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PROJECT NO. 56966

**GOAL FOR REDUCING AVERAGE § PUBLIC UTILITY COMMISSION
TOTAL RESIDENTIAL LOAD IN THE §
ERCOT REGION § OF TEXAS**

**AEP TEXAS INC.'S COMMENTS
ON PROPOSAL FOR PUBLICATION OF NEW 16 TAC § 25.186**

AEP Texas Inc. timely files these comments on the proposal for publication of new 16 Texas Administrative Code (“TAC”) § 25.186, relating to reducing the average total residential load in the ERCOT region filed by the Public Utility Commission of Texas (“Commission”) on August 29, 2024. The proposed rule will create an average total residential load reduction goal through the establishment of a demand response program that may be offered by retail electric providers to residential customers.

AEP Texas appreciates the opportunity to provide comments in response to the new proposed rule on this important topic. As directed, a standalone executive summary with a bulleted list covering each substantive recommendation made in these comments is provided as the last page of this filing. AEP Texas appreciates the Commission’s consideration of these comments.

I. Comments

Funding for Responsive Device Programs Proposed subsection (f)

AEP Texas agrees that responsive device programs offered by REPs have a place in a TDU’s energy efficiency program portfolio. However, AEP Texas recommends clarifying the rule language to better align with the language adopted in PURA § 39.919. The proposed rule states that a TDU may use “up to 10 percent of the budgeted spending for responsive device programs offered by a REP.” This should be amended so that a TDU may use up to 10 percent of the budgeted spending for demand response programs on programs described by subsection (c). In other words, as currently drafted the TDU may spend 10% of the entire portfolio budget on REP programs, whereas the statutory language provides that TDUs may spend up to 10% of the budgeted amount for demand response programs on REP programs.

AEP Texas also respectfully suggests that the Commission clarify that the decision to allocate funding to responsive device programs is at the TDU’s discretion. If a responsive device

program proposed by a REP meets the Commission's evaluation, measurement, and verification requirements, that should not necessarily mean that the TDU is required to fund it. This rule should allow discretion depending for example on whether the program is cost-effective, whether the utility would exceed its cost cap, whether it meets other requirements that a TDU's program must meet to be eligible for cost recovery under the energy efficiency rules, and/or whether the program would cause the utility to exceed 10 percent of its budgeted spending for demand response programs.

If the funding of such programs is not discretionary, AEP Texas would have concerns about how the funding of these responsive device programs will impact a TDU's EECRF if the funding is required to be part of a TDU's overall energy efficiency program budget. As such, AEP Texas recommends that TDUs be able to request additional and separate funding for responsive device programs that will not affect the cost cap.

Based on the foregoing, AEP Texas recommends the following modifications to the proposed rule:

- (f) **Funding.** A REP may receive funding for a responsive device program through an energy efficiency incentive program established under §25.181 of this title, relating to Energy Efficiency Goal, if the program complies with commission requirements related to the evaluation, measurement, and verification of demand response programs and if smart the responsive appliances or devices meet the requirements of subsection (c) of this section. A transmission and distribution utility required to provide an energy efficiency incentive program under PURA §39.905 may use up to 10 percent of the budgeted spending for demand response programs on responsive device programs offered by a REP under subsection (c) of this section. A TDU may request separate funding of programs under subsection (c) in their EECRF filings. This separate funding does not count towards a TDU's cost cap.

II. Conclusion

AEP Texas appreciates the opportunity to provide comments on the proposal for publication and the Commission's consideration of these comments. An executive summary of the comments is provided at the end of this filing.

Respectfully submitted,

/s/ Leila Melhem

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ON BEHALF OF AEP TEXAS INC.

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AEP Texas Inc.'s Executive Summary on Proposal for Publication

AEP Texas has three recommendations related to proposed § 25.186(f), as follows:

- **Clarify 10% budgeted amount language** – AEP Texas recommends that the Commission clarify that TDUs may spend up to 10% of the budgeted amount for demand response programs (and not 10% of all budgeted program amounts) on REP programs to better align with PURA § 39.919.
- **TDU Discretion** – AEP Texas requests that the Commission clarify that a TDU has discretion on whether to provide funding to a REP's program based on the criteria listed in the proposed rule and in addition to other factors such as cost-effectiveness, whether it affects the TDU's ability to satisfy other components of the EECRF rules, and whether a utility would exceed the 10 percent threshold.
- **Avoid cost cap issues** – A TDU should be able to request separate funding for a program under subsection (c) that does not impact their energy efficiency program cost cap.