Filing Receipt

Received - 2022-06-01 02:59:38 PM
Control Number - 52689
ItemNumber - 41

Public Utility Commission of Texas

Memorandum

TO: Chairman Peter Lake
Commissioner Will McAdams
Commissioner Lori Cobos
Commissioner Jimmy Glotfelty

FROM: R. Floyd Walker, Market Analysis Division
Therese Harris, Infrastructure Division

DATE: June 1, 2022

RE: Docket 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* (Jan. 12, 2022)

This memorandum summarizes Commission Staff's findings regarding the interim load management programs authorized in Docket No. 52689.

Background

On October 8, 2021, AEP Texas Inc. (AEP), CenterPoint Energy Houston, LLC (CenterPoint) and Texas-New Mexico Power Company (TNMP) filed an expedited petition (Petition) to approve their respective interim load management programs for the period from December 1, 2021 through February 28, 2022 (Program Period). On October 15, 2021, Oncor Electric Delivery Company LLC (Oncor) filed comments concerning the Petition, but did not seek to intervene in this proceeding.

On November 9, 2021, AEP, CenterPoint and TNMP filed a settlement agreement.[1] On December 1, 2021, AEP, CenterPoint, and TNMP filed a revised settlement agreement.

On January 12, 2022, the Commission issued a final order approving the Petitioners' respective interim load management programs and further directed AEP, CenterPoint, TNMP, and Oncor[2] (Participating Utilities) to confer and coordinate with Commission Staff concerning their interim load management programs. Attached to this memorandum are submissions from each of the Participating Utilities concerning their respective interim load management programs.

[1] The settlement agreement was also signed by the Alliance for Retail Markets and Commission Staff.

[2] Even though Oncor did not join the Petition or intervene in this proceeding, it was included in the final order.

Memorandum

Summary

The chart below provides a high-level summary of some of the features of each Participating Utilities' interim load management plan.

Party	Budget	Incentive ($ / kW)	Procurement Goal
AEP	$350,000	$35	10 MW
CenterPoint	$4,500,000	$30	100 MW[3]
Oncor	$2,000,000	$40	50 MW
TNMP	$60,000	$40	1.5 MW

The following chart compares the projected budget and procurement of load management resources with the actual cost and procurement of resources.

Party	Budget	Actual	Procurement (Goal)	Procurement (Actual)	Start Date[4]
AEP	$350,000	$97,905	10 MW	2.797 MW	Jan. 24, 2022
CenterPoint	$4,500,000	$2,984,948	100 MW	102.24 MW	Jan. 12, 2022
Oncor	$2,000,000	$1,388,879	50 MW	35 MW	Dec. 1, 2022
TNMP	$60,000	$42,180	1.5 MW	1.054 MW	Jan. 1, 2022

Program Testing

ERCOT did not declare an Energy Emergency Alert Level 2 condition during the Program Period, which would have triggered the activation of these interim load programs. However, each participant performed at least one test during the program period as identified in the chart below.

[3] CenterPoint expressed its goal as between 100 MW and 150 MW.

[4] The programs were all scheduled to begin on December 1, 2021 but had different actual start dates. All programs ended on February 28, 2022.

Party	Test #1	Test #2
AEP	January 24, 2022 (10:08 – 11:08) [partial 67%]	February 15, 2022 (10:04 – 11:04) [partial 33%]
CenterPoint	February 10, 2022 (8:30 – 11:30)	February 24, 2022 (18:00 – 21:00)
Oncor	December 15, 2021 (7:00 – 10:00)	N/A
TNMP	January 5, 2022 (10:00 – 14:00) [partial 50%]	January 5, 2022 (16:00 – 20:00) [partial 50%]

Comparison with ERS

Because the respective programs provided different incentives and had different program participation dates, it is helpful to compare these costs in terms of dollars per MW per hour of obligation. Based on the information provided by the Participating Utilities, the program costs ranged from $18.58 to $41.67 per MW per hour of obligation, as shown in the table below. The weighted average cost for all programs was $24.20 per MW per hour of obligation. For sake of comparison, an equivalent value of $9.65 per MW per hour of obligation has been provided for the ERCOT-administered Emergency Response Service (ERS) program.[5] Commission Staff notes that the actual program costs were higher than they would have been if all programs had started on December 1, 2021,[6] as requested by AEP, CenterPoint, and TNMP, because the program incentives were not pro-rated based on a shorter period of obligation. The second column illustrates the cost per MW per hour of obligation had the program begun on December 1, 2021 as originally anticipated by the Participating Utilities assuming that procurement would not have been affected by a longer program period.

[5] This value was provided in ERCOT's Response to Commissioner Request for Information Concerning Utility Load Management Program Proposals, filed in this docket on November 29, 2021.

[6] Actual start dates shown above on page 2.

Party	$ per MW per hour of obligation (actual program term)	$ per MW per hour of obligation (12/01/2021 – 02/28/2022)
AEP	$41.67	$16.39
CenterPoint	$25.88	$13.67
Oncor	$18.58	$18.58
TNMP	$28.75	$18.74
ERS[7]	$9.65	$9.65

Recommendation

The cost benefit and design of these programs needs to be evaluated in the scope of other load programs available to ERCOT. If these programs continue, Commission Staff recommends that the Participating Utilities coordinate with ERCOT to address the lessons learned from their interim programs to improve the cost benefit and program design.

