**Stakeholder Feedback on ERCOT Residential Demand Response (DR) Program**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Vistra**

Please find below some initial comments from Vistra. We look forward to the next workshop, and are happy to visit in the meantime to discuss if that would be helpful. Hope you have a great holiday weekend!

Comments

* **Vistra supports residential (and other) load flexibility as valuable tools for grid operators *when integrated properly within an operationally and dynamically efficient market policy framework*.**
  + Well-functioning markets start by identifying a system need, determining the technical performance requirements of the resources that can meet that need, and determining the quantity of the service needed to address the identified need. With these essentials, all resources determined to be able to meet the need then compete to supply the identified quantity of service.
    - **Competition among eligible resources ensures the identified need is met at least cost (“Operational Efficiency”).**
    - As a corollary to this general principle, well-functioning markets do not start by identifying a particular resource that the system “needs.”
  + Markets work by distilling and coordinating the short-term and long-term behavior of diverse stakeholders around a common price signal.
    - In most organized energy markets, the short-term and long-term signals are separated between real-time energy/ancillary service markets and either forward capacity markets or reliability service markets.
      * In those markets, revenue earned in the short-term markets offset the cost needed to provide services procured through the long-term market.
      * In this way, short-term markets influence the resources selected by the long-term markets.  The long-term markets, as influenced by the short-term markets, determine which resources retire, which remain in service, and which enter the market.  **The combined effect of the short-term and long-term market signals ensures the full suite of market services are provided at least cost (“Dynamic Efficiency”).**
    - **In ERCOT, there are no forward capacity markets and reliability services are very limited, so the real-time energy/ancillary service markets must perform both functions (Operational Efficiency and Dynamic Efficiency).** 
      * In the zero-sum ERCOT “energy-only” market it is therefore especially important that efforts to influence which resources enter the market come as a result of a defined market products open to competition among all eligible resources.  Encouraging one class of resources to enter the market or even behavioral changes outside of the market price signal will necessarily reduce market revenues for other classes of resources and thus interfere with the ability to achieve Dynamic Efficiency.
        + Notwithstanding this principle, the state of Texas has by law established a policy priority of bringing new thermal dispatchable generation into the market through the Texas Energy Fund (“TEF”).
        + While TEF does work to lower costs for new thermal dispatchable generation, all else equal, it does not alter the dependence of TEF projects on the ERCOT market design.
        + Interfering with the energy-only market’s ability to achieve Dynamic Efficiency is especially important, therefore, when the entire portfolio of TEF projects is actively engaged in determining whether to proceed with the TEF process.
* **ERCOT’s presented residential DR proposal’s payment mechanism and performance measurement at net peak load would not properly integrate with the ERCOT market policy framework, and that incompatibility risks significant unintended long-term reliability consequences that run counter to the state’s policy goals of building more dispatchable generation.**
  + ERCOT has not explained what market need residential DR would serve that is not currently being served by the energy and ancillary service products.  It appears the unidentified system need is something like “resource adequacy,” albeit indirectly:
    - ERCOT highlights “anticipated growth in load,” showing the ERCOT Adjusted Load Forecast.
      * However, that load growth forecast is not driven by residential load growth, and even taken at face value dwarfs even the extremely aggressive 76% estimated potential residential demand response participation rate in the Texas A&M study commissioned by ERCOT.
      * While Vistra supports appropriately integrated load flexibility, it is not clear that residential DR is “the right tool for the job” in this context
    - ERCOT characterizes residential demand response (DR) as “a source of capacity that is not fully enabled today”
      * Vistra notes that most capacity sources are not fully utilized, including generators, but that this is an outcome of price signals in the current market design and out-of-market policy decisions.
      * Furthermore, subjective underutilization characterization is not a system need, and therefore presents risks to both Operational and Dynamic market efficiency.
  + By subsidizing out-of-market behavior that is targeted specifically at the most critical time for the market to be sending efficient investment/retention vs. retirement signals, a net peak load-oriented program will tilt the scale away from investment/retention and more towards retirement, all else equal
    - This is a risk to Operational Efficiency, Dynamic Efficiency, and to achieving the state’s policy objectives for more thermal dispatchable generation through TEF.
  + Whatever the unidentified system need is, ERCOT has not shown that residential DR is the lowest cost provider of solution to that unnamed system need.
    - To the contrary, ERCOT’s proposal linking payment to the lesser of the Cost of New Entry for a natural gas combustion turbine or the rolling three-year average Peaker Net Margin index virtually ensures that residential DR will be among the highest cost providers of the unnamed system need – but with lower intrinsic value because residential DR is less durable and has lower longevity than a combustion turbine.
* **If ERCOT desires to incentivize more Residential DR, it should be done through a broader market design reform that incentivizes supply and demand with the same price signal.** 
  + The problem that ERCOT acknowledged at the workshop is that the market does not send a price signal large enough to incentivize more demand response from residential consumers.
    - That problem is the same one for the resource adequacy side of the reliability standard “coin”: the energy-only market struggles to send sufficient signals to attract/retain as much dispatchable, durable capacity that the ERCOT system needs to meet the reliability standard.
  + If ERCOT believes residential DR is addressing a need different than meeting the reliability standard, then ERCOT should identify that need and design a service to meet it. If the system need is meeting the reliability standard, then both supply and demand should receive the same market signals to balance the market efficiently.
  + ERCOT’s presented proposal only sends a signal to the demand side, however (and only one subset of the demand side at that). A better path would be to consider how to send better signals to both sides of the market that can achieve both Operational Efficiency and Dynamic Efficiency as part of the 2026 reliability standard assessment.
* **If, however, ERCOT is insistent upon pushing forward a Residential DR-specific out-of-market program, then it must be designed to mitigate its distortive effects on the broader ERCOT market.**

