

## Oppose Requiring Load Management Programs to Reduce Peak Demand

**CSHB 1604 by Rep. Sylvester Turner**

**AECT Position: Oppose**

### Proposal

- HB 1604, as substituted, would require the Electric Reliability Council of Texas (ERCOT) to establish and implement a system peak reduction program utilizing demand response. The program would be required to reduce the system peak by 1% in 2011, 2% in 2012, 3% in 2013, 4% in 2014, and 5% in 2015.
- Pursuant to the program, ERCOT would be required to calculate the cost-effectiveness of the demand response in terms of avoided costs of peak generation, transmission, and distribution, and update the calculation at least once every two years.
- The Public Utility Commission would be required to adopt rules requiring ERCOT to incorporate demand response resources into its ancillary service markets by establishing a minimum goal of 50% participation of demand response in the ancillary service market.
- The PUC would be required to study whether demand response should be allowed to bid into the energy market on the same basis as generation resources, and, if so, establish a program to allow such bidding.
- The PUC would be required to work with municipally owned utilities and electric cooperatives that have not opted into the competitive markets to allow their customers to participate in demand response programs.
- The PUC would be required to develop rules allowing loads participating in demand response programs to also participate in utility load management programs.

### AECT Position

- AECT member companies support the implementation of load management technologies that are technically and economically viable and in demand by customers.
- AECT recognizes the importance of load management technologies and believes the market will provide guidance in determining which technologies should be adopted. Mandating overly aggressive demand response programs will result in increased costs for all consumers and may adversely impact system reliability.
- Current ERCOT programs similar to those that are the subject of this legislation (Emergency Interruptible Load Service and Load Acting as a Resource) have remained under-subscribed. To achieve the level of participation proposed in CSHB 1604 is likely to require significantly increased financial incentives.
  - Existing programs allow for demand to participate both in the energy market itself and in the provision of ancillary services under existing ERCOT market rules.
  - Loads today are engaged in energy management programs to achieve better energy pricing (e.g., avoiding peak demand periods with load management), and loads today provide a large amount of ancillary services to ERCOT.
  - Market participants are free today to suggest additional measures for demand participation in the ERCOT market (in ERCOT and PUC processes).
  - New technologies – such as advanced meters and smart grid tools – will provide even more opportunities for loads to expand their participation in the market. All of this is on top of aggressive conservation mandates already put in place by the legislature has already approved aggressive conservation requirements (e.g., TX80RHB 3693).

- All aspects of energy service must be carefully designed to meet rigorous reliability standards, which are now federally enforceable, and exceptions cannot be made for any select group.
  - Legislative mandates forcing arbitrary outcomes and pressuring the PUC and ERCOT for special treatment for these reliability services could result in unintended consequences.
  - Thus, it is imperative that any new demand participation features in the market are carefully crafted and fully vetted in the ERCOT stakeholder and PUC oversight processes.
- While the committee substitute removes many of the utility elements of the bill, and modifies other provisions, CSHB 1604 would place new costs on customers.
- Arbitrary mandates for demand participation distort the competitive market. AECT supports allowing market forces to determine the most efficient means of providing reliable electric service.
- AECT remains committed to a long-term transition to future energy solutions, but our state must do so in a manner that is rational, measured and does not impose an unreasonable financial burden on customers or market participants.