



Filing Receipt

Filing Date - 2024-05-22 07:34:08 PM

Control Number - 56517

Item Number - 9

PROJECT NO. 56517

**QUESTIONS FOR COMMENTS
ON ENERGY EFFICIENCY**

§
§

**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 April 23, 2024.

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

Since 2012 Texas has grown from roughly 26 million residents to well over 30 million. Meanwhile, energy intensive businesses like large data centers or crypto mining operations have flocked to the state for the business-friendly regulatory environment. Additionally, extreme temperatures in combination with catastrophic weather events further exacerbate the already increased stress to the grid due to population and business growth. The state has set dozens of monthly and all-time demand records to the grid over the last decade and a half and, according to ERCOT, Texas is anticipated to add an additional 62GWs of load by 2030¹. The reason why we

¹ https://www.ercot.com/files/docs/2024/04/08/2024_RTP_Load_Review_Update_April_2024_RPG.pdf

reference these changes from 2012, is because that was the last time substantive changes were made to the Texas utility energy efficiency program rules. Peak demand in 2012 was just under 70GWs. The current peak demand record sits at 85.5GWs. Should peak demand reach anticipated forecasts from ERCOT by 2030, new generation alone will not be enough to meet the needs of future Texans. Improvements to the existing energy efficiency rules have the potential to provide necessary relief now to both the grid and to Texans while new generation comes online.

The Texas investor-owned utility (IOU) programs EE rules and, by extension, their budgets cumulatively have remained around the same output annually, roughly \$120 million since 2012. While the IOUs have exceeded their annual demand reduction and energy savings goals collectively, the reality is, more can be done to improve the programs. Furthermore, with the potential funding opportunities afforded through the Inflation Reduction Act (IRA), Texas finds itself in an advantageous position to improve and expand its demand-side resources that will pay dividends for years to come. In early late 2022 and 2023, the Public Utility Commission of Texas (PUCT) engaged stakeholders through a series of working groups designed to solicit potential consensus changes to a future rulemaking. Stakeholders included utilities, retail electric providers, advocacy organizations, and other interested parties. The workshops were organized into four main areas, program goals, program planning, low-income and hard-to-reach, and role of demand response. SPEER applauds the initial effort and believes there is much to be learned from those discussions. We also appreciate this opportunity to provide further comments on possible changes to the rules that could provide Texans with much needed cost savings and increased reliability and resiliency to the grid.

Questions:

- 1) Should certain hours of the day be considered more valuable within the design of standard offer or targeted market-transformation programs offered by utilities? Please discuss your rationale in detail.**

The cost of energy and, therefore, the value of energy efficiency vary by specific hours of the day. However, with an energy transition those hours may become somewhat more unpredictable. Utility Efficiency programs need to incentivize investment in efficiency that

can help reduce load or provide safe environments for consumer at all hours or provide flexibility that can respond to the changing needs of the market.

ERCOT has increased calls for voluntary conservation across every season. Efficiency measures can significantly and reliably reduce demand on the grid at all hours, including during periods of the day where renewables are not as abundant. For example, utilizing weatherization and more efficient HVAC systems can provide appropriate home temperatures and maintain them when the summer heat is high, and during the early evening when the sun goes down, but temps remain high. Such measures should be recognized for their importance and flexibility in all seasons, especially given the uncertainty with the evolving generation mix.

Demand flexibility at all hours will be necessary to accommodate the influx of load as well. Intelligent appliances that allow consumers to respond to variable demands and time-of-use pricing should be a focus of future programs as well. A prime area with promise for incenting flexibility in demand would be load from electric vehicle charging. Additionally, Texas has also been subject to shorter shoulder periods in which thermal generators can take planned outages due to intense weather patterns. This argues for a program focus on building load flexibility around the year, and for expanding capacity of demand response specifically for weather sensitive loads. Creating time variant incentives will be critical to this goal. SPEER supports consideration of granting more value to net load hours within the design of the programs, and we also stress the importance of considering a seasonal approach to this design.

2) What metrics should be used to track the success of low-income and hard-to-reach programs under 16 Texas Administrative Code (TAC) §25.181?