**Recurve**

Thank you for your leadership in developing ERCOT’s proposed Residential Demand Response (DR) program and kicking off the initial workshop. Recurve strongly supports your goal of unlocking the value of residential flexible load at times of high seasonal net load and is excited to contribute to developing a thoughtful approach to aligning incentives, measurement, and implementation.

We see strong alignment between ERCOT’s proposed market design and Recurve’s open-source measurement infrastructure and wanted to share some technical reference material to support you in the stakeholder process.

We're encouraged to see an hourly settlement using existing customer consumption data as a foundation and the proposed matching sites baseline methodology you’ve proposed for performance settlement. This is the same core architecture in our FLEX Platform, which was tested and approved by the California Independent System Operator (CAISO) for demand-side settlement.

* ERCOT’s proposed use of **hourly data and ESIID-level analysis** mirrors the methods outlined in Recurve’s [*Demand Response Advanced Measurement Methodology*](https://urldefense.com/v3/__https:/www.caiso.com/Documents/DemandResponseAdvancedMeasurementMethodology.pdf__;!!DR3VkBMYqM1H!bXKM0BYOh4YRq5taB5fo9TeOrPT2-Eaq0qScdAdBwCEiKUtU8opl2fufyhirbkFaMXAu2VQGoJxapBda5XQ84w$) report, which details our application of time-matched, site-level baseline models. The methods were designed to meet ISO tariff compliance and are capable of delivering transparent, revenue-grade results across all participant types.  Leveraging hourly data takes advantage of existing data resources and is an appropriate level of granularity for meaningful quantification of the impacts from residential demand response.
* ERCOT’s intent to use a **"Matching Sites Baseline"** to assess load reductions during the highest net load hours is a validated component of Recurve’s methodology (we use the term Matched Comparison Groups), which leverages stratified random sampling and counterfactual modeling to adjust for exogenous variables. Our ISO-aligned approach incorporates climate zone, sector, and device strata to build control pools and generate difference-in-difference impact assessments that are reproducible and bias-corrected.

