

## **BILL ANALYSIS**

C.S.S.B. 114  
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State Affairs  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

In February 2021, Winter Storm Uri revealed major shortcomings in the state's energy infrastructure. According to research published in the journal *Energy Research and Social Science*, the storm left more than 4.5 million customers, which translates to over 10 million people, without electricity at its peak--many for several days. That same journal article indicated that the freeze had cascading effects on other services reliant on electricity, including drinking water treatment and medical services, and that economic losses from lost output and damage in Texas are estimated to be \$130 billion. The most permanent of impacts from this lack of preparedness and power generating capacity was the loss of hundreds of lives--246 winter storm-related deaths have been confirmed by the Department of State Health Services.

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.

C.S.S.B. 114 seeks to require the Public Utility Commission of Texas to establish goals in the ERCOT power region to reduce the average total residential load and to adopt certain rules relating to demand response programs offered by retail electric providers.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Public Utility Commission of Texas in SECTION 2 of this bill.

### **ANALYSIS**

C.S.S.B. 114 amends the Utilities Code to require the Public Utility Commission of Texas (PUC) by rule to establish goals in the ERCOT power region to reduce the average total residential load. The bill requires that the rules provide for the adoption of a program that, as follows:

- provides demand response participation to residential customers where reasonably available;
- promotes the use of smart metering technology;
- is capable of responding to an emergency energy alert about low operating reserves issued by ERCOT;
- provides opportunities for demand response providers to contract with retail electric providers (REPs) to provide demand response services;

- ensures the program does not impact the critical needs of vulnerable populations;
- 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 an REP;
- provides for achievement of demand reductions within both summer and winter seasons; and
- allows an REP that offers a demand response program to obtain funding for the program through an energy efficiency incentive program if the program complies with applicable PUC requirements for energy efficiency incentive programs adopted as part of the state's goals for energy efficiency.

The bill authorizes a transmission and distribution utility (TDU) required to provide an energy efficiency incentive program to use up to 10 percent of the budgeted spending for those programs on such demand response programs.

C.S.S.B. 114 requires the goals to reduce the average total residential load in the ERCOT power region to 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. The bill requires the program rules adopted by the PUC to establish the method by which the components of the ratio are calculated for purposes of determining whether the goals have been achieved. The bill requires the PUC, before December 31, 2024, to adopt the rules 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 an REP.

C.S.S.B. 114 entitles a customer in the competitive retail electric market to participation in demand response programs through REPs that offer those programs and to receive notice from the REP that serves the customer when ERCOT issues an emergency energy alert.

#### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2023.

#### **COMPARISON OF SENATE ENGROSSED AND SUBSTITUTE**

While C.S.S.B. 114 may differ from the engrossed in minor or nonsubstantive ways, the following summarizes the substantial differences between the engrossed and committee substitute versions of the bill.

The substitute revises the provision in the engrossed providing for the ability of an REP that offers a demand response program to obtain funding for the program through an energy efficiency incentive program to condition that funding on the demand response program complying with applicable PUC requirements.

The substitute includes a provision not in the engrossed authorizing a TDU required to provide an energy efficiency incentive program to use up to 10 percent of the budgeted spending for those programs on demand response programs.