BILL ANALYSIS

Senate Research Center
88R1724 DIO-F

S.B. 114
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Business & Commerce
4/11/2023
As Filed

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.

As proposed, S.B. 114 amends current law relating to the provision of electricity service 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, Utilities Code) of this bill.

SECTION BY SECTION ANALYSIS

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

(b) Provides that a customer is entitled:

(1)-(5) makes no changes to these subdivisions;

(6)-(7) makes nonsubstantive changes to these subdivisions;

(8) to participation in demand response programs through retail electric providers and demand response providers; and

(9) to receive notice from the retail electric provider that serves the customer:

(A) when the independent organization certified under Section 39.151 (Essential Organizations) for the Energy Reliability Council of Texas (ERCOT) power region issues an emergency energy alert about low operating reserves to providers of generation in the power region; or

(B) of planned outages and the length of time the outages are expected to last.

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

Sec. 39.919. RESIDENTIAL DEMAND RESPONSE PROGRAM. (a) Requires the Public Utility Commission of Texas by rule to require each retail electric provider in the ERCOT power region to create a residential demand response program to reduce the average total residential load by at least:

(1) one percent of peak summer and winter demand by December 31, 2024;

(2) two percent of peak summer and winter demand by December 31, 2025;

(3) three percent of peak summer and winter demand by December 31, 2026; and

(4) five percent of peak summer and winter demand by December 31, 2027.

(b) Requires that the rules:

(1) ensure that demand response participation is reasonably available to residential customers;

(2) promote the use of smart metering technology;

(3) ensure that demand response programs are 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) provide opportunities for demand response providers to contract with retail electric providers to provide demand response services; and

(5) ensure the program does not impact the critical needs of vulnerable populations.

SECTION 3. Effective date: upon passage or September 1, 2023.