Last year, we outlined in more detail how these methods could lay the foundation for a demand response market in Texas.  In response to a PUCT request for comments on the implementation of SB1699 and the future of residential DR in Texas, Recurve emphasized the need for open-source measurement frameworks that support multiple vendors and deployment pathways without locking in proprietary approaches. Your Residential DR proposal includes many of the same principles.  Universal measurement standards operationalized in an accessible software platform can reduce administrative costs, increase competition, and ensure transparency across the market. *[*[*PUCT Interchange Comment – Recurve on SB1699*](https://urldefense.com/v3/__https:/interchange.puc.texas.gov/Documents/56517_12_1396236.PDF__;!!DR3VkBMYqM1H!bXKM0BYOh4YRq5taB5fo9TeOrPT2-Eaq0qScdAdBwCEiKUtU8opl2fufyhirbkFaMXAu2VQGoJxapBeV65zQCg$)*]*

We believe that a transparent, standardized, and auditable approach, as ERCOT is proposing, has tremendous potential to unlock demand side potential, and a centralized software platform could provide ERCOT with:

* **Weather-normalized baselines and hourly impact validation** at the ESIID level
* **Privacy protection** and secure handling of non-participant data for matched sites
* **Performance settlement calculations** with audit tracking for accountability and transparency
* **Consistent visibility of impacts** from diverse interventions

We are available to you or other stakeholders to answer questions about how we operationalize these methods in our platform. We look forward to contributing to the conversation.

**CPower**

CPower appreciates the opportunity to respond to ERCOT's proposal for a residential demand response program. We have a couple questions.

1. Is ERCOT open to revising the requirement that a QSE must be a REP QSE (NOIE to be addressed separately)? Specifically, CPower sees a lot of value in allowing third party QSEs to participate, to maximize enrollment of resources and value of the program.

Third parties have demonstrated the expertise to handle the program's technical complexity. Over 80% of the ~1400MW provided in ERCOT ERS for 2025 Winter season were provided by non-REP QSEs, for instance. This issue is being discussed at the moment with respect to ADER, a program limited to REP QSEs previously that is being opened up to third party QSEs (limited currently to customers with more than 100kW, but hopefully a lower threshold in the future) due to concern about low participation. Most aggregators haven't participated to date in ADER, because they would need to partner and contract with tens of different REPs and associated QSEs to enroll entire portfolios, which is immensely cumbersome. On the other hand, becoming a REP is also complicated and expensive. CPower foresees the same complications and drawbacks to making only REP QSEs eligible in this proposed program, and hopes we can learn lessons from the ADER pilot program and expand participation to third party QSEs, as well.

1. Would there be a requirement for SCADA/ 2 sec telemetry?
2. Is there an expected timeline for design / start of program?

Thank you for your efforts here, this is a very exciting opportunity!

**Reliant Energy**

Reliant Energy (Reliant) appreciates the opportunity to provide feedback on ERCOT’s proposed Residential Demand Response Program. Reliant has provided retail electric service to customers in the areas of Texas open to retail competition since the beginning of the competitive retail market. Reliant strongly supports ERCOT’s efforts to develop a demand response program for residential customers. The competitive retail market holds the most potential to increase residential demand response capability, and Retail Electric Provider (REP) administered programs that can harness and maximize this potential should be the focus when considering how to grow demand response in ERCOT. Because REPs must procure power to meet their customers’ needs, they are ideally suited to engage in demand response to manage supply costs and optimize demand. Additionally, REPs are certificated and regulated by the Public Utility Commission of Texas (PUCT), which ensures sufficient customer protections will be followed in implementing ERCOT’s program.

The implementation of demand response programs at ERCOT historically have focused on mid-to-large commercial and industrial consumers with programs such as Emergency Response Service (ERS) and participation in ancillary service products for Load Resources. Load Resources can now provide Responsive Reserve Service (RRS), ERCOT Contingency Reserve Service (ECRS), and Non-Spinning Reserve Service (NSRS). That said, the largest driver for demand response in the ERCOT region is the 4 Coincident Peak (4CP) transmission cost allocation mechanism, which is exclusively available to larger commercial and industrial consumers in the competitive service territories along with Non-Opt-In Entities (NOIEs). It is therefore long overdue to design a program focused on residential consumers in the competitive market. Given increased adoption of smart energy devices in the home such as smart thermostats, aggregations of residential customers have great potential to be a meaningful and readily accessible resource in the near term to help address resource adequacy.

