



## **Filing Receipt**

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

COMMENTS OF OHMCONNECT ENERGY

**Introduction**

OhmConnect Energy (OhmConnect) is a Retail Electric Provider (REP) serving Texas residential customers inside ERCOT competitive areas with a special focus on creatively engaging customers through participation in demand response. This allows the REP to reduce its exposure to higher demand periods and associated prices, and to allow the benefits to be shared with customers, reducing their costs of power and improving reliability across the grid. Below are the comments of OhmConnect Energy on the proposed rulemaking. By this filing, we respectfully request a hearing on the proposed rule.

**ERCOT needs strong demand response programs**

As ERCOT is facing record load growth in the coming years, and lags behind in building out transmission to either generation or loads, new generation alone will not be sufficient to meet the needs of the region. In addition, building sufficient transmission and distribution capacity, and new dispatchable generation to meet the expanding demand, brings a heavy price tag. Demand-side resources, such as demand response, promise to help close the gap in a timely and economic manner while providing benefits for both reliability and customer cost, both of which are critical to Texans.

Although demand response is one of the few short-term responses open to the state, this resource requires some clear policy and persistent effort to build to a level that can materially contribute to improved grid stability. In the past year, we have seen ERCOT issue requests for proposals for demand response due to concerns about a potential shortage of accessible generation, and each time there has been little response. This has provided an immediate demonstration that, to have demand response available in these critical times, it takes time and effort to create and grow programs and recruit and engage consumers in participation. While the history of demand

response programs here and in other jurisdictions shows that consumers will participate by choosing to reduce demand given proper incentives , it also shows that demand response requires some combination of education, price signals, and enablement—most effectively by smart thermostats, equipment, or appliances. SB 1699 presents us with an opportunity to do just that by leveraging this still virtually untapped resource, residential load response.

### **The proposed rule makes no material changes to existing demand response programs**

It can certainly be argued that the proposed rule responds to the basic requirements of SB 1699 with a minimalist approach. It can almost be admired how deftly the rule accomplishes its task without causing any real effect in the market. The proposed rule would allow REPs to offer a Responsive Device Program themselves or contract with a demand response provider to provide a Responsive Device Program. The proposed rule in section (f) states that a REP **may** receive funding for a responsive device through a utility energy efficiency incentive program. This is already the case of course, so the rule provides no meaningful change from the status quo. REPs already **may** use third parties to help facilitate demand response programs for their customers. Utilities **may** pay a REP for delivering demand response. The word **may** should be replaced with **shall** in order to provide certainty that participating REPs can actually expect to receive some reasonable incentive from a utility efficiency program. Absent this change, there is nothing in the proposed rule to help scale residential demand response capabilities in the ERCOT market.

Perhaps the most important element of SB1699 is the requirement that the PUC establish a goal for residential demand response, largely in recognition that electric demand associated with space conditioning from commercial and residential loads represents nearly 80% of peak and likely of net peak demand. It seems clear that the point of the legislature imposing this requirement on the PUC would be to have the commission set specific reduction goals and a time frame within which to achieve them. The legislation authorizes that up to 10% of all utility efficiency program funds can be dedicated to achievement of this important goal, a further indication that the intent of the legislature was to stimulate ADDITIONAL effort to reach such a specific goal. However, the proposed rule lacks a specific goal or any plan to establish clear metrics by which the efficacy of the program can be measured.

OhmConnect supports having a minimum participation threshold for REPs offering device-enabled, residential demand response programs as has been applied for participation in ERS. Any qualifying REP program should be eligible to participate, and compensation paid solely on the basis of the

actual reduction delivered. In as much as the ultimate responsibility for achieving demand reduction will lie with the respective TDSPs, the reporting contemplated by the proposed rule should fall to these entities rather than the REP. In an ostensibly “unregulated” retail electric market, imposing yet further regulatory burden on the very REPs struggling to develop programs of value to all consumers will act to discourage participation in opposition to the stated goal of SB 1699.

