas peak demand during those times.

¹⁸ Goggin, Michael. 2021. Transmission Makes the Power System Resilient to Extreme Weather. Washington, D.C.: Americans for a Clean Energy Grid. <https://cleanenergygrid.org/transmission-makes-the-power-system-resilient-to-extreme-weather/>.

customers and is reliable to protect customers from health and safety risks. The Commission could also work with local governments to help achieve their state-mandated and other government-led energy goals.

We urge the Commission to consider a few pathways to improve opportunities for local governments to fully participate. First, the Commission could provide education on how stakeholders can be involved in the regulatory process. Second, Commission-led stakeholder engagement processes could actively seek out local governments' perspectives, as they are essential to making well-informed state-wide energy decisions.¹⁹ This could be through working groups, advisory groups, task forces, or in-person meetings with local governments across the state. Third, the Commission could provide comprehensive and clear communication around their plans for stakeholder engagement in regulatory proceedings, and give ample notice of changes.²⁰ The undersigned look forward to the continued opportunity to be stakeholders in Commission efforts —especially on issues that impact both their operations and their constituency of Texas residents and businesses.

Conclusion

We appreciate the consideration of our collective comment. Alongside other key stakeholders, we look forward to opportunities to actively participate in or contribute to subsequent conversations and processes to ensure Texas's grid remains safe, reliable, resilient, affordable, clean, and equitable. We look forward to working with the Commission and other interested parties through a fair, robust, and collaborative process.



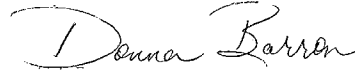
Paula Blackmon
Chair, Environment & Sustainability City Council
Committee, City of Dallas



Tommy Gonzalez
City Manager, City of El Paso



Sylvester Turner
Mayor, City of Houston



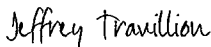
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¹⁹ We recognize that some of the undersigned local governments have historically engaged with the Commission on relevant regulatory proceedings and we are eager to continue and scale these successful engagements with additional Texas local governments across the state.

²⁰ The procedural schedule is key in determining whether a customer will be able to engage or not, to what extent and when. As a rule of thumb, local governments generally require several weeks of notice to effectively engage in regulatory processes, as they tend to have limited resources and capacity and require internal approval processes.