Since many of the details of the program are still in development, Reliant reserves judgment on the specific design elements but does want to express support for many of the aspects of the high-level framework:

* To maximize participation, the program must be as simple and flexible as possible to allow REPs to design and market retail products to customers to encourage their participation.
* The new reporting requirements under 16 TAC § 25.186 provide an opportunity for ERCOT to obtain the information necessary to determine eligibility and performance.
* ERCOT may want to expand eligibility for the summer season to residential customers that are on peak rebate programs (this would be a future step based on conclusions from the annual REP DR survey process).
* The program design should minimize technical complexity (such as use of telemetry) consistent with ERCOT’s initial design proposal.
* Program incentives should be aligned with times of highest peak net load to ensure deployment addresses resource adequacy needs.
* Since the program benefits the ERCOT grid as a whole, allocating costs in the same way as ancillary service costs based on hourly load ratio share is reasonable and equitable.

Reliant also acknowledges the concerns expressed at the May 2nd, 2025, workshop regarding the potential conflict of this program design with the energy-only market and price formation. Further evolution of the program design to incorporate market pricing adjustments or other market design improvements should be considered to limit or offset impacts, if necessary. However, the difficulty of the current market structure to properly incentivize resources through energy price formation has existed for decades and will continue regardless of whether this product is implemented or not—and, even with robust participation in this product, any impact of a residential demand response product on wholesale prices will be minimal compared to existing pricing impacts resulting from policies unrelated to energy market design that cannot realistically be contained.

Indeed, the sanctity of price formation in the ERCOT energy-only market has faced challenges since its inception. Transmission cost allocation has incentivized reduced peak demand consumption to avoid transmission costs since the beginning of the ERCOT competitive market. Subsidies for renewable and storage resources artificially lower wholesale pricing. Municipal utilities and cooperatives often operate programs that incentivize customer demand reduction beyond just energy cost savings. The Texas Energy Fund will help incentivize the construction of new dispatchable resources, but that too will impact energy prices, as could other programs yet to be developed. State and local rebates are available for customers to upgrade HVAC systems which reduce electricity consumption during peak hours. These are only some examples of “out of market” actions that overwhelm the integrity of price formation and have resulted in significant price suppression over time that will greatly overshadow the impact of this program. Even with numerous attempts to modify the market design over the years such as iterations of the Operating Reserve Demand Curve (ORDC), implementation of the Reliability Deployment Price Adder (RDPA), and higher price caps, energy price formation alone in ERCOT has persistently failed to attract sufficient investment in new resources, including demand response, partly because of these impacts.

Therefore, opposition to ERCOT’s proposed residential demand response program based on concerns with the integrity of price formation clings to an idealistic view of a theoretical energy-only market design that doesn’t exist. Such opposition also likely overstates the potential negative impact of ERCOT’s proposed program on the market compared to what is already occurring and ignores the merits of encouraging residential customers to reduce consumption during this coming period of high demand growth from large loads. Rather than opposing the development of a residential demand response program, Reliant encourages stakeholders to focus on how to constructively adjust the program design, if needed, and evolve the overall ERCOT market design going forward to provide investment incentives for the resources we want to attract through market mechanisms that can realistically help achieve the reliability standard in a cost-effective way, and residential demand response should be included in the mix of resources for that purpose.

**Texas Competitive Power Advocates (TCPA)**

TCPA is a trade association representing power generation companies and wholesale power marketers with investments in Texas and the Electric Reliability Council of Texas (ERCOT) wholesale electric market. TCPA member companies participating in these comments include: Calpine, Cogentrix, Constellation, EDF Trading North America, Hull Street Energy, Liberty Power Innovations, LS Power, Luminant (a.k.a. Vistra), Rockland Capital, Shell Energy North America, Tenaska, and WattBridge. Member company NRG will be filing separate comments.

