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

COMMENTS OF THE SOUTH-CENTRAL PARTNERSHIP FOR ENERGY EFFICIENCY AS A RESOURCE (SPEER)

NOW COMES the South-central Partnership for Energy Efficiency as a Resource ("SPEER"), and files these comments in response to the Commission staff request for written comment filed in this proceeding on December 6, 2021.

Introduction

The South-central Partnership for Energy Efficiency as a Resource (SPEER) is a 501(c)(3) non-profit regional energy efficiency organization (REEO). We are one of six in the country that aims to accelerate the adoption of advanced building systems and energy efficient products and services throughout the nation. We work collaboratively to strengthen local economies, improve health and quality of life, and improve the environment.

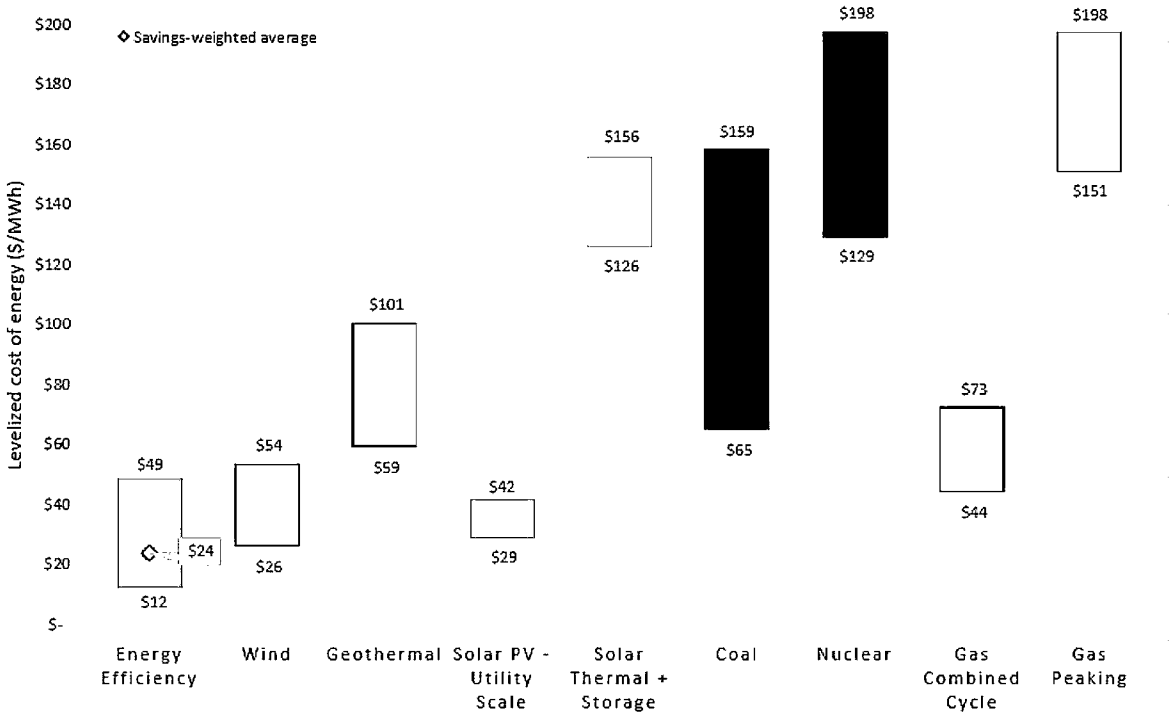
Comments

The inclusion of demand response and increased energy efficiency programs in the Phase I enhancements to the current market design are essential to establishing grid resiliency and reliability. Demand response and energy efficiency are complementary in nature. Energy efficiency aims to reduce both energy use and peak demand. Demand response provides additional reductions in peak demand. These total use and peak demand reductions are becoming more necessary as the Texas population grew by 15.9% between 2010 and 2020 and is continuing to grow at a fast rate.[1] Phase II of the market design targets the supply side of the

[1] U.S. Census Bureau. 2010 and 2020 Census Count

equation but does not adequately address demand which could result in consumers paying exorbitant costs in the future. As a result, SPEER believes that the Commission can mitigate those cost concerns in the following ways:

- Increasing energy efficiency programs, including both load management and energy efficiency. Utilizing cost effective measures like HVAC systems, building envelopes, and smart thermostats, address both winter and summer peaks while continuing to be economical. Ensuring loads are permanently removed from the demand will result in significant reductions in both peaks.