[7] ERS costs include an additional $5M beyond the amount originally budgeted for ERS from December 2021 to March 2022, as directed by the Commissioners. *See* Work Session at 2:00:24 (Nov. 4, 2021) (available at https://texasadmin.com/tx/puct/work_session/20211104#t=7200). Although ERS runs through March 31, 2022, the Cost per MW per hour is not expected to be materially different from a similar program ending February 28, 2022. Final ERS cost figures for the December 2021 to March 2022 Standard Contract Term will not be available until mid-June.

AEP Texas Inc.

Interim Load Management Program

DOCKET NO. 52689

EXPEDITED PETITION FOR APPROVAL OF INTERIM LOAD MANAGEMENT PROGRAMS FOR NONRESIDENTIAL CUSTOMERS AND FOR AN ACCOUNTING ORDER	§ § § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

AEP TEXAS INC.'S
REPORT ON INTERIM LOAD MANAGEMENT PROGRAM
ENDING FEBRUARY 28, 2022

June 1, 2022

TABLE OF CONTENTS

I. Background and Purpose 1
II. Program Design 2
III. Program Results 4
IV. Lessons Learned 5
A. Program Design 5
B. Operational 5

I. Background and Purpose

On June 8, 2021, the Governor of Texas signed Senate Bill 3[1] into law which, among other things, authorized transmission and distribution utilities "to design and operate a load management program for nonresidential customers to be used where the independent organization certified under [PURA] Section 39.151 for the ERCOT power region has declared a Level 2 Emergency or a higher level of emergency or has otherwise directed the transmission and distribution utility to shed load."[2] Additionally, a "transmission and distribution utility implementing a load management program...shall be permitted to recover the reasonable and necessary costs of the load management program under Chapter 36 [of PURA]."[3]

As part of preparing for the 2021 – 2022 winter season, and in accordance with SB 3, AEP Texas Inc., CenterPoint Energy Houston Electric, LLC, and Texas-New Mexico Power Company (collectively, the "Joint TDUs") filed a petition requesting that the Commission authorize each of the Joint TDUs to design and operate an interim load management program for nonresidential customers during the period of December 1, 2021 through February 28, 2022 (the "Interim Load Management Programs") and to record a regulatory asset for the reasonable and necessary costs associated with the design and operation of those programs.

On January 12, 2022, the Commission issued an order authorizing AEP Texas to defer the reasonable and necessary costs associated with the design and operation of its interim load management program incurred after December 16, 2021 until February 28, 2022 that are not recovered through other means and record those costs in an asset account.[4] The order further required Commission Staff to work with ERCOT to evaluate the interim load management programs and file a report with the Commission by June 1, 2022.[5] To support Commission Staff's

[1] SB 3, 87th Leg., R.S. (2021), Section 16, creating Public Utility Regulatory Act ("PURA"), Tex. Util. Code § 38.075. PURA is codified at Tex. Util. Code §§ 11.001 – 66.016.

[2] Tex. Util. Code § 38.075(e).

[3] Tex. Util. Code § 38.075(e).

[4] *Expedited Petition of CenterPoint Energy Houston Electric, LLC for Approval of Interim Load Management Programs for Nonresidential Customers and for an Accounting Order*, Docket No. 52689, Order at Ordering Paragraph No. 1 (Jan. 12, 2022).

[5] Docket No. 52689, Order at Ordering Paragraph No. 14.

and ERCOT's evaluation and June 1, 2022 report, AEP Texas submits this report on its interim load management program design, program results, and lessons learned.

II. Program Design

AEP Texas' interim load management program (the "Program") was designed to support grid resiliency by providing winter load reduction capabilities in the non-residential ERCOT market. At a high level, the Program was designed to provide incentives to Program participants for curtailing electricity demand when the ERCOT power region declared a Level 2 Emergency or higher level of emergency or otherwise directed AEP Texas to shed load during the winter months of December, January, and February. The Program design was informed in part by AEP Texas' summer load management program, which has been successful and cost-effective for many years. Details of the Program design are provided in the narrative and table below.

The Program was designed to be in operation from December 1, 2021 through February 28, 2022. The Program was open to non-residential customers, national or local energy service companies, aggregation groups, and retail electric providers (REPs) that could: (a) identify curtailable load; (b) subscribe a minimum of 100 kW of load reduction; (c) curtail their load twenty-four hours a day, seven days a week; and (d) curtail load within 30 minutes' notice. Participants committed to one scheduled test curtailment of up to one hour during the program period. AEP Texas conducted test curtailments to demonstrate that the Program participant is capable of curtailing at least 100 kW. Critical load, customers participating in other load management programs (such as ERCOT's emergency response service), and load that is curtailed due to operational inability were ineligible to participate in the Program. The ESIIDs of potential Program participants were compared to the AEP Texas critical load and ERCOT ERS lists to ensure eligibility. In addition, load curtailment that would result in negative environmental or health effects was ineligible to participate in the Program, but that restriction did not preclude the use of self-generation that complied with applicable environmental and health and safety laws.

AEP Texas reached out to non-residential customers, aggregation groups, and REPs using existing e-mail distribution lists. Potential participants were required to complete an application to demonstrate eligibility for the Program. Applications were reviewed on a first-come, first-served basis. AEP Texas requested written consent from Program participants during enrollment in the Program to provide notice to the enrolling customers' REP of record of the customer's enrollment

and deployment of the customer's load curtailment in the program. For each participant that provided such consent, AEP Texas notified the participant's REP of record within three business days of the participant's enrollment in the Program or deployment of load curtailment in the Program.