TCPA appreciates the opportunity to provide feedback and questions on the Residential Demand Response (“DR”) Program design proposed by ERCOT Staff. Given the load growth projections for the state, TCPA understands the interest in load flexibility, including residential DR, and could be supportive of a program that works holistically with other ERCOT programs to help deliver a reliable and resilient electric grid to Texans. TCPA maintains this shared goal is best achieved through the competitive market as opposed to out-of-market actions.

As such, TCPA is concerned that the proposed design of the residential DR program is an out-of-market action that could negatively impact the reliability of the grid. At the Legislature’s direction, the state has made significant efforts to add much needed thermal dispatchable generation to the grid and ensure there is ample supply of power to meet an ever-growing demand. For example, the state has made it a priority through programs such as the Texas Energy Fund (TEF) to incentivize new dispatchable gas generation. To be successful, the TEF requires price signals that provide investors with confidence that there will be sufficient revenues in the market to repay the loans and operating expenses. Yet, we have already seen some potential projects withdraw from the TEF citing concerns about the viability of new gas generation in ERCOT.

TCPA is concerned that the DR program, as proposed, would negatively impact the competitive market and, in turn, reliability. The current energy-only market design in ERCOT depends entirely on price formation, particularly during the highest net load hours. As proposed, the DR program is an out-of-market action that would result in inefficient market price formation during this critical time – negatively impacting market signals – and shift it instead to capacity payments for DR at a price level up to three and a half times higher than prices paid to any other resource in the competitive market. The resulting price suppression would likely work against the objectives of the TEF and other programs aimed at increasing reliability, potentially leading to the loss of investment in new dispatchable generation and even the potential retirement of existing assets.

TCPA does not believe that is the goal of the proposed DR program and would like to pose some questions for consideration by ERCOT and stakeholders to ensure the program ultimately implemented is a complement to the efforts of the Legislature, the Public Utility Commission (PUC), and ERCOT in providing a more reliable and stable grid and competitive market for critical generation resources. As such, ERCOT may wish to consider a limited pilot program first to better assess its impacts on the wholesale market and harmonize the program with other ERCOT initiatives. This could also inform the appropriate size and scope of the program and other considerations such as whether its impacts should be included in the Reliability Deployment Price Adder (“RDPA”). Further, ERCOT may wish to further consider how the residential DR program is designed relative to other out-of market programs and in-market ancillary services (see attached chart).

**Questions to Consider**

1. Has ERCOT considered the impact this out-of-market action will have on the wholesale market and how to mitigate price suppression so that it does not interfere with other policy priorities, such as attracting new and retaining existing dispatchable generation resources? If so, can ERCOT share that analysis?
2. Specifically, the residential DR program design targets the times when TEF-supported generation will need to make revenues to repay their state-backed loans. Has ERCOT analyzed the potential impact of the DR program on the financial viability of the TEF resources and/or the potential for retirement of existing dispatchable resources still needed for grid reliability?
3. How does ERCOT envision this program will be incorporated into the reliability standard study? Has ERCOT done any analysis of the impacts on long term reliability?
4. Why has ERCOT bypassed the use of market-based signals to incentivize residential DR with its proposal?
5. How did ERCOT calculate CONE and why is that (or Peaker Net Margin) appropriate for a load resource that does not need to cover costs of new entry into the market?
6. Whose responsibility is it to verify that a participant is not participating in any other DSP or ERCOT program?
7. Should there be a qualification check or process in place to avoid “gaming” the program (e.g., by using home backup batteries instead of providing true DR)?
8. Like ERS and utility management programs, how will the DR program's impact be included in RDPA?
9. What is the maximum value that ERCOT would pay to residential DR customers on a $/MWh basis? Is that same price signal available to other resources, including loads in SCED and traditional generation resources? If not, why not?
10. What is the likely target size of the program? e.g., 500 MW?
11. Currently there is $5,000/MWh incentive for all types of resources in the market to provide MWs during net load scarcity. This proposal currently creates incentives for REPs to create residential DR programs to respond during scarcity. Can ERCOT share more detail on how they arrived at an *additional* $17,500/MW incentive for just the residential DR program (in addition to the avoided costs of energy)?
12. What is the policy rationale for providing a higher incentive to load resources with no obligation and compliance than generation resources providing similar MWs with both a financial obligation and compliance risks (up to $22,500/MWh for loads versus $5,000/MWh for generation)?