Low-income and Hard-to-Reach (LI/HTR) programs are of vital importance to the state. Many residents in LI/HTR categories have homes that struggled to keep air conditioned inside leaving their HVAC systems to work harder to keep the home comfortable enough during times of extreme weather. Furthermore, energy cost burden plagues many of these households leaving residents to decide between paying energy bills or purchasing necessities

of everyday life. We also saw first-hand the importance of weatherization measures during Winter Storms Uri and Elliott. Those homes and businesses that had previously weatherized saw temperatures inside remain survivable while others did not. Currently, the requirements for these two programs are 10% minimum of total EE program annual budget allotted to LI programs. SPEERs first recommended metric to consider changes would broadly be an increase to the minimum requirement spent towards these programs to 20% over the next few years. Also, due to the cost-effectiveness volatility of LI/HTR programs, we would recommend consideration of changes to the cost-effectiveness criteria which we will discuss in our response to question 7 below. Increasing the expenditures to LI/HTR sectors with targeted weatherization efforts would greatly benefit those most vulnerable. It is also important to note the potential \$690 million that may become available to Texas for efficiency upgrades to offset costs to LI/HTR populations who might not be able to afford upgrades currently.

Another key metric for these programs to track would be the total number of households touched annually, specifically with a focus on weatherization and home retrofits. By identifying year of over year homes improved with EE measures, Texas would not only help reduce energy insecurity in LI/HTR populations, but utilities would also develop a pipeline for future energy efficiency improvements as building envelope standards are increased. This topic was a focus of the 2023 working groups facilitated by the PUCT and EM&V staff and as such should be consulted for additional metrics.

3) Avoided cost of capacity and energy:

- a) Existing 16 TAC §25.181(d)(2) calculates the avoided cost of capacity. Should this calculation be revised in a future energy efficiency rulemaking? If so, how? Please discuss your rationale in detail.**
- b) Existing 16 TAC §25.181(d)(3) calculates the avoided cost of energy. Should this calculation be revised in a future energy efficiency rulemaking? If so, how? Please discuss your rationale in detail.**

Both avoided cost of capacity and energy currently only represent a portion of the puzzle in identifying the true value of energy efficiency. In the program planning working group from

the 2023 stakeholder engagement process, the idea was discussed at length to incorporate additional calculations for the avoided cost of transmission and distribution (T&D). Some studies have shown that targeting efficiency planning has a positive impact on when substations must add capacity. A study from the Northeast Energy Efficiency Partnerships (NEEP) concluded that in several jurisdictions within their territory, utility energy efficiency programs have deferred significant capital expenditures.² This shows that there is value not being represented at both a direct impact level and a passive impact level in the cost-effectiveness of efficiency programs. Developing an avoided cost of T&D cost calculation and incorporating into the existing benefit-cost analysis would provide for more spending for Texas IOUs on efficiency programming. Avoided costs of T&D are typically calculated by dividing the portion of T&D forecasted capital investment associated with load growth by the forecast growth in system load. SPEER supports the establishment and inclusion of avoided cost of T&D to be used in conjunction with the avoided costs of capacity when identifying benefit-cost ratios.

4) Existing 16 TAC §25.182 calculates utility performance bonuses. Should this calculation be revised in a future energy efficiency rulemaking? If so, how? Please discuss your rationale in detail.

Utility efficiency programs across the country utilize performance bonus structures. Texas is no different. SPEER continues to support a utility performance bonus; however, we would suggest a few changes to the calculation. We would suggest reviewing ways to ensure the bonus is rewarding both energy efficiency and demand response (DR) separately. This could take the form of separate bonuses for each area. Both play a role in the Texas grid and could be rewarded as such. We believe consideration of a bonus specific to energy efficiency and a bonus specific to DR could incentivize additional efficiency measures. We also would support reviewing ways to incentivize expanding enrollment in DR programming of retailers or ERCOT as well as of the utilities. Further consideration may be discussed during the implementation of SB 1699 for residential DR programs.

² https://neep.org/sites/default/files/products/EMV-Forum-Geo-Targeting_Final_2015-01-20.pdf

- 5) Existing 16 TAC §25.181 addresses energy savings and demand reduction goals. Should these existing goals be revised in a future energy efficiency rulemaking? If so, how? Please discuss your rationale in detail.**

The current goals have been met and/or exceeded since the establishment of the programs. Since the inclusion of DR into the goals calculations in 2012, the IOUs have collectively exceeded their goal requirements every year by as much as 100%. In 2008, an energy efficiency potential study was commissioned by Texas and identified 1% of sales goal as an achievable target. While SPEER supports the overall goal of demand reductions and increased energy savings, we also note that the IOUs are not all the same. Some have highly centralized service territories while others are spread sporadically across the state in different areas and climate zones. As noted above in the performance bonus discussion, if separation should occur between an energy efficiency performance bonus and a DR performance bonus, it could stand to reason that separate goals for each would be needed.