### **The PUC should make meaningful changes to demand response in ERCOT**

OhmConnect believes instead, the PUC should take this opportunity to adopt a real ‘stretch goal’ for the enablement and participation of residential customers to reduce the impact of their peak or net-peak demand. That goal should be accompanied by a proposed pathway to meet that goal. SB1699 provides an opportunity to adopt a goal and accompanying policy initiatives or market programs that will both increase grid reliability and reduce energy cost, and that will incent the enrollment of more customers in demand response programs and scale up this distributed resource to address the real need. OhmConnect provides the following suggestions:

- The PUC should consult ERCOT, and other resources available, including university energy centers, and stakeholders, to determine what a reasonable and cost-effective statewide goal for demand response would be. Would it not be reasonable to adopt a goal of 10% of residential demand reduction at peak or net-peak or a specific MW goal by 2030, for example, and perhaps intermediate goals, as was done with efficiency?
- SB 1699 does not limit demand response support to the limited funding available from utility efficiency programs. It says that utility efficiency program funding may be used, but does not direct the PUC to rely upon that exclusively and it is doubtful that reliance on this funding mechanism alone will provide sufficient incentives to stimulate the growth required for residential DR to deliver the magnitude of potential reductions the system will require as load growth continues .
- Utility funds should be dispensed to REPs that demonstrate the enrollment of new customers in demand response programs meeting the requirements established by the PUC. A customer can be required to be enrolled by a REP in a Responsive Device Program in order to receive the incentive payment for devices or a REP can be provided an incentive payment based on its aggregate performance or amount of reduction, earning more money

for better performance. Either of these options would provide an additional incentive to customers and/or REPs to maximize the reductions associated with the incentives.

- The utility funds provided per customer or, per kW of response, should be sufficient to engage new customers, not customers who have previously participated in a demand response program. These initial funds should be used to drive enrollment of new customers. Additional funding sources will be required to ensure continuing participation both by the REP and its enrolled customers. These ongoing funds to ensure long term viability, could be derived from ERCOT as contemplated below.
- ERCOT has already developed and currently operates one of the nation's leading demand response programs, although its potential benefit is being constrained by virtue of limited residential participation. Emphasis should be placed on growing the "weather sensitive loads" component of the Emergency Response Service (ERS). Weather-sensitive loads are simply those whose demand is driven by the heat of summer and cold of winter, largely for space conditioning. ERCOT acknowledges these very loads are the ones that drive the vast majority of the demand at peak (over the average demand). The PUC stretch goal for demand response should largely be met by the market, which will set the appropriate ultimate price for its value. The PUC can simply direct ERCOT to expand its existing capability or, split the weather-sensitive loads element of ERS away from that service and create a new ERCOT weather-sensitive demand response service, and authorize funding sufficient to meet that goal. SB 1699 specifically requires the PUC ensure that the residential demand response resource resulting from its passage is capable of responding to an emergency alert related to low operating reserves. This is the purpose of ERS. Unlike the utility efficiency programs which will likely always be limited for a variety of reasons, ERCOT is in position to simply purchase the resources that reliability of ERCOT requires. Creating a more aggressive demand response goal, and expansion of this service, will allow the market to establish what the real cost of that resource is at scale. The PUC and ERCOT can periodically weigh the cost of this weather-sensitive load program against the other means of meeting peak or net-peak loads and responding to emergency conditions and, make adjustments as appropriate. Evaluation of relative cost/benefit should include consideration of other out-of-market actions, and subsidies to fossil generation and other resources.

- It is realistic to assume that the new service contemplated above could be paid for, in whole or in part, if ERCOT reduces the purchase of ancillary services in proportion to the demand reduction achieved by the new program, or reduce the ancillary services charge to participating REPs based on their specific performance.

Respectfully submitted,

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### **Executive Summary of OhmConnect Energy's Comments in Project 56966**

- The PUC should adopt a reasonable, cost-effective state-wide goal and a pathway to meet that goal. This could be a percentage reduction at peak or net-peak or a specific MW goal by a date certain.
- The language in 25.186(f) provides only for discretionary funding of these demand response programs through the utility efficiency programs. The language should **require** funding of these programs for participating REPs to provide certainty that they can actually expect to receive some reasonable incentive from a utility efficiency program.
- Any qualifying REP should be eligible to participate, and compensation should be paid solely on the basis of the actual reduction delivered. Utility funds should be dispensed to REPs that demonstrate the enrollment of new customers in demand response programs, meeting any requirements established by the PUC.
- The PUC should expand funding options beyond the utility efficiency programs to ensure a sufficient source of ongoing funding needed to enable demand response programs to flourish. SB 1699 does not limit the funding sources that can be used to grow these demand response programs.
- The PUC should direct ERCOT to expand its existing weather-sensitive ERS service or split the weather-sensitive loads element of ERS away from that service and create a new ERCOT weather-sensitive demand response service, and authorize funding sufficient to meet that goal.