Under the Program, AEP Texas was permitted to call a maximum of four unscheduled events during the program period, with any single event lasting no more than four hours. AEP Texas paid Program participants $35.00 per kilowatt ("kW") of the verified curtailed load during called events. Through its experience with its summer load management program, AEP Texas has found that a $35.00/kW incentive is sufficient to attract participants and cost effective. AEP Texas was not required to pay for any curtailed loads that exceeded the approved kW amount. Under the program design, the total incentive paid after the conclusion of the program period would be based on the average performance over all unscheduled events, or if there were no unscheduled events, Program participants would receive an incentive payment based on performance during the scheduled test curtailment.

Under the Program's design, for each curtailment event, AEP Texas measured and verified each Program participants' performance using the methodology approved by the Commission in the Texas Technical Reference Manual. AEP Texas identified and verified a Program participant's load data through AEP Texas' advanced metering system and provided that data to Frontier Energy, who maintained and analyzed the data and calculated load reduction.

Design Parameter	**Metric**
Period	December through February with savings claimed in program ending year
Operational hours	24 hrs per day / 7 days per week
Notice	30 minutes
Minimum load	100 kW
Eligible participant groups	Non-residential customers, national or local energy service companies, aggregation groups, and REPs
Restrictions on Participation	Critical load, customers participating in other load management programs (such as ERCOT's emergency response service), and load that is curtailed due to operational inability were ineligible to participate in the Program.
Scheduled events	One event of up to one hour

Unscheduled events/Duration	Four events of no more than four hours each
Budget	$350,000 for up to 10 MW in subscriptions
Incentive	$35 / kW

III. Program Results

AEP Texas began accepting Program applications on January 12, 2022, the same day a written order was issued authorizing the Program. The Program implementation was from January 24, 2022 through February 28, 2022. Three Program participants submitted an enrollment including one ESIID/site for each enrollment. These sites included an educational institution, a cold storage facility, and an oil mill. As noted earlier, for each of the two participants that provided consent, AEP Texas notified the participant's REP of record within three business days of the participant's enrollment in the Program or deployment of load curtailment in the Program. The actual Program demand reduction achieved was 2,797.28 kW and the associated incentive payment was $97,904.80.

On January 19, 2022, AEP Texas submitted the Memorandum of Understanding (MOU) required information to ERCOT. This information included: (1) the number of megawatts of Program capacity procured for that year; (2) the maximum duration of each single deployment; (3) the maximum total duration of all deployments; and (4) the maximum number of deployments that may be required.

AEP Texas tested its Notification System with the program participants on January 21, 2022 at 10:00 AM. All participants were requested and confirmed they received this Notification System test email and/or phone call. A one-hour test event occurred on January 24, 2022 from 10:08 AM to 11:08 AM for two Program participants. For the remaining participant, a one-hour test event occurred on February 15, 2022 from 10:04 AM to 11:04 AM. Prior to any test deployment of the Program, AEP Texas notified the ERCOT control room (via email according to the terms for the operation and deployment) of each TDU-administered load management program. Within three business days of the test event, AEP Texas also provided notice to the REPs of record of customers that provided written consent for AEP Texas to provide such notice.

No actual EEA-2 events were called, but the Program was available during winter storm Landon (February 1 – 9, 2022).

IV. Lessons Learned

AEP Texas has long had in place a successful summer load management program, and recent events have shown that load management programs outside the summer months can be valuable tools to help maintain grid reliability. Last winter, AEP Texas offered an interim winter load management pilot program, and based on the potential benefits, AEP Texas is considering offering another winter load management program between December 1, 2022 through February 28, 2023. Through its experience with the interim winter load management program, AEP Texas offers the following lessons learned.

A. Program Design

1. The number of events, length of each event and potentially splitting these events into multiple segments based on the time of day are important considerations.
2. Incentive level(s) may be based on customer size, available load, operation, etc.
3. Critical care or critical load customers with backup generation could be potential participants.

B. Operational

1. Align TDU program implementation with ERCOT's ERS program timeline.
2. Program design and outreach efforts should occur in early September.
3. Optimal timing and sharing of information with ERCOT are essential to prevent double counting of program participants.
4. Revising and streamlining the AEP Texas internal and participant notification process is critical.
5. Identify critical care and critical load customers for participation or non-participation.
6. Temperatures in early December vary dramatically and the test event may not occur in cold conditions.
7. Methodology for the savings calculation needs to be identified early in the Program design process.

CenterPoint Energy Houston, LLC

Interim Load Management Program

CenterPoint Energy Houston, LLC

Interim Load Management Program

Summary Report

Project Number 52689

Contents

I. Background and Purpose 3
II. Program Design 3
A. Program Period 3
B. Goal 3
C. Budget 3
D. Incentive Structure 3
E. Eligibility 4
F. Program Outreach and Application Process 4
G. Curtailment Structure 5
H. Measurement and Verification 5
III. Program Results 5
A. Participation 5
B. Curtailment Events 5
C. Performance 6
IV. Lessons Learned & Opportunities Identified 6
A. Program Design 6
B. Operational 7

I. Background and Purpose

On June 8, 2021, the Governor of Texas signed S.B. 3 into law which, among other things, requires the Public Utility Commission of Texas (Commission) to "allow a transmission and distribution utility to design and operate a load management program for nonresidential customers to be used where the independent organization certified under Section 39.151 for the ERCOT power region has declared a Level 2 Emergency or a higher level of emergency or has otherwise directed the transmission and distribution utility to shed load."

