



Creating a New, Advantaged Class of Participant in the Competitive Electric Market Specific to Demand Response

AECT Position: Oppose

HB 3343 by Sylvester Turner

Proposal

- HB 3343 would entitle customers to have access to service from “demand response providers”, defining a new category of market participant that would compete against REPs and others without the same standards.
- Under the bill, the PUC would develop rules to:
 - direct ERCOT to provide an analysis of the potential demand response opportunity and penetration in ERCOT on December 1 of each odd-numbered year;
 - remove “barriers” to demand response participation for demand response providers;
 - ensure that customers in the competitive market have the option to contract for demand response services;
 - establish and encourage demand response products, programs and services; and
 - provide opportunities for demand response providers to participate in wholesale energy markets and ancillary service markets on a comparable basis with other resources.

AECT Concerns Regarding HB 3343

- **Undermines market:** Creating a new class of advantaged competitors would undermine the REPs and customer-facing market participants who are investing to offer these products in the competitive market.
 - A recent ERCOT report showed that 413,000 residential and business customers were signed up for demand response programs in 2014. Only 3,000 customers were signed up for demand response programs in 2013.
 - ERCOT established a program on June 1, 2014, that enables residential and small commercial customers to participate and be economically dispatched within the real-time energy market.
 - ERCOT also launched the Weather-Sensitive Emergency Response Service (ERS), which allows aggregations of residential customers to offer demand response.
- **Provides unfair advantage:** Demand response providers currently do not have the same credit requirements or customer protection regulations as REPs and other customer-facing market participants. Thus, they should not participate directly in these markets, at least not without the same requirements and customer protections.
- **Complicates settlement:** HB 3343 creates an additional layer of complication to settlement of transactions at ERCOT.

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