



SIERRA CLUB

LONE STAR CHAPTER

To: The Honorable Chairman Dr. Charles Schwertner, Business and Commerce
The Honorable Phil King, Vice-Chair
Members, Senate Committee on Business and Commerce

February 16, 2023

In considering wholesale market design, don't forget the "small stuff"

Today, Senators will hear from several proponents of changes to the wholesale market ranging from:

- Adopting a PCM (Performance Credit Mechanism) similar to the initial decision by the PUCT;
- Providing state financing for dispatchable power plants, providing tax incentives and adopting a new ancillary service known as the DRRS;
- State financing for a backup service advocated by Berkshire Hathaway
- Potentially charging variable resources like renewables ancillary services or even requiring them to purchase energy from dispatchable resources; and
- Any other "supply-side" solutions.

While the Sierra Club has not been invited to present we wanted to remind Senators in these short comments not to forget other changes that would be less costly than these proposed market changes that will help make the grid more reliable, resilient and ultimately better for Texans, whether large industrial customers, or your constituents living in homes or apartments. We are happy to provide our views on the solutions listed above, but will wait until proponents have had their chance to present them.

We offer five small scale proposals below.

1. Increase Energy Efficiency Goals and Programs at the Private Investor Owned Utilities (SB 258 by Eckhardt)

Texas was the first state in the nation to adopt an Energy Efficiency Resource Standard, but today is the state with the lowest energy efficiency goals among those with statutory goals. Currently those programs only save roughly 0.23 percent per year. Other states like Arkansas, Oklahoma and New Mexico have much higher goals.

Establishing a goal of one percent energy savings by 2027 is achievable, would save Texans money and make our system more reliable. In addition to the one percent goal, the Legislature could consider additional requirements on winter savings programs and assuring that electric cooperative and municipally-owned utilities also offer energy efficiency and demand response programs.

2. Create a Texas Energy Efficiency Council made up of several state agencies and utility and other representatives, to coordinate energy efficiency and demand response programs, and better coordinate state, utility and federal programs

Private and Public Utility Energy Efficiency Programs, programs runs by the PUCT, programs run by the State Energy Conservation Office, programs administered by the Texas Department of Housing and Community Affairs, the State Facilities Commission and others are not well coordinated, and with potentially nearly \$1 billion that could be available to Texas due to federal legislation, creating a Texas Energy Efficiency Council - as recommended by the Commission - would be a way to make our grid more reliable by reducing demand.

3. Create a residential demand response requirement in the state such as authorized in SB 114 (Menendez)

While industrial customers have access to sophisticated demand response programs to shift energy use, Texas has not taken advantage of our “Smart” meters, smart appliances and competitive energy market to bring residential demand response to scale. Requiring Retail Electric Providers to provide DR programs, or creating a statewide goal and trading program are two approaches to build out this technology in Texas.

4. Require that new buildings constructed in Texas meet the 2021 IECC. Currently SECO has not adopted the 2021 IECC as the state minimum construction standard

Texas law allows the State Energy Conservation Office to update the minimum energy codes for new commercial and residential construction. Currently, Texas is on the 2015 codes, but SECO has not moved forward due to a conflict between two laws in Texas. Legislation is needed to allow SECO to move forward on adopting the 2021 codes, which are roughly 10 percent more

energy efficient than the previous codes. Texas could also adopt other codes like the 2021 IBC, IRC and IPC through separate legislation to make our buildings more resilient.

5. Authorize the inclusion of Distributed Energy Resources in our wholesale market, including through aggregation of smaller resources

In Texas the law is somewhat unclear on how distributed energy resources such as distributed storage, smaller gas plants, solar panels and other resources can provide both ancillary services and energy to our wholesale market. With more than 3,000 MWs of DG within ERCOT alone, these resources are growing exponentially. New legislation is needed - as has been requested by the PUCT - to establish the rules, improve visibility and bring these resources to market, including through aggregation of these resources.

We believe that focusing on the “small stuff,” including energy efficiency, demand response, modern building codes and distributed energy resources could make our grid more reliable and must be part of any larger solutions. The grid is not just composed of supply but also of demand. Focusing on these resources can help make our system less costly and more reliable . The Sierra Club looks forward to working with the committee to implement these common sense solutions.