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PROJECT NO. 52373

**REVIEW OF WHOLESALE
ELECTRIC MARKET DESIGN**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

PROJECT NO. 52268

**CALENDAR YEAR 2021 –
WORKSHOP AGENDA ITEMS
WITHOUT AN ASSOCIATED
CONTROL NUMBER**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

COMMENTS OF PUBLIC CITIZEN

COMES NOW Public Citizen and files these Comments in response to the Commission's Questions for Comment filed in this proceeding on August 2, 2021.

Executive Summary

Public Citizen approaches these questions as a consumer rights advocacy organization. We offer three guiding principles.

1. Electric customers have a right to affordable, resilient, reliable, clean energy. The Public Utility Commission—and Texas' energy market itself—exists for the benefit of Texans. The public should be deeply involved in the energy market redesign.
2. Demand is one-half of the energy market equation and should be given equal attention. Energy efficiency, demand response, distributed generation, and distributed storage—including electric vehicles—are the best options for consumers. These are the most affordable and equitable solutions to ensure that electric supply can meet demand.
3. Clean energy is the best option for public health and the climate. The PUC should never adopt a policy that would prolong the use of fossil fuels beyond what is necessary.

Comments

1. The PUC cannot solve the problem of scarcity by only offering more and larger payments in the existing market.

Massive price spikes during times of crises are not a good business model—in February this resulted in absurd bills to customers across the state. Many electricity customers will be paying off these bills for years, due in part to the securitization approach the legislature has adopted.

We are concerned that the prevailing definition of “dispatchability” is designed to benefit fossil fuel generators, as is the proposal that only generators who can participate in the day-ahead market should have access to the ORDC.

The ORDC should not be limited to generators who commit in the day-ahead market. This approach would function as a sort of capacity market that would favor fossil fuel generators and increase costs for all electric consumers. The PUC needs to improve the real time energy market so that more market participants—on both the supply and the demand sides—can participate. Load resources should have access to the ORDC. We believe the PUC should approach electric reliability (and energy markets generally) as a pure equation—with supply on one and demand on the other. With this approach, a decrease in supply is valued the same as an increase in demand. The PUC should use new technologies and approaches, including easy access for third party aggregators of distributed energy resources, to allow more participants into the real-time market. This approach should help to balance the equation—leading to fewer instances of extreme scarcity and associated price spikes. As this is realized, the ORDC curve should be smoothed out to incentivize early supply and demand response rather than simply paying massive scarcity premiums.

2. No, participation in the day-ahead market should not be a precondition for participating in the energy market.

The day-ahead market is a useful tool for forecasting and in forming the real-time energy market. But requiring participation in the day-ahead market in order to participate in the real-time energy market would be a costly mistake. The PUC has access to new technologies and services that can make the real-time energy market function more smoothly and in more sophisticated ways. Many of the energy products that are now available—such as real-time demand response—will be far more useful in the future than generators that can guarantee a day-ahead commitment. The emphasis on the day-ahead market is a vestige of outdated energy systems.

The day-ahead market should continue to the extent that it provides useful signals to the real-time energy market. A more useful and modern approach would be an hour-ahead or pre-peak market that would allow participation by variable resources, including demand-side resources, whose output can be reliably forecasted within those time periods.

3. New technologies can provide existing ancillary services; new services are also available.

In keeping with the theme of balancing both sides of an equation, the PUC should consider how demand-side strategies can provide the same ancillary services that generators now provide. Responsive loads, such as batteries, can provide non-spin reserves. Distributed technologies can meet the requirements for other ancillary services; aggregation of these technologies can improve their responsiveness.

A seasonal reliability service might be an efficient approach to meet peak demand. Summer peaks are predictable, though there are variables such as unexpected outages or reduced generation by, e.g., solar or wind due to weather. Some variability of these sources is expected, and an ancillary service product that insured reliability during peak against unexpected variables would be a cost-effective solution.

Finally, the PUC must consider a capabilities market that will realize the full benefit of all of the supply and demand side products available today. A capabilities market would promote new approaches such as distributed energy resources, demand response, battery storage, and electric vehicles as variable load and dispatchable generation.

4. Residential load response is deeply underutilized.

The current energy market is not taking advantage of residential load or demand response in the following ways. In the absence of mandates or targets, the vast majority of retail electric providers (REPs) do not offer any demand response programs.

Energy efficiency is Texas biggest energy opportunity. Simply put: energy efficiency is the single best opportunity available in Texas. At \$0.01 per kilowatt-hour, energy efficiency is the cheapest energy resource available.¹ Texas has the weakest goal of any state with an energy efficiency target. Our current Energy Efficiency Resource Standard of 0.4 per cent of peak demand is a fraction of what could be achieved. Some REPs and Investor Owned Utilities (IOUs) do have demand response and energy efficiency programs, but they are a fraction of what is possible. The PUC should increase its goals and require REPs and IOUs to have programs to meet them.

A stronger energy efficiency goal would create jobs. Texas is already home to 169,398 energy efficiency jobs.² Investment in energy efficiency will be a massive job creator. Public Citizen supported SB 243/HB 4556 during the 87th legislative session. The bill would have established a 1% energy efficiency goal by 2025. If such a goal had been in place since Texas began its energy efficiency program, it is estimated that one-third of the energy shortfall that occurred in February would have been avoided.

Energy efficiency is also an opportunity for investment in homes and small business that will directly benefit Texans. In addition to saving money on energy bills, energy efficiency also provides benefits in homes and business more able to withstand temperature extremes. Hundreds of people died in February, many of them from the cold they experienced in leaky, poorly insulated homes. Investing in energy efficiency will help supply meet demand and save lives.

¹ See <http://www.texasefficiency.com/images/documents/RegulatoryFilings/DeemedSavings/py2019v1.pdf>.

² See <https://ee.e4thefuture.org/>.

Using smart meters for demand response. Although smart meters have been installed in most residences in Texas, they are not being used to their full potential. Many smart meters are not equipped with the software and contracts necessary to allow their use for demand response. Some customers have been underinformed or misled about demand response programs in a way that is damaging to the public's perception about this option.³ The PUC should develop rules to guide third-party demand response providers and energy management companies to provide products that customers can participate in in an active, informed way.

Electric vehicles provide opportunity on both sides of the energy equation. Electric vehicles (EVs) are gaining market share in Texas and throughout the world. They have the potential provide benefits on both sides of the energy equation. On the supply side, EVs have batteries that can function as dispatchable generation. Aging EVs also provide a secondary market of used batteries that can be repurposed for stationary energy storage. On the demand side, EVs can serve as variable load, with time-of-use charging smoothing out the demand curve by pushing demand into the overnight hours when passenger vehicles are at home and available for charging.

Residential distributed generation will reduce demand. There is massive potential in residential solar, from rooftop solar on single family homes and apartments to community-level approaches such as group solar purchase or community solar programs.

5. The PUC should increase the cap on emergency response service payments.

The current emergency response services (ERSs) annual budget cap of \$50 million is too small. It should be doubled to \$100 million or removed altogether. There are new products available to provide ERSs. Energy storage, distributed energy resources, and aggregation of smaller products could provide new participants in the ERS market.

6. New technology offers a new inertia response service.

Wind and solar resources employ inverter technology that could be used for inertia response. The PUC should consider an inertia response service that uses this technology as well as the traditional approach.

Conclusion

Public Citizen appreciates the opportunity to provide these Comments and looks forward to working with the Commission and other interested parties on these issues.

Respectfully submitted,

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³ See <https://www.usatoday.com/story/tech/2021/06/19/texas-power-companies-raising-smart-thermostat-temps-why/7754658002/>.

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