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Sealed

March 20, 2025

Jenny DiLeo & Ramya Ramaswamy
Public Utility Commission of Texas
1701 N. Congress Ave.
Suite 7-110
Austin, TX 78701

Re: Sealed Response to Request for Comments on Review of Energy Efficiency Substantive Rules (Project No. 57743)

Dear Public Utility Commission of Texas:

Thank you for the opportunity to comment on the Public Utility Commission's Review of Energy Efficiency substantive rules (Project No. 57743).

These comments are provided by Sealed, a tech company on a mission to stop home energy waste. Sealed provides software and solutions to contractors, enabling them to access energy efficiency programs and grow their businesses. Sealed has over 10 years of experience with residential measured savings programs, which we believe have the potential to transform the energy efficiency market, including by improving grid reliability.

Our core recommendation, as outlined below, is to ensure that the Commission's cost-effectiveness framework incorporates grid reliability benefits and the time- and location-specific avoided costs of energy efficiency improvements.

Thank you again for the opportunity, and we look forward to working with you in the future.

Sincerely,

David Kolata
Vice President of Policy
Sealed Inc.

2. 16 Texas Administrative Code (TAC) § 25.181(d) defines - *"Cost-effectiveness standard: An energy efficiency program is deemed to be cost-effective if the cost of the program to the utility is less than or equal to the benefits of the program."*

Also, the *"cost of a program includes the cost of incentives, EM&V contractor costs, any shareholder bonus awarded to the utility, and actual or allocated research and development and administrative costs. The benefits of the program consist of the value of the demand reductions and energy savings, measured in accordance with the avoided costs prescribed in this subsection. The present value of the program benefits shall be calculated over the projected life of the measures installed or implemented under the program."*

a. **What changes should be considered when calculating cost-effectiveness?**
    i. **Discuss changes, if any, that may be warranted to elements of the cost calculation, including measurement and allocation of costs.**
    ii. **ii. Discuss changes, if any, that may be warranted to elements of the benefits determination, including measurement and avoided costs.**

b. **What is the appropriate level at which to compare costs to benefits?**
    i. **What are the benefits of considering sector-level cost-effectiveness?**

Ensuring that cost-effectiveness testing fully captures the value of energy efficiency is critical to supporting a more reliable, resilient, and cost-effective electric grid. Texas' cost-effectiveness framework should evolve to better reflect the full range of benefits that efficiency programs can provide to the Electric Reliability Council of Texas (ERCOT) and the distribution grid. While we support the Commission's use of the Utility Cost Test (UCT), updating cost-effectiveness methodologies to incorporate reliability improvements as well as time- and locational-specific avoided costs will ensure a more accurate and holistic assessment of program value and also encourage program designs aimed at improving grid resilience.

The Commission should adopt a comprehensive approach to evaluating the benefits of energy efficiency programs. For example, a Total System Benefit (TSB) metric can capture the full value of energy efficiency to the electric grid, utilities, and customers. When calculating benefits, we encourage the Commission to consider factoring in the following:

- **Grid Resilience and Reliability Benefits**: Energy efficiency programs reduce peak demand, lower stress on generation and transmission assets and prevent

system failures, especially during extreme weather events. The benefits calculation should explicitly account for energy efficiency's role in improving grid resilience and reliability as well as any avoided costs of deferring the building of new supply-side infrastructure.

- **Time and Location Benefits**: Energy efficiency programs that alleviate grid strain during high-demand times and/or in high-demand locations provide greater benefits. Programs targeting efficiency improvements during peak-demand times and in areas with frequent reliability concerns should be appropriately valued to reflect their higher cost savings and grid reliability benefits. Incorporating these values will incentivize program designs aimed at maximizing grid reliability and providing value to ERCOT.

On the costs side, we discourage the Commission from adopting any cost-effectiveness test that serves as a tax on private investment by illegitimately factoring in "participant costs" into the calculation. One such test is the Total Resource Cost (TRC) test. Tests such as the TRC hurt consumers because it is important to leverage as much private sector capital as possible to improve efficiency and grid flexibility. From a ratepayer perspective, the only costs that matter are those directly paid for by utility customers and thus those are the only costs that should be considered.