

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 114
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In February 2021, Winter Storm Uri revealed major shortcomings in Texas' energy infrastructure. According to Energy Research and Social Science, the Texas freeze of February 2021 left more than 4.5 million customers (over 10 million people) without electricity at its peak, and many for several days. The freeze had cascading effects on other services reliant upon electricity including drinking water treatment and medical services. Economic losses from lost output and damage in Texas are estimated to be \$130 billion. Over the course of four days, rolling blackouts affected the entire state. The most permanent of impacts from this lack of preparedness and power-generating capacity was the loss of hundreds of Texans desperately seeking warmth.

Response to such disasters is critical in order to help ensure that proper precautions are taken in the future. Demand response adds value to the ERCOT market by assisting in the preservation of system reliability, increasing competition, mitigating price spikes, and encouraging the demand side of the market to respond better to wholesale price signals.

S.B. 114 would require that each retail electric provider in the ERCOT power region develop a residential demand response program to decrease the average total residential load. In addition, it would ensure that participation in demand response is reasonably available to residential customers, and promote the use of smart metering technology.

Committee substitute:

After receiving feedback from committee members and stakeholders, the substitute to S.B. 114 reflects the following changes:

- Codifies participation in demand response programs through retail electric providers who offer such programs.
- Customer is entitled to information from their retail electric provider when their ERCOT power region issues an emergency alert (removes particular information customer should receive).
- Establishes that ERCOT will create goals to reduce the average total residential load.
- Allows retail electric providers to implement demand response programs and obtain energy efficient incentives by electric utilities in that ERCOT region.

C.S.S.B. 114 amends current law relating to the provision of electricity services in the ERCOT power region.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 2 (Section 39.919, Utility Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 39.101(b), Utilities Code, as follows:

(b) Entitles a customer to certain entitlements, including to participate in demand response programs through retail electric providers that offer demand response programs and to receive notice from the retail electric provider that serves the customer when the independent organization certified under Section 39.151 (Essential Organizations) for the Electric Reliability Council of Texas (ERCOT) power region issues an emergency energy alert. Makes nonsubstantive changes.

SECTION 2. Amends Subchapter Z, Chapter 39, Utilities Code, by adding Section 39.919, as follows:

Sec. 39.919. AVERAGE TOTAL RESIDENTIAL LOAD REDUCTION GOALS. (a) Requires the Public Utility Commission of Texas (PUC) by rule to establish goals in the ERCOT power region to reduce the average total residential load.

(b) Requires that the rules adopted under Subsection (a) provide for the adoption of a program that:

(1) provides demand response participation to residential customers where reasonably available;

(2) promotes the use of smart metering technology;

(3) is capable of responding to an emergency energy alert about low operating reserves issued by the independent organization certified under Section 39.151 for the ERCOT power region;

(4) provides opportunities for demand response providers to contract with retail electric providers to provide demand response services;

(5) ensures the program does not impact the critical needs of vulnerable populations;

(6) facilitates the widespread deployment of smart responsive appliances and devices in a manner that enables the customer's appliance or device to be enrolled as part of a demand response product or plan offered by a retail electric provider;

(7) establishes the method by which the components of the ratio described by Subsection (c) are calculated for purposes of determining whether the goals described by Subsection (a) have been achieved;

(8) provides for achievement of demand reductions within both summer and winter seasons; and

(9) allows a retail electric provider that offers a demand response program under this section to obtain funding for the demand response program through an energy efficiency incentive program established under Section 39.905 (Goal for Energy Efficiency).

(c) Requires that the goals described by Subsection (a) be calculated as a ratio by dividing the amount of load reduced at peak demand by the total amount of demand, at the same time, of all residential customers who have responsive appliances or devices at their premises that reduce the electric consumption of the customers.

SECTION 3. Requires the PUC to adopt rules as necessary for the adoption of a program to begin facilitating the widespread deployment of appliances and devices capable of being part of a demand response product or plan offered by a retail electric provider, as provided by Section 39.919(b)(6), Utilities Code, as added by this Act, before December 31, 2024.

SECTION 4. Effective date: upon passage or September 1, 2023.