SPEER believes consideration of splitting the two goals is warranted and further discussion would be needed as a new baseline could be set through incremental program changes discussed in questions 2, 3, 4, and 7. Should the PUCT decide to increase spending on LI/HTR program, make adjustments to add an avoided cost of T&D, split the goal/bonus into two separate categories, and ultimately change the cost-effectiveness criteria to a portfolio standard versus a program standard among other priorities, IOUs could see significant changes to their demand reductions and energy savings. SPEER would support further review the following program year of the goals after incremental changes have been implemented to determine what an appropriate next step would be for the IOU goals. Additionally, commissioning an energy efficiency potential study post-incremental program changes would provide empirical backing for any future increases to the goals.

- 6) In the upcoming rulemaking to implement SB 1699, what other issues should be considered? Should the existing energy efficiency rules be restructured? Please discuss your rationale in detail.**

SPEER recognizes the importance of the ADER section of SB 1699, however for the purposes of this question we will be focusing primarily on the demand response provisions in the bill. The PUCT is required to establish a residential DR goal. We support development of a goal and believe this can support potential changes to the energy efficiency goals discussed in previous responses. SB 1699 additionally allows the PUCT to establish a maximum of 10% of funds from energy efficiency programs to be used for this purpose. As noted above, SPEER supports review of splitting the current goal into two separate targets, an energy efficiency goal and a DR goal. Residing within the DR goal would be specific residential DR goal in accordance with SB 1699 requirements. IOUs could measure the quantity of customers enrolled in DR and how many can move on to participate in the ERCOT market. Expansion of the weather sensitive loads element of the Emergency Response Service (ERS) could assist with facilitating aggregation of DR entities into ERCOT via REPS/third parties. Utilizing those funds mentioned above to incent third-party participation.

7) What activities should the Energy Efficiency division prioritize over the next twelve months?

Over the next twelve months, the Energy Efficiency division should consider a handful of incremental amendments to the current energy efficiency rules that will have a cascading effecting on the efficacy of the programs. We have highlighted a few in previous questions, but to review them holistically, we have broken them down below.

Open an EE Rulemaking:

Opening an energy efficiency rulemaking process should be a top priority to review several items. First, adjust the cost-effectiveness standard from a program level back to the portfolio level is necessary for IOUs to provide flexibility in administering their programs. Some programs like LI/HTR do not as easily meet the current program cost-effectiveness standard. Additionally, at the measure level, some measures need time to develop and become more cost-effective over time. Providing space to aggregate all the programs in a portfolio will allow some of the slower progressing measures and harder to achieve cost-effectiveness programs a counterweight with highly cost-effective ones.

In conjunction with adjusting the cost-effectiveness standard to a portfolio level, incorporating the avoided cost of T&D into the calculation will also increase the opportunity for programs to develop at the pace they need. Including the avoided cost of T&D also gets at the true value of energy efficiency in Texas.

An energy efficiency rulemaking should consider review of the planning cycles. Currently, the utility programs are on an annual cycle, however many more robust programs across the county employ a three-year planning cycle which provides stability to the programs and implementers. There is anecdotal evidence of some cost savings by reducing some administrative burden by moving from an annual cycle to a multi-year cycle with longer duration contracting and less ambiguity on the future of the programs for contractors. SPEER would support a change to a three-year planning cycle with a review of cost-savings achieved.

Comprehensive Review of Cost-Effectiveness Practices:

Upon implementation of these programmatic amendments to how the programs operate, the PUCT could consider a comprehensive review of how cost-effectiveness is determined. The current Total Resource Cost (TRC) test does not fully encompass all the value brought from demand-side resources in the market. This topic was discussed during the 2023 stakeholder working groups and there was robust agreement that the programs provide additional benefits that are not necessarily captured within the scope of the TRC tests. Consideration of adopting a different, Texas specific, testing standard could begin at the fall EEIP stakeholder meeting and allow the process to develop over the next year. As an example, one such framework would be the *National Standard Practice Manual for Benefit-Cost Analysis of DERs* (NSPM for DERs)³. This framework provides guidance for stakeholders to develop a Jurisdictional Specific Test which is policy-neutral in that it does not recommend any specific cost-effectiveness tests or policies, but rather supports practices whereby a jurisdiction's test

³ The NSPM for DERs is a publication of the National Energy Screening Project or NESP. For more information, see <https://www.nationalenergyscreeningproject.org/national-standard-practice-manual/>.

aligns with its specific energy policy goals, which may be unique to Texas relative to use of traditional cost tests such as the TRC.

