

A large, semi-transparent Texas state flag is positioned in the background, centered behind the title text. The flag's design, including the white star on a blue field and the red, white, and blue horizontal stripes, is clearly visible through the light blue and white overlay.

Texas Electric Utility Energy Efficiency and Demand Response Programs

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Texas Electric Industry



- Retail competition for investor-owned utilities in ERCOT began Jan. 2002
 - Separation of competitive production and retail from regulated delivery service (wires)
 - Generation and retail are competitive in ERCOT
 - Higher gas prices have resulted in higher electric prices
- Outside of ERCOT, wholesale competition under FERC rules, retail competition delayed
 - Southwest Power Pool is FERC-approved RTO
 - No RTO in SE Texas or far west Texas

Different Programs, Different Objectives



- Energy Efficiency Programs
 - Reduce demand growth, save energy, reduce air emissions
 - Administered by electric utilities, operated by Energy Service Companies
- Wholesale Market Programs
 - Maintain reliability of network
 - Provide operating reserves and may provide balancing energy and regulation
 - Competitively bid into markets operated by ERCOT (control authority and market operator)
- Price-responsive load among large customers in ERCOT
- Advanced meters will be widely deployed
 - Advantages include ability for retail providers to offer TOU rates and demand response programs to more customers

Texas Needs New Electric Resources



- ERCOT demand growth projected at 2.3%
 - Reserve margins will narrow in 2007 and 2008
 - PUC recently decided to relax wholesale price mitigation measures to provide additional incentives for generation and demand response
- All areas of Texas project need for new resources
- In competitive area, investors will decide what resources to build, subject to environmental rules
 - Significant investment in renewable generation
 - Companies considering new coal and nuclear plants
- In non-competitive area, utility resource acquisitions are subject to PUC review and approval

Possible New ERCOT Wholesale Market Programs



- Emergency Load Response
 - Additional reliability resource provided by demand response
- Evaluating Other Demand Response Alternatives
 - What are the reliability and adequacy benefits
 - What are the costs

Energy Efficiency Program



- Utilities required to operate program to meet 10% of growth in demand
 - Seek to obtain cost-effective energy-efficiency from third parties
 - Available to all customer classes
 - Incentive levels set as a percentage of avoided generation cost
 - Program relies on standardization among utilities, while promoting competition and innovation among energy service companies
- Independent audit in 2006 verified 99% of the 2003 and 2004 reported savings
- Broad interest in increasing efficiency goals

Coordination of Efficiency Programs



- Programs to address short-term reliability and adequacy of generation resources can be operated by RTO
 - Important factors are regional needs for generation and transmission and costs of various resources
 - Regulatory review important to ensure fairness in qualifications and cost responsibility
- Programs to address changes in energy prices and air emissions need not involve RTO
- In a competitive environment, some customers (and retail providers) will make their own decisions on curtailing consumption if they are exposed to market prices
 - Advanced metering can expand the number of customer making such choices
 - RTO needs to understand impact of these choices