



SIERRA CLUB

LONE STAR CHAPTER

To: The Honorable Todd Hunter, Chair

Honorable Members of the House Committee on State Affairs

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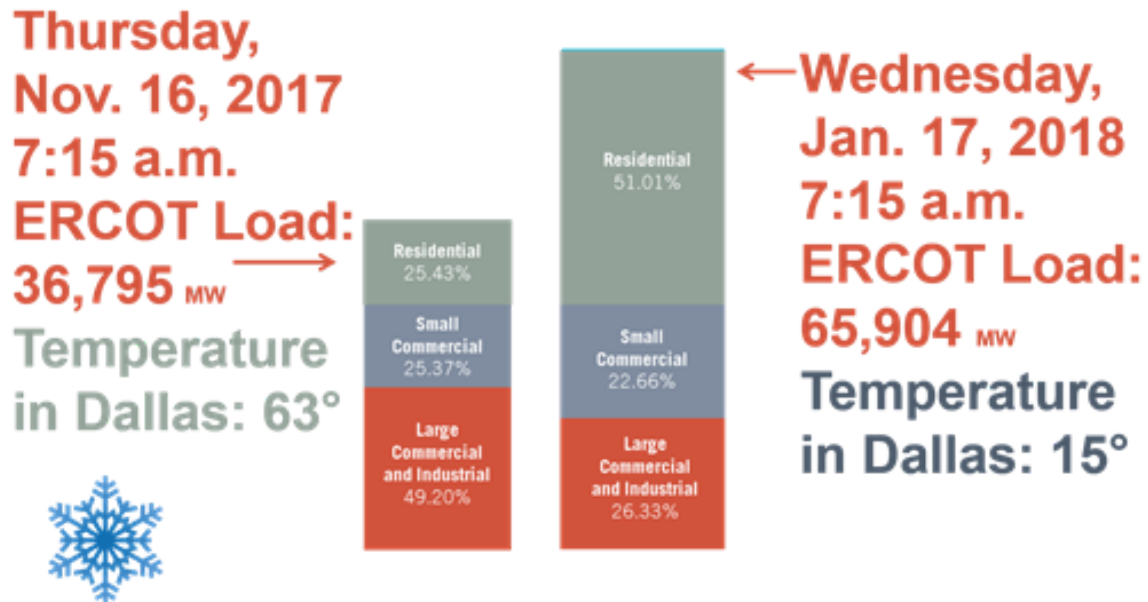
Re: SB 114 (Menendez/Anchia), Relating to the provision of electricity service in the ERCOT power region

May 11th, 2023

The Lone Star Chapter of the Sierra Club is very supportive of CSSB 114 by Menendez, which would create goals and programs for residential demand response by retail electric providers in the competitive market. While large industrial and commercial consumers are active within ERCOT in controlling and managing their electric demand through energy management systems, and providing ancillary services, for the most part, residential demand response has been only a fraction of the market. Few retail electric providers offer programs to consumers, although there has been some growth in recent years. Indeed, most growth in demand is related directly to residential peak load use. CSSB 114 passed the senate on a 27-4 vote with widespread support from conservation organizations, and important support by the Conservative Texans for Energy Innovation, the Texas Advanced Energy Business Alliance and Schneider Electric among others.

Over the last two years, ERCOT set record summer peaks 11 times, while also setting winter peaks both during winter storm Uri, and earlier this year when ERCOT set a winter peak. Information from ERCOT indicates that these peaks were most closely related to residential demand due to heating and cooling. With continued growth in population, migration and new industrial loads, and climate extremes, assuring that residential consumers have tools to better control their energy use, particularly in peak times is a necessity. Texas's ERCOT grid would be made more resilient, cheaper, flexible and ultimately better for consumers if residential and small commercial entities could better control their electric use through the use of demand response.

DOES RESIDENTIAL ENERGY MATTER?



Winter Weather Impacts on GRID by Customer Type

Whether through smart controllable thermostat programs, controlling pool pumps and appliances, controllable water heaters or other programs, requiring the PUCT to come up with goals for residential electric providers to offer programs would be the easiest way to create a market for these resources. We are supportive of CSSB 114 which directs the PUCT to create a goal tied to those customers that have the necessary equipment to participate in demand response, and then allows those REPs that wish to offer programs to compete for customers to meet these goals. Under the CSSB 114, REPs would also work with the PUCT and the transmission and distribution utilities to set up DR programs and incentives to help customers.

CSSB 114 could help Texas reduce peak demand by some 2,000 MWs within a few years. We do believe that in addition, Texas could use its present programs offered through TDUs - Transmission and Distribution Utilities - to provide incentives to customers through the retail electric providers.

By combining the required goals on TDUs in Chapter 39.905 with the new goals for Retail Electric Providers in new Chapter 39.919, Texas could create a more reliable, cheaper and better grid for residential consumers.