



SIERRA CLUB

LONE STAR CHAPTER

To: Chairman Todd Hunter

Members, House Committee on State Affairs

From: Cyrus Reed, Conservation Director, Sierra Club, Lone Star Chapter

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No grid fix can be complete without considering the cheapest, quickest and cleanest way to meet our energy needs: energy efficiency and load management. Energy efficiency saves money, reduces air pollution and creates jobs. CSSB 258 by Eckhardt (Anchia) passed out of the Business and Commerce Committee on a 9-2 vote and out of the Senate on a 18-13 vote. The bill is supported by consumer groups, environmental organizations, industrial customers, energy efficiency implementers and labor organizations.

As passed out of committee, CSSB 258 would update Texas's outdated standard by establishing ***a new goal of one percent energy savings by 2030***, which would be slightly less than other states are currently achieving but would be a considerable increase over current utility programs. The goals would only apply to the four private transmission and distribution utilities in ERCOT (Oncor, Centerpoint Energy, AEP and TNMP) and the four Transmission and Distribution Utilities outside of ERCOT (SWEPCO, SPS, Entergy and El Paso Electric). The new expanded energy efficiency goal would be implemented over time, with the PUCT determining how to increase the goals up to 1 percent by 2030. Importantly, the bill includes specific language that allows utilities unable to reach the goal in a cost-effective manner to seek an exemption from the requirement. The proposed legislation does not impact current cost caps, programs or the current required evaluation, measurement and verification process to assure that the programs reach their required savings and peak demand reductions.

Texas was the first state in the nation to adopt an Energy Efficiency Resource Standard, but today it is the state with the lowest energy efficiency goals among those with statutory goals. Currently the programs run by Oncor, Centerpoint Energy, AEP, TNMP, SPS, Entergy, SWEPCO and El Paso Electric only save roughly 0.23 percent per year.

Other states like Arkansas, Oklahoma and New Mexico have much higher goals. Every year the American Council for an Energy Efficient Economy (ACEEE) releases a state policy guidebook. In the 2022 edition, Texas ranked 29th for all state policy and last on energy efficiency programs for those states with a stated energy efficiency goal.