Given the opportunity provided through S.B. 3, CenterPoint Energy Houston Electric, LLC (CenterPoint Houston or the Company), Texas-New Mexico Power Company, and AEP Texas Inc. (collectively, the Joint TDUs) filed an expedited petition with Commission in Docket 52689 requesting approval to implement an interim load management program from December 1, 2021 – February 28, 2022, and to record a regulatory asset for the necessary costs associated with the program. On January 12, 2022, the Commission issued an Order approving accounting treatment for necessary costs associated with the Joint TDUs implementing their respective interim load management programs.

The purpose of CenterPoint Houston's Interim Load Management Program was to incent program participants to provide load curtailment that can be initiated when needed. Specific program objectives were to:

- Attain reliable peak demand reduction during grid emergencies; and
- Evaluate program impacts and processes to gain insights that support the design of future Emergency Load Management Activities.

II. Program Design

A. Program Period

CenterPoint Houston's Interim Load Management Program operated from January 12, 2022, through February 28, 2022. The program included commercial customers, retail electric providers, and aggregation groups able to curtail load within 30 minutes' notice, and participate in curtailment events 24 hours a day, seven days a week

B. Goal

CenterPoint Houston's goal was to procure between 100 to 150 megawatts of curtailable load in its Interim Load Management Program.

C. Budget

CenterPoint Houston committed to a maximum budget of $4,500,000 for implementation of the Interim Load Management Program.

D. Incentive Structure

The Load Management Program provided Project Sponsors (e.g., customers, retail electric providers, or third-party aggregators) an incentive payment of $30.00 per kilowatt (kW) of verified

curtailed load, up to the approved kW amount for each site participating in the Interim Load Management Program.

E. Eligibility

Project Sponsor Eligibility

Eligible Project Sponsors included:

- National or local energy service companies (ESCOs) or other aggregation groups.
- Individual non-residential with curtailable load in their own facilities.
- Retail electric providers.

Project and Site Eligibility

- A project site was defined as one or more metered locations. A single project site may include multiple buildings served by a single IDR meter or Smart Meter, and Project Sponsors could include more than one project site in their applications provided each project site was:
    - A non-residential customer served by CenterPoint Houston and able to provide on-call curtailment during the Performance Period (January 12, 2022, through February 28, 2022).
    - Served by an Interval Data Recorder (IDR) and/or Smart Meter that is monitored by CenterPoint Houston. If all buildings and meters were tied to one ESI ID, then they could be combined into a single project site.

The following Curtailable Loads were excluded from the program:

- Critical load or load curtailment resulting in negative environmental or health effects. This restriction did not disqualify participants able to curtail load using self-generation that complies with environmental and safety laws.
- Curtailable Loads eligible to earn incentive payments from other programs, including but not limited to programs available through ERCOT.

F. Program Outreach and Application Process

CenterPoint Houston recruited participants through a mix of direct outreach and digital promotion. The Company leveraged internal staffing, including Key Account Managers, to contact customers, educate them about the program, answer questions and guide them through the application process. CenterPoint Houston also worked with its Marketing team to develop program informational materials and deploy an email campaign to generate awareness of the program.

Potential Project Sponsors were required to provide an application to CenterPoint Houston documenting the sites requested for enrollment in the program. Site detail for ESI IDs submitted on the application included the following:

- Location and description of proposed project site

- Proposed curtailment amount
- Curtailment method
- Description of load to be curtailed

Submitted applications were reviewed by CenterPoint Houston to determine eligibility and project feasibility. Applicants were notified of their application status (participation approved or denied) along with the amount of load curtailment approved.

Approved Program Sponsors were required to execute a Memorandum of Understanding acknowledging their agreement with the terms and conditions set forth for the Interim Load Management Program.

G. Curtailment Structure

CenterPoint Houston set a maximum of six curtailments eligible to be initiated during the Interim Load Management Program, including both Scheduled and Unscheduled Curtailments.

- Scheduled Curtailments are for testing program effectiveness. Up to two Scheduled Curtailments with a duration of one to three hours per event were eligible to be initiated during the program period.
- Unscheduled curtailments occur in the event ERCOT notifies CenterPoint Houston to initiate curtailment. Up to four unscheduled curtailments with a duration of one to four hours per event were eligible to be initiated during the program period.

CenterPoint Houston set a notification period of thirty (30) minutes to notify Project Sponsors prior to the start of curtailment events.

H. Measurement and Verification

CenterPoint Houston analyzed meter data for each participating site and utilized the methodology approved by the Commission in the applicable Texas Technical Reference Manual to determine the actual load reduction achieved for each curtailment event. Project Sponsor incentives were based on the average performance over all events, and Project Sponsors earned $30 per kW of verified load curtailed up to the amount approved in their applications.

III. Program Results

A. Participation

A total of 443 project sites were enrolled in the Interim Winter Load Management Program by 27 participating Project Sponsors (22 customers and 5 aggregators).

B. Curtailment Events

No unscheduled curtailments were called, but CenterPoint Houston did initiate two test curtailments.

- The first test curtailment was held on February 10, 2022, from 8:30 am – 11:30 am
- The second test curtailment was held on February 24, 2022, from 6:00 pm – 9:00 pm

C. Performance

Total verified demand reduction for the two test curtailment events was 102.24 MW.

