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PROJECT NO. 52689

Expedited Petition of CenterPoint Energy Houston Electric , LLC For Approval of Interim Load Management Programs for Nonresidential Customers and for an Accounting Order	§ § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

COMMENTS OF VOLTUS

At the November 18, 2021 open meeting, Chairman Lake requested information on the cost of the Interim Load Management Programs for Nonresidential Customers proposed by AEP Texas Inc., CenterPoint Energy Houston Electric, LLC, Texas-New Mexico Power Company, and Oncor Electric Delivery Company LLC ("TDUs"). As an aggregator participating in ERCOT's Emergency Response Service ("ERS") and potentially in the Interim Programs, Voltus, Inc. ("Voltus") offers the following cost information to the Public Utility Commission of Texas ("Commission").

First, **the cost of the proposed Interim Programs is roughly the same as the ERS Winter season: approximately $30,000/MW**. ERS and the proposed Interim Programs each pay a customer a flat per megawatt reserve payment for the ability to dispatch a resource up to a maximum number of hours. The resource might be called up to the maximum number of hours, or not at all. If no actual dispatch occurs, each program requires a dispatch test. The test requirements are more stringent for the Interim Programs than for ERS: the test could be three hours long (instead of one) and in the case of Oncor requires a minimum of 90% performance for a customer to earn any revenue. During dispatches or tests, customers do not receive additional payments; rather, poor performance could reduce future reserve payments, or cause customers to be eliminated from the program entirely.

Since payment is based exclusively on megawatts committed, the budget for a program is the reserve payment multiplied by the number of enrolled megawatts.[1] The megawatt hour payment can only be estimated, since the TDUs do not know how many hours the resources will be dispatched. Based on the information in the TDUs filings, the cost per megawatt of the proposed programs is

[1] Plus any additional administrative costs.

$30,000-$40,000 (depending on the program), while the estimated minimum cost per megawatt hour would be as low as $1,363.64-$2,500.[2] Details are in the below chart:

	MW	Cost/MW	Budget	Cost/MWh (Min)	Hours Curtailed (Season)	Assumptions[3]
AEP	10	$35,000.00	$350,000.00	$2,058.82	17	1 hour test and up to 4, 4 hour events
Centerpoint	300	$30,000.00	$9,000,000.00	$1,363.64	22	2 scheduled events of 3 hours, 4 unscheduled events of four hours
TNMP	1.5	$40,000.00	$60,000.00	$2,500.00	16	4 events of up to 4 hours each
Oncor	50	$40,000.00	$2,000,000.00	$1,666.67	24	Program can call six events up to 12 hours, this presumes 24 hours
	361.5		$11,410,000.00			

The auction clearing price for the December-March season in ERS is $26,331. Therefore the Interim programs are cost-competitive. The cost per MWh is comparable to the $9,000/MWh high cap:[4] a resource paid $40,000/MW would only have to be dispatched 4.5 hours to be more cost effective than procuring a resource at the high cap of $9,000/MWh. The Value of Lost Load can be much higher.

Second, **the proposed Interim programs will not cannibalize ERS**. ERS and Commercial Load Management programs already co-exist in the summer.[5] As an aggregator, Voltus knows that there are additional resources interested in providing emergency load reduction, some of whom prefer the measurement and verification structure of the CLM programs over ERS. ERS typically procures about 1,000 MWs per season, though this winter the budget was increased. These Interim programs would provide an additive 361.5 megawatts, or enough to power approximately 217,000 homes.[6] Stated differently, the Commission could think of the proposed $11,410,000 cost of these programs as an insurance policy that costs $52.58 per home.[7]

If, however, the proposed Interim programs are not approved, ERS has already been cannibalized. This is because the ERS procurement period has already closed and many resources likely

[2] If there were fewer events, the cost per MWh would be higher because customers would receive the same reserve payment for less participation. For example if a customer received a $30,000 base payment and was dispatched 10 hours over a season, the cost would be $3,000/MWh. If that customer were dispatched for 15 hours, the cost would be $2,000/MWh.
[3] These assumptions are estimates drawn from the TDU filings.
[4] *See* Comments of Texas Competitive Power Advocates at 3, https://interchange.puc.texas.gov/Documents/52689_25_1168257.PDF (arguing that cost of these programs is "far in excess of the Value of Lost Load (VOLL) and the market price cap").
[5] *See* https://eepm.oncor.com/load-management-program.aspx.
[6] Assuming 1 MW powers 600 homes.
[7] $11,410,000/217,000 homes.

opted to participate in CLM rather than ERS.[8] Considering these programs are expressly provided for in SB 3 and Commission Staff entered a settlement with three of the utilities, participants thought the programs would be approved. If the programs are rejected, the resources planning to participate in CLM will be unable to provide emergency reliability. In this case, the Commission could direct a second procurement window for the Winter ERS period so that these megawatts can participate.

To paraphrase Commissioner McAdams, everyone hopes that Texas won't need emergency load reduction this winter. But emergency load reduction is an inexpensive insurance policy. During Winter Storm Uri, the Emergency Response Service was perhaps the most reliable resource.[9] Load resources will be lost if the Commission rejects these programs.

Voltus hopes that the Commission approves the Winter CLM program at the December 2nd meeting, and does not oppose the language proposed by Texas Competitive Power Advocates.[10] Texas businesses are waiting to know if they can be a reliability resource for their fellow Texans. If the Commission rejects the programs, Voltus asks the Commission instruct ERCOT to allow additional megawatts to be procured for ERS.

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[8] As stated in Voltus's November 17 comments, http://interchange.puc.texas.gov/Documents/52689_24_1168104.PDF, applications for the Interim programs were due to the respective TDUs on or before November 15. Seasonal offers for the ERS winter period were due on November 15, 2021.

[9] ERS loads "generally over-provided" in the February 2021 event, with on average fleet-level load reduction of "30%-35% above the combined fleet-level obligation during the first 12 hours after the first deployment…" *See* ERCOT, *ERCOT Winter Storm Review of Demand-Side Resources and Other Related Topics*, at 6 (Apr. 16, 2021), http://www.ercot.com/content/wcm/key_documents_lists/226624/April_2021_DSWG_Meeting_ERCOT_FINAL.PPTX. Slide 2 illustrates this over-performance.

[10] *See* Comments of Texas Competitive Power Advocates at 5-6, https://interchange.puc.texas.gov/Documents/52689_25_1168257.PDF.

Sincerely,

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