Commission a New EE Potential Study:

The last energy efficiency potential study was completed in 2008. We believe there is significant opportunity for program growth through the above-mentioned rulemaking priorities that could fundamentally adjust current baseline savings and demand reductions which warrants a new study. This could also ensure that the State of Texas is being a good steward of ratepayer dollars, before making significant changes to the design of the goals. Upon completion of a new EE potential study, we would suggest further review of the existing goals to determine what would make sense for the IOU efficiency programs. Consideration can also be made to determine if shifting to a MW/MWh specific goal would be appropriate, if a uniform goal makes sense for disparate IOUs to achieve or should it be different based on service territory, customer base, resources, etc....

Targeted Efficiency Measures:

SPEER applauds the PUCT and EM&V teams efforts to highlight variable speed heat pumps into a future Technical Reference Manual so that utility programs can receive credit for deploying these highly efficient products. Having more efficient heat pumps in homes and businesses gets directly to the heart of what drives Texas peak demand in both summer and winter, namely residential and small commercial heating and cooling. We believe the Energy Efficiency division should prioritize, where possible, efforts to promote highest and best use measures like heat pump technology into the Texas market that is proven to reduce consumer consumption.

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,

Noah Oaks

Noah Oaks
State and Local Policy Manager
SPEER
NOaks@eepartnership.org

PROJECT NO. 56517

**QUESTIONS FOR COMMENTS
ON ENERGY EFFICIENCY**

§
§

**PUBLIC UTILITY COMMISSION
OF TEXAS**

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

Executive Summary

It has been well over a decade since the last substantive changes have been made to the energy efficiency rules. In that time the Texas population has increased by millions, energy intensive businesses have flocked to the state, and extreme temperatures and weather are quickly becoming the norm. Demand to the Texas electric grid has exploded and forecasts for future load outpace potential generation development. Texas cannot address this growth in demand through new generation resources only. We must also use the tools we have at hand, specifically demand-side management programs, to both reduce load now, but also to provide a bridge until future generation is installed and market redesign measures have been implemented.

The Public Utility Commission of Texas (PUCT) has taken steps towards addressing the demand-side resource needs of the state through establishing an Energy Efficiency Division. The PUCT has also engaged well with stakeholders over the last 18 months to determine potential amendments to the current efficiency program rules and goals through facilitating stakeholder working groups in 2023, holding biannual energy efficiency implementation project meetings, and now through this preliminary energy efficiency planning questions docket. While we applaud these early efforts, it is imperative that over the next 12 months the PUCT moves to open a rulemaking to amend the current program rules. SPEER believes that through this previous engagement there have been several items of early consensus that can provide flexibility to the utility administration of these programs and establish a new baseline for what is achievable now, with an eye towards what is possible in the near future. SPEER's summarized insights are below:

Question 1: Yes, there should be more value assigned to specific hours of the day, but the PUCT should also consider a seasonality component as shoulder months are becoming shorter and conservation calls are being made throughout all seasons.

Question 2: At a macro-level, the utility goals for LI/HTR should be increased. Looking more granularly at the metrics, we believe tracking the total number of homes that participated in new measures annually in these population segments will provide utilities and other stakeholders a better understanding of how the LI/HTR programs are operating as well as potentially develop a pipeline for future efficiency upgrades.

Question 3: The avoided cost of transmission and distribution should be added to these calculations to determine a more accurate value of efficiency programs to the state. Some reporting shows that efficiency measures have the potential defer otherwise costly T&D infrastructure development and maintenance.

Question 4: We support the bonus structure but believe there may be an opportunity to review and incentivize specific outcomes for energy efficiency and demand response respectively.

Question 5: While we believe there are programmatic changes that will impact what the goal should be in the long-term, we suggest consideration of splitting the goal into two separate goals: an energy efficiency goal, and a demand response goal.

Question 6: We support the development of a residential DR goal and the metrics around it in accordance with SB 1699.

Question 7: A rulemaking should be opened to consider the cost-effective criteria, development of avoided cost of T&D, LI/HTR goals, and program planning cycles. Additionally, commissioning a new energy efficiency potential study that encompasses these programmatic change values so that a future goal discussion can be robust. Lastly, PUCT should prioritize targeted measures like heat pumps in current program design.