Interim Winter Load Management Program Results

	Goal	Actual
Demand Reduction	100 – 150 MW	102.24 MW
Budget	$4,500,000	$2,984,848

Performance by Curtailment Event

Curtailment Event	Demand Reduction
February 10, 2022	103.11 MW
February 24, 2022	101.36 MW
Program Total *	**102.24 MW**

***Average of Events 1 and 2**

IV. Lessons Learned & Opportunities Identified

A. Program Design

Evaluation of Market Potential – Further analysis of market potential would help identify the scale of participation and load shed that could be achieved through a future program.

Notification Window – The timing of notification provided in advance of curtailment events can impact customer willingness and ability to participate in load management programs. A 30-minute notification period is adequate for some customers to initiate curtailment, and other customers may be able to fully deploy load shed in an even shorter window. Still, other customers may be able to provide significant load shed but need more time to activate curtailment. There is an opportunity to further review the optimal notification window and evaluate if the program could be structured with multiple segments of participation based on notification response time.

Incentive Structure – Program incentive levels should continue to be evaluated as well as opportunities to modify the incentive structure such as:

- Multiple incentive tiers based on how quickly Program Sponsors can respond to a curtailment notification.
- Incentive levels that increase based on the number of curtailment events called within the Program Period, or incentives scaled to increase based on the length of each curtailment event.

- Multiple incentive levels based on the time period of curtailment (such as weekday vs. weekend, or afternoon vs. evening).

B. Operational

- Recruitment efforts and enrollment for a winter load management program should begin in the third quarter to allow ample time for customers, retail electric providers, and aggregators to assess opportunities to participate and submit applications. Often, customers and aggregators are evaluating other load management programs such as ERCOT's ERS, so timing is a key consideration.
- The 24/7 nature of the Interim Winter Load Management program precludes participants from enrolling in ERCOT load management programs since curtailable loads are not eligible to be incentivized through multiple programs. Load management programs with a defined time period of eligible curtailment allow customers to participate in both utility load management programs and other offerings so long as the curtailment periods between the two programs do not overlap. However, when load curtailment must be available at all hours of the day, customers are not able to avoid the potential of overlap and must choose between one program or another. CenterPoint Houston worked with ERCOT to eliminate the potential of double counting, but the inability to participate in multiple load management program offerings was a barrier for some potential participants.
- Direct outreach from CenterPoint Houston staff was instrumental in the recruitment process and helped the Company understand customers' key considerations and potential barriers to participation. For future winter load management activities, the Company would look to implement a more automated, online process for the submission of program applications.
- CenterPoint Houston's process to notify Program Sponsors of curtailment events proved to be sufficient.

Oncor Electric Delivery Company LLC

Interim Load Management Program

Oncor Electric Delivery Company LLC

2021-2022 Winter Commercial Load Management Pilot Report

I. Background

Oncor Electric Delivery Company LLC ("Oncor") launched the Winter Commercial Load Management Program Pilot ("Program") in November 2021. The Program was developed pursuant to 16 TAC §25.181 and provides emergency load reduction resources during the months of December, January, and February. Oncor introduced the Program as part of the energy efficiency portfolio to ensure consistency with other energy efficiency programs, and provide a consistent framework for Commission oversight. The Program began as a pilot, with the intent of expanding to a year round, 24 hours a day, 7 days a week standard offer program.

The Program template was published in the Energy Efficiency Implementation Project ("EEIP") docket number 38578. Notice was sent to the EEIP list serve, followed by a 14-day comment period. No comments were received during the comment period. The Program follows the kW and kWh savings reduction calculations outlined in the Texas Technical Reference Manual (TRM) and is subject to the same cost-effectiveness and evaluation requirements as other programs in the energy efficiency portfolio.

II. Program Design

Design Parameter	Metric
Period	December through February with savings claimed in program ending year.
Operational Hours*	24 hours per day / 7 days a week
Notice	30 Minutes
Minimum Load	100 kW
Eligible Participants	Commercial customers, REPs, aggregation groups
Scheduled Events	1 to 2 – During peak period
Events / Duration*	6 events of no more than 12 hours each
Performance Requirement*	90% performance across all events
Budget	$2 Million
Goal	50 MW
Incentive	$40 / kW
Restrictions	No critical load or ERS participants

Regulatory Orders	Notice is provided to Customer's REP of record of the following: • Enrollment to the program • Deployment of load curtailment

*Unique to the Winter Program

III. Program Results

Metric	Results
No. of ESIIDs Enrolled	34
No. of Service Providers in Program	4
Actual kW Savings	35 MW
Actual kWh	104 MWh
Incentive Paid	$1,388,879
Customer Type(s)	Industrial Retail Big Box Distribution and Warehouse
Test Event Conducted	One event - December 15, 2021 7 – 10 AM
EEA Events Called	None - Program was available during Winter Storm Landon in early 2022.
Notice Provided to Customer's REP of Record	Yes
Payment Made	Yes
Evaluated by PUCT State Evaluator	Yes
Late Enrollments in Program	Late enrollments are not permitted in the program

IV. Opportunities for Evaluation and Improvement

A. Program Design

- Continue to evaluate number of events and incentive levels.
- Identify whether the Program should be split into multiple segments based on time of day.
- Determine whether EECRF industrial opt-outs are eligible to participate.
- Evaluate whether critical load customers with backup generation are eligible to participate.
- Consideration on the feasibility of expanding the Summer Commercial Load Management to a 24 hour, 7 day program similar to the Winter Program.

