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PUC PROJECT NO. 40480

**PROCEEDING REGARDING POLICY §
OPTIONS ON RESOURCE §
ADEQUACY §
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**BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS**

12 JUL 11 PM 2:48
FILED CLERK

**COMMENTS OF
ENVIRONMENTAL DEFENSE FUND, INCORPORATED**

Environmental Defense Fund (EDF) agrees with the Brattle Group Report findings that substantial reforms to are needed in ERCOT's electric markets if ERCOT is to maintain current reliability standards. Specifically, as the report states, "reliance on scarcity prices is unlikely to achieve ERCOT's current reliability objectives"¹ largely as a result of extreme weather events which a growing body of science demonstrates will be increasingly likely in Texas' future². EDF believes that such reforms must include a substantially increased role for Demand Response (DR) and other demand side resources in ERCOT's markets; the report provides ample supporting evidence for this need.

The Brattle Group clearly points out that DR must play a key role in to maintaining system reliability whatever policy options the PUC and ERCOT undertake. It is less clear how much DR may be needed in each policy scenario outlined by The Brattle Group, and how those levels of necessary DR may be attained under different scenarios. According to the report, DR can reduce the need for peak energy supply by 15%, but the use of DR is highly dependent upon the policy options presented in the report. EDF requests detail on the level of DR needed to maintain reliability in each scenario, what would be required in each scenario to attain those levels, as well as the role of other demand side resources in meeting future resource needs.

¹ "ERCOT Investment Incentives and Resource Adequacy", The Brattle, Group, p.67

² NOAA "State of the Climate in 2011"

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Policy Questions:

1. In each of the five policy scenarios outlined on p. 5 of the report, what level of demand response would be needed to maintain current ERCOT reliability targets (i.e. reserve margin of 13.75%)?
2. In each scenario what additional policy mechanisms would be needed to expand DR penetration to the levels needed to maintain current reliability?
3. How would further penetration of DR in ERCOT impact electric bills and rates of end-use customers both for those participating in DR programs and those not participating?
4. What is the likely impact of each scenario on the continuing development of low water use and low pollution energy sources such as wind and solar power?
5. Can other demand side resources such as community energy storage, distributed solar generation and energy efficiency play a beneficial role similar to that of DR in maintaining reliability?

Respectfully submitted,



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