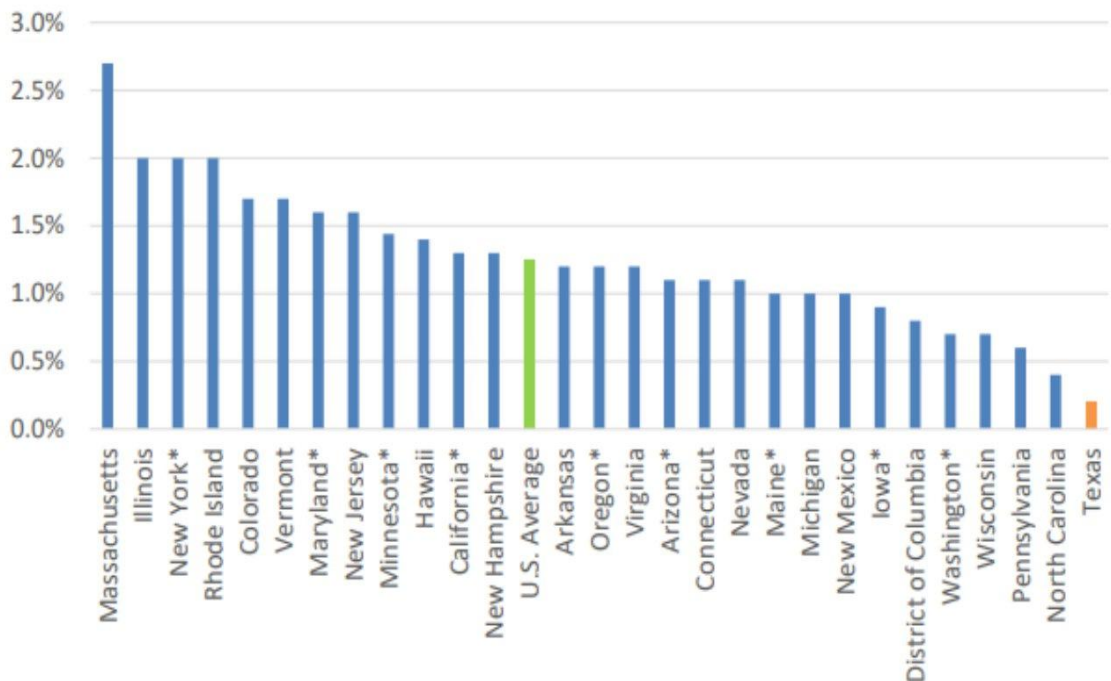
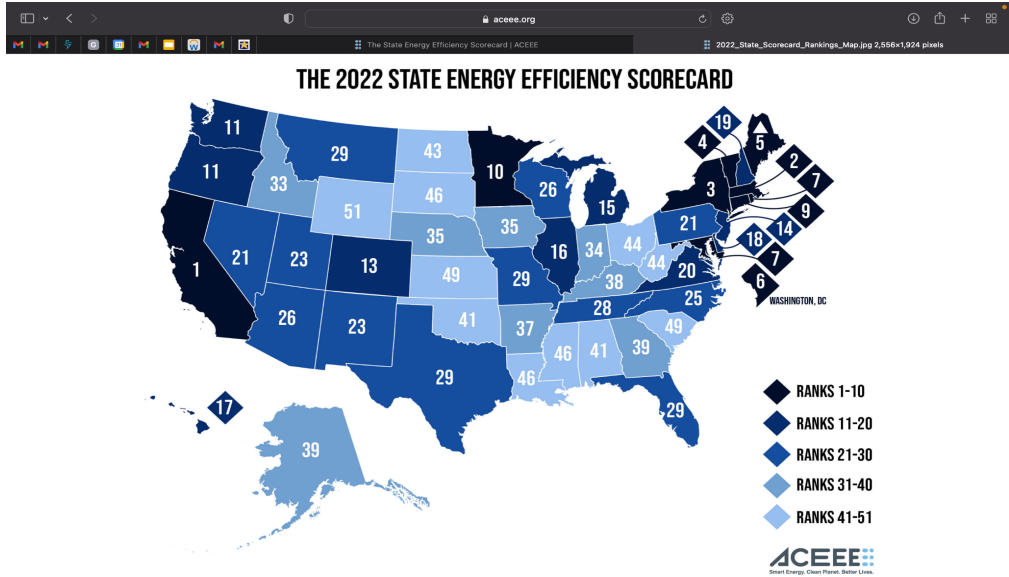


Figure 2. Annual electricity savings as a percent of state energy MWh sales per state EERS policies. For the purpose of comparison, ACEEE estimated an average annual savings target by calculating each state's EERS savings over the years specified in the EERS policy. *State savings are reported on a gross basis; a net adjustment was applied to compare with states' reporting net savings.

How Much will a 1 percent by 2030 Cost Ratepayers?

Reaching a one percent goal will cost more than our current programs, which are reaching about 0.25% energy savings (as well as 0.4% peak demand reduction). In 2021, we spent roughly \$200 million collectively in the eight utilities. Those are paid by residential and commercial consumers through an Energy Efficiency Cost Recovery Fee. Reaching a 1% goal could cost \$800 million by 2030, but it is important to note that all programs and cost caps must be approved annually by the PUCT and they must find the benefits outweigh the costs. In addition, the bill includes specific language that any utility can apply for an exception, either because they are unable to reach the goals, or can not do it under cost caps established by the PUCT.

Why do it if it could cost more money?

Because the benefits will far outweigh the costs, and the consumers who take part in the program save money directly, while the system as a whole will be more reliable. If we can lower risks to all ratepayers, than a small monthly fee will continue to help make our system more efficient, lower costs, and reduce air emissions for a fraction of the costs for other solutions, like the PCM, DRRS, firming or other solutions.

How much energy could Texas save with an aggressive program?

Last week, the ACEEE released a new report - Energy Efficiency And Demand-Response: Tools To Address Texas' Reliability Challenges: Summary - that found that Texas could offset about 14,800 MWs of peak summer load and 23,500 MWs of peak winter load with a combination of 10 demand response and energy efficiency programs implemented between 2024 and 2030, saving consumers roughly \$13 dollars on the average bill. The study found that reaching these goals would cost about \$7 per customer, but save roughly \$20 per month. Customers gets improved reliability in addition to the energy savings.

The full report can be found here -
<https://www.aceee.org/sites/default/files/pdfs/b2302 - encrypt 1 1.pdf>