B. Operational

- Temperatures in December vary dramatically and test events may not occur in warmer or cooler conditions.
- Some commercial premises have generator non-emergency operational restrictions in the morning.

- Identify the operational availability of businesses that are closed during the peak hours as defined in the Texas TRM.
- Timing of the Program outreach efforts will need to be evaluated as synergies may be available in recruiting commercial participants for both summer and winter season.
- Continuous coordination with ERCOT to avoid double participation in Oncor and ERCOT ERS programs.
- Continuous review of participant information against critical load lists within Oncor to ensure that said ESIIDs are not enrolled in the program.
- Continuous improvement of Oncor's internal notification process for test events and EEA 2 level events.
- Alignment of program modifications based on evaluation by Commission and Evaluator.

Texas-New Mexico Power Company

Interim Load Management Program

DOCKET NO. 52689

EXPEDITED PETITION FOR APPROVAL OF INTERIM LOAD MANAGEMENT PROGRAMS FOR NONRESIDENTIAL CUSTOMERS AND FOR AN ACCOUNTING ORDER	§ § § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

TEXAS-NEW MEXICO POWER COMPANY'S REPORT ON INTERIM LOAD MANAGEMENT PILOT PROGRAM ENDING FEBRUARY 28, 2022

June 1, 2022

TABLE OF CONTENTS

I. Background 1
II. Pilot Program Goals and Results 2
III. Pilot Program Operation 2
IV. Comparison To Expedited Petition Initial Request 4
V. Program Justification 4
VI. Lessons Learned 5
A. Program Design 5
B. Operational 6
VII. Next Steps and Opportunities to Address 6
VIII. Conclusion 7
VII. Next Steps 6
VIII. Conclusion 7

I. Background

Governor Abbott signed S.B. 3 into law on June 8, 2021, requiring the Commission to "allow a transmission and distribution utility to design and operate a load management program for nonresidential customers to be used where the independent organization certified under Section 39.151 for the ERCOT power region has declared a Level 2 Emergency or a higher level of emergency or has otherwise directed the transmission and distribution utility to shed load."[1] Additionally, a "transmission and distribution utility implementing a load management program... shall be permitted to recover the reasonable and necessary costs of the load management program under Chapter 36."[2]

Accordingly, on October 8, 2021, AEP Texas Inc. (AEP), CenterPoint Energy Houston Electric, LLC. (CEHE), and Texas-New Mexico Power Company (TNMP) (collectively, the Joint TDUs) filed an Expedited Petition[3] in Docket No. 52689 requesting approval to operate interim winter load management programs during the winter of 2021-2022 and receive regulatory asset treatment for the costs related to the pilot programs. The Joint TDUs requested that the Commission take a two-phased approach to implement load management programs for nonresidential customers, with the first phase approving the requested Interim Load Management Programs, and the second phase being a formal rulemaking for future load management programs expected to take place in 2022.[4] Various parties intervened in Docket No. 52689 with negotiation resulting in a Revised Settlement on program terms being filed on December 1, 2021.[5] The

[1] Tex. Util. Code §38.075.

[2] *Id.*

[3] *Expedited Petition of Centerpoint Energy Houston Electric, LLC., AEP Texas, Inc., and Texas-New Mexico Power Company for Approval of Interim Load Management Programs For Nonresidential Customers And For An Accounting Order*, Docket No. 52689; Oct. 8, 2021; Item 1; *Expedited Petition.*

[4] *Id.*

[5] *Expedited Petition of Centerpoint Energy Houston Electric, LLC., AEP Texas, Inc., and Texas-New Mexico Power Company for Approval of Interim Load Management Programs For Nonresidential Customers And For An Accounting Order*, Docket No. 52689; Dec. 1, 2021; Item 35; *Revised Settlement Agreement.*

Commission did not approve the settlement but did approve the requested accounting treatment for winter load shed pilot programs conducted by the Joint Utilities on January 12, 2022.[6]

II. Pilot Program Goals and Results

TNMP operated a load management pilot program during January 1, 2022, to February 28, 2022 (the Pilot Program). The Pilot Program's demand reduction goal was 1.5 MW and the associated Pilot Program budget was $60,000. Eligible participants included energy service companies, aggregation groups, retail electric providers and individual nonresidential customers of TNMP taking service at the distribution level, and/or be a non-profit customer or government entity, including educational institutions. Under the Pilot Program a curtailment could be called at any time (24 hours a day/7 days a week) upon 30 minutes notice. Participants had to subscribe a minimum load of 100kW and agree to participate in up to 5 events (including a scheduled test) of 1 to 4 hours in duration. TNMP paid participants $40 per kW as incentive. Measurement and verification was accomplished by calculating savings in accordance with the Texas Technical Reference Manual. The actual Pilot Program demand reduction achieved was 1.054 MW and the associated incentive payments totaled $42,179.60. No actual EEA2 events were called by ERCOT during the Pilot Program. However, TNMP's Pilot Program was available during the winter storm Landon February 1-9, 2022.

