



## Filing Receipt

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**PROJECT NO. 54335**

**REVIEW OF MARKET REFORM  
ASSESSMENT PRODUCED BY  
ENERGY AND ENVIRONMENTAL  
ECONOMICS, INC. (E3)**

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**PUBLIC UTILITY COMMISSION  
OF TEXAS**

**COMMENTS OF THE  
TEXAS CAUCUS ON CLIMATE, ENVIRONMENT AND ENERGY INDUSTRY**

The Texas Caucus on Climate, Environment and Energy Industry appreciates the opportunity to submit these comments in response to the report prepared by Energy and Environmental Economics, Inc., (E3) for the Public Utility Commission of Texas (PUCT) Market Reform Assessment. On November 15, 2022, the Commission requested comments concerning the E3 Report and questions asked by the Commission be filed by December 15 at noon and do not exceed 25 pages in length. These comments are timely filed and within the page limit.

**GENERAL COMMENTS**

Texas is undeniably a leader in both energy production and energy consumption. In fact, Texas accounted for almost 12 percent of the nation's total net energy generation in 2021.<sup>1</sup> Much of Texas' economic revenue and success is contingent on a steady source of energy from the ERCOT Grid. Texas consumers depend on it. However, as identified through Winter Storm Uri in early 2021, the state's electric grid faces many vulnerabilities and challenges – mainly issues concerning weatherization and lack of efficiency and reliability. Therefore, it is incumbent upon any strategic market design to be cognizant of additional consumer costs, especially if it fails to

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<sup>1</sup> Report from the Texas Comptroller of Public Accounts

ensure reliability. Furthermore, instead of solely focusing efforts on increasing generation, consideration and investment should also be given to residential demand response programs and energy efficiency programs that would decrease the burden the grid faces, primarily through weatherization. There are multiple avenues the PUC could explore to achieve this, mainly through investments in educating the public regarding available weatherization programs. This would help create exposure for available programs and connect Texans to invaluable resources that would save them money. Additionally, the PUC should aim to match federal funds provided by the Inflation Reduction Act to help Texas consumers weatherize their homes through the following programs:

- The Energy Efficient Home Improvement Credit (Section 25C) allows consumers to claim a credit for up to 30 percent of the cost of qualified energy efficiency improvements. Annual cap up to \$1,200 per year.
- The Clean Vehicle Credit (Section 30D and 25E) provides consumers with a tax credit for up to \$7,500 to purchase new clean vehicles and up to \$4,000 to purchase used clean vehicles.
- Weatherization Assistance Program (WAP) provides funding to enable low-income families to reduce their energy consumption by ensuring their homes become more energy efficient.

### **CONSUMER COSTS:**

PCM at this stage is premature and could have serious drawbacks for Texas consumers. First, it is unsure if the implementation process would seamlessly transition into ERCOT's grid operations. The current ERCOT market already incentivizes generation, and there is no

guarantee that PCM would produce higher quality generation performance and retention. Additionally, the complexity of PCM would make it easier for generators to take advantage of the systems. Consequently, it is plausible that current cost estimates are misjudged, shifting additional costs to consumers while failing to secure grid reliability and security during peak demand periods. Projections show that about \$450 million dollars of additional costs will be passed onto consumers. Texan consumers would have no choice but to pay more than their fair share and live without guarantee that the grid will be able to withstand historic weather conditions.

#### **ALTERNATIVE SOLUTIONS:**

Increasing generation is paramount to satisfying the energy consumption demands of Texans. However, failure to incorporate smaller, but necessary, programs could risk threatening the security of the grid. One avenue that should be further explored is promoting and investing in residential demand response programs. These programs would incentivize consumers to minimize their energy consumption by paying them to reduce demand on the grid during periods of high demand. This would not only compensate consumers for minimizing their energy consumption, but it would also help them save money while securing the grid. While these programs are administered by the utilities and REPs, the PUC could play a role in helping to grow and inform the public of these opportunities. Additionally, promoting and further investment in energy efficiency programs would position Texans to be better prepared during intense inclement weather.

## **CONCLUSION**

The Texas Caucus on Climate, Environment and Energy Industry looks forward to working diligently with the Commission and stakeholders on these issues in the coming months in order to best serve Texans.