Levelized cost of energy efficiency compared with unsubsidized supply-side resources[2]

[2] ACEEE. (2021). (issue brief). *The Cost of Saving Electricity for the Largest U.S. Utilities: Ratepayer-Funded Efficiency Programs in 2018.*

- Commission a potential study for energy efficiency and load management to determine updated baseline estimates for utility efficiency future programs and investments. Additional study to determine potential in Emergency Response Service is also needed.
- As noted in SPEERs previous comments submitted on 9/30/2021 and in the Sierra Club's comments submitted on 12/1/2021, as part of the DEC proposal, the Commission can establish a Demand Reduction Energy Credit that could incentivize utility investment in demand response and energy efficiency rather than purchasing DECs through the market or be penalized with alternative compliance payments. Earning credit would accomplish the goal of increased reliability for the grid.
- Complete a thorough consumer cost analysis for all aspects of Phase II proposals to ensure cost effective measures are implemented.
- Ancillary Services must remain market neutral.

Increasing energy efficiency programs, coupled with demand response will better ensure reliability and resiliency of the Texas Grid. SPEER believes that if the PUCT would increase the existing energy efficiency resource standard to at least 1% retail sales, coupled with a demand response goal for TDUs and REPs, set market rules for compensation and aggregation to enable residential demand response that the Texas electric grid reliability and resiliency would be substantially improved.

Executive Summary

Effective demand response programs reduce the need for peak electricity generation power plants, which are often the most expensive and polluting. In addition to demand response, energy efficiency can help solve several of the largest problems facing the state right now which are resource adequacy, or grid reliability, and resilience during our summer heat waves or winter storms, as we recently experienced. Making both energy efficiency and demand response a priority is economical, simple to implement, and necessary. Texas' average electricity consumption per home is roughly 26% higher than the national average, creating high energy bills for customers and even higher during peak times. In February 2021, Demand in ERCOT was 76.8GW. Much of this was driven by residential heat. Without significant increases in funding focused on efficient heating, ventilation, and air conditioning (HVAC) systems, smart thermostats, and building shell and envelope programs, winter demand will grow higher in extreme weather. Without efficiency, the likelihood of outages will be higher and the costs of supply will likewise be higher. The inefficiency of most Texas homes is a direct contributing factor to high energy peaks and high energy bills. In fact, residential and small commercial loads represent 73% of the peak summer load that ERCOT must satisfy. This is due to the lack of building standards and inadequacy of current energy efficiency goals across the state.

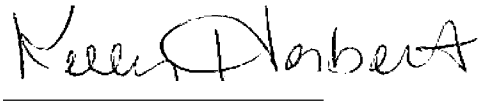
Increasing focus on and implementing more energy efficiency measures, alongside demand response, can help ease demand on the ERCOT market. The PUC increased energy efficiency programs in 2010, over ten years ago, but most notaby did so by its own authority *without* legislative direction. Efficiency programs have not been increased since, yet our consumption has significantly increased as our state' s population continues to rapidly grow. Texas sits dead last, ranked 29th out of 29 states with energy efficiency resource standard goals, spending $6.77 per capita with our neighbors in Oklahoma spending $17 and Arkansas at $22.

Efficiency, as opposed to demand response, includes the investment in equipment or building components or materials that have continuous or regular impacts on a load' s energy profile, resulting in predictable reductions in peak load or total energy consumption in different but predictable ways throughout the day and year.

Conclusion

SPEER appreciates your consideration of the important issues discussed in these comments and stands ready to participate as the proceeding moves forward.

Respectfully Submitted,



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