III. Pilot Program Operation

TNMP was able to attract two participants, an independent school district and an industrial customer, to its Pilot Program. Collectively, those participants enrolled 21 separate sites. Each participant applied to provide on-call, voluntary curtailment of electric consumption during grid emergencies in return for incentive payments. Incentives were based on verified curtailed demand savings resulting from TNMP's request to curtail usage under the Pilot Program. Participants were not required to produce a specific level of curtailed load but only received payments based on verified demand savings of the contracted amount of curtailable load. Finally, each enrolled site

[6] *Expedited Petition of Centerpoint Energy Houston Electric, LLC., AEP Texas, Inc., and Texas-New Mexico Power Company for Approval of Interim Load Management Programs For Nonresidential Customers And For An Accounting Order*, Docket No. 52689; Dec. 1, 2021; Item 39; *Final Order*.

was equipped with an Interval Data Recorder (IDR) or advanced meter as required by the Pilot Program.

To join the Pilot Program, each participant executed a contract with TNMP. It required participants to curtail contracted load for a maximum of four events during the Pilot Program operating period, plus one scheduled test curtailment during the Pilot Program operating period with any single event lasting from 1 to 4 hours. Thus, a participant could receive a maximum of 5 calls for a total of up-to 20 curtailed hours per program period. The contract could be terminated by either party without penalty. Additionally, TNMP requested consent from each program participant during enrollment in the Pilot Program to provide notice to the enrolling participant's retail electric provider of 1) that participant's enrollment and 2) each deployment of the participant's load curtailment during the Pilot Program. Both of the participants consented to such notice. Consequently, each participant's retail electric provider was notified of the participant's enrollment and load curtailment under the Pilot Program.

Further, critical load and customers participating in other load management programs, such as ERS were ineligible. Load curtailment resulting in negative environmental or health effects were also ineligible. No participant's load that was curtailed due to operational inability was eligible either. These restrictions did not preclude the use of self-generation in compliance with applicable environmental and health and safety laws.

A four-hour test event per participant was conducted. The first occurred on January 5, 2022, from 10:00 AM to 2:00 PM and the other occurred on January 5, 2022, from 4 PM to 8 PM. During the Pilot Program's operation period, no actual EEA-2 events were called. As stated previously, TNMP's Pilot Program was available during the winter storm Landon February 1-9, 2022. After performing the scheduled tests, 16 hours per participant were available for curtailment.

Per the Pilot Program, both participants were paid for the verified curtailed loads performed during their respective test events. As the Pilot Program only provides incentives for actual performance, and both participants were enrolled at the beginning of the program (and not added post 1/1/22), there was no basis for proration of payments to either participant. Both participants' incentive payments were processed by April 15, 2022.

IV. Comparison To Expedited Petition Initial Request

The implemented Pilot Program differed in some respects from the program originally contemplated by TNMP in the Expedited Petition referenced above. Those differences are largely due to the settlement discussions in Docket No. 52689 as reflected in the Revised Settlement filed on December 1, 2021.[7] The material adjustments, as implemented in the actual Pilot Program, were:

1) Start date- Due to regulatory and other delays, TNMP initiated the Pilot Program on January 1, 2022, instead of December 1, 2021 as originally contemplated.
2) Incentive Price- TNMP committed to a $40 per kw incentive price and applied that to its Pilot Program.
3) Ineligible load curtailment- TNMP confirmed that any load curtailment that will result in negative environmental or health effects and any load curtailed due to operational inability were not eligible to participate. However, participants were not precluded from using self-generation that was compliant with applicable environmental and health and safety laws. These provisions were applied to TNMP's Pilot Program as they have been in prior load management programs.
4) Notice to REPs- During enrollment, TNMP requested consent from Pilot Program participants to notify the participating customer's retail electric provider of that participant's enrollment in the Pilot Program and any deployment of the participant's load curtailment. TNMP provided notice to a consenting participant's retail electric provider within 3 business days of the participant's enrollment. Additionally, notice of the consenting participant's deployment of load curtailment was provided to the retail electric provider as well following the test event.

V. Program Justification

[7] *Expedited Petition of Centerpoint Energy Houston Electric, LLC., AEP Texas, Inc., and Texas-New Mexico Power Company for Approval of Interim Load Management Programs For Nonresidential Customers And For An Accounting Order*, Docket No. 52689; Dec. 1, 2021; Item 35; *Revised Settlement Agreement*.

In enacting Tex. Utility Code §38.075, the Legislature acknowledged the value of load management programs by authorizing a transmission and distribution utility to design and operate a load management program for nonresidential customers and recover the reasonable and necessary costs of such programs. TNMP's Pilot Program achieved 1.054 MW savings for the incentive of $40 per kW. Consequently, for only $42,179.60 the Pilot Program achieved tangible savings. Even with the short time for outreach, the Pilot Program demonstrates that affordable savings can be produced by a winter load management program.

VI. Lessons Learned

TNMP believes that early certainty as to goals and terms would greatly aid in the implementation of future load management programs. Certainly, with advanced knowledge, a utility would be able to more efficiently conduct outreach and permit potential participants to evaluate the offered program. Implementing internal process would also benefit from early program clarity.

A. Program Design

- Goals & budget- Early establishment of program goals and terms would be beneficial. Given the low number of participants for the 2022 winter Pilot Program, goals should remain conservative until outreach matures and participation demonstrates growth.
- Program operating hours/time periods-
    - During the 2022 Pilot Program, operations 24 hours/7 days a week was successful. More maturity of internal process may be required if participation expands.
    - One consideration is whether load management should be implemented as year-round program.
- Industrial Opt-outs- While industrial opt-outs are excluded from energy efficiency load management programs, should industrials who have opted out of energy efficiency be specifically included in non-energy efficiency load management programs.
- Energy Efficiency Load Management- Need to determine whether year-round load management should be included in the energy efficiency portfolio.

- Incentive levels - Given the small sample size for the 2022 winter Pilot Program, TNMP believes more analysis is needed to determine whether the incentive payment level should be adjusted.
- Number of events- Similarly, given the small sample size for the 2022 winter Pilot Program and the lack of an EEA-2 event, TNMP believes more analysis is needed to determine whether an adjustment to the number of events is warranted.

B. Operational

- Program outreach – TNMP believes earlier outreach is beneficial, but such efforts depend upon clarity surrounding goals and scope for the particular program year.
- ERCOT MOU Revision - The existing Memorandum Of Understanding with ERCOT and each TDU should be revised to better coordinate sharing information on enrollment and deployments under the program.
- REP Notification- Identify single point of contact for each REP so that participant-authorized notifications are efficiently received.

VII. Next Steps and Opportunities to Address

As the Commission proceeds with establishing a rule on load management, TNMP believes certain "next steps" are necessary to proactively prepare for any load management program addressing the future 2022-2023 winter period:

- Depending on rulemaking and determination of whether or not to include in energy efficiency:
    - Establish budget and goals prior to contracting for 2023
    - Perform outreach in advance of program start date
    - Revise ERCOT MOU establishing the sharing of participant enrollment and deployment of program
    - Review measurement and verification calculations in the TRM for possible edit/update effective in 2023

VIII. Conclusion

TNMP believes that the past winter 2022 Pilot Program was successful in demonstrating cost-effective curtailment opportunities during the winter and provides some empirical data for consideration in the anticipated the rulemaking on future load management programs. TNMP looks forward to participating in future PUCT rulemaking to establish load management program criteria and goals. The Commission's time and attention to these matters is greatly appreciated.

Respectfully submitted,

/s/ Scott Seamster

Scott Seamster
State Bar No. 00784939
Associate General Counsel
TEXAS-NEW MEXICO POWER COMPANY
577 N. Garden Ridge Blvd.
Lewisville, Texas 75067
Tel: 214.222.4143
Fax.: 214.222.4156
scott.seamster@pnmresources.com

Texas-New Mexico Power

Interim Load Management Pilot Program

June 1, 2022

Background

- 6/8/21 – the Governor of Texas signed SB3 into law which requires the Commission to allow a TDU to design and operate a commercial load management program to be used when ERCOT declares EEA2 or higher level of emergency, and the TDU shall be permitted to recover the cost.
- 10/8/21 – the Joint TDUs (AEP, CNP & TNMP) filed an expedited petition with the Commission to design, operate, and record a regulatory asset for costs of operation for the Interim Load Management Programs in Docket No. 52689 in two phases.
- Phase one is to provide approval of said design and operation for the upcoming winter season (Dec 1 – Feb 28). Phase two would entail the formal rulemaking that is scheduled to begin in 2022 to address future load management programs.
- 11/1/21 – In response to Order No. 2 of Docket No. 52689, the Joint TDUs filed program overviews inclusive of program goals, budgets, eligibility, structures, savings verification, application process, and incentive payments.
- 12/1/21 – a revised settlement agreement was filed
- 1/12/22 – an Order was issued approving accounting treatment for recovery and instructing communication with ERCOT

Program Design

Design Parameter	Metric
Period	January 1 – February 28, 2022
Operational hours	Up-to 24 hours a day / 7 days a week
Notice	30 minutes
Minimum load	100 kW
Eligible participants	Nonresidential customers, energy service companies, aggregation groups and retail electric providers
Events / Duration	5 events (including 1 scheduled test) of 1 - 4 hours each
Budget	$60,000
Goal	1.5 MW
Incentive	$40 / kW
Restrictions	No critical load or ERS Participants
Measurement and Verification	Savings calculated in accordance with the Texas Technical Reference Manual (TRM)

Results

	Goal	Actual
Load Reduction	1.5 MW	1,054.49 MW
Budget	$60,000	$42,179.60

- Two participants submitted 21 sites
  - REPs were notified of enrolling customers
- Actual accounts included a school district and an industrial customer
- One test event per participant was held
  - 1/5/22 from 10 am – 2 pm
  - 1/5/22 from 4 pm – 8 pm
  - REPs were notified of deployments
- No actual emergency events were called, but the program was available during winter storm Landon February 1-9, 2022

Lessons Learned / Opportunities to Address

- Program Design
  - Should the program be part of TNMP's energy efficiency portfolio
  - Determine whether industrial opt-outs are eligible to participate
  - Continue to evaluate the number of events and incentive levels

- Operational
  - Consider expanding to 24 hours a day /7 days a week /365 days a year
  - Evaluate the process of noticing REPs of customer enrollment and deployment of the program

Next Steps

- Provide a postmortem to Commission Staff in preparation for Phase two (formal rulemaking scheduled to begin in 2022 to address future load management programs)
- Determine whether or not to include in energy efficiency portfolio

- Depending on rulemaking and determination of whether or not to include in energy efficiency:
  - Establish budget and goals prior to contracting for 2023
  - Perform outreach in advance of program start date
  - Revise ERCOT MOU establishing the sharing of participant enrollment and deployment of program
  - Review measurement and verification calculations in the TRM for possible edit/update effective in 2023

Thank you