A picture containing chart

AI-generated content may be incorrect.

**Leap**

Leap is grateful for the opportunity to provide feedback on ERCOT’s proposed Residential Demand Response Program. Leap is a 3rd party demand response provider that has participated in ERCOT’s ERS program since 2020.

In order to achieve the objective of a program that is “popular to join,” customer engagement will be crucial to attract as many participants as possible. In a REP-driven model, there are 2 main potential pathways. First, if REPs focus on recruiting end customers directly, without working through third parties that have remote control of the smart devices, they will be reliant on those end customers taking action themselves. This approach is often referred to as “behavioral DR” and is typically much less effective than automated residential demand response. The second approach, where REPs do work with third parties that have device remote control capabilities, requires all REPs, and their corresponding QSEs, to come to separate agreements with the third parties. This could create an incredibly complicated web of contracting arrangements simply in order to allow the majority of customers to be able to participate via automated controls. Oftentimes these third parties don’t know exactly which REP each of their customers subscribes to, and keeping track of REP subscription changes would be difficult from an administrative standpoint.

In order to avoid these obstacles, we encourage ERCOT to utilize the precedent set by its ERS program, which allows for third party QSE participation, and implement it for this program as well. This approach would not preclude REPs from being able to operate this program themselves, but it would vastly simplify the process of enrollment, participants, increase competition and as a result efficiency, and allow for some consistency year-to-year as customers change REPs. Under the ERS model, Leap has worked with multiple end use customer aggregators to successfully enroll over 100 MW and over 100,000 end customers. Ensuring this pathway remains a viable option for the Residential DR program, and that the program isn’t reliant on every REP marketing a behavioral DR program to its end customers, is critical to its success.

**Base Power**

*Under the current proposal, the combination of restricted export eligibility and the proposed value of DR participation may unintentionally incentivize home battery fleets with useful excess capacity to operate in ways that avoid exports altogether.*

*For battery resources specifically, accurate baselining is a challenge. Once a battery is installed, the historical load profile at that ESIID is distorted, complicating traditional baselining methods. To address this, we see two viable paths forward:*

1. ***Utilize ADER to disambiguate device activity from home load.*** *Treat ADER and this new program as functionally mutually exclusive through the new DER management software ERCOT is seeking to procure. The energy that an ADER resource moves in and out of the associated meters is credited to an ADER resource (i.e. exports are handled by a telemetered and auditable ADER resource). Base suggests that ERCOT net out the ADER resource’s imports and exports so that it becomes the effective site load and does not distort a load baseline; or*
2. ***Explicitly support the participation of batteries in the DR program****. For ESIID’s that get a DG label as the result of a battery installation, the load profile prior to installation is utilized for baselining such that battery activity does not distort the home load profile over time. Exports measured by the AMI are not credited during the net-load peak hours that the DR performance is measured, but credited at wholesale otherwise.*

**Office of Public Utility Counsel (OPUC)**

The Office of Public Utility Counsel (OPUC) submits the following stakeholder comments regarding ERCOT’s proposed Residential Demand Response (DR) program, as presented in the May 2nd workshop. OPUC appreciates the opportunity to contribute to the development of a program that may bring value to Texas electricity consumers, particularly residential customers. We offer the comments below to promote a design that maximizes consumer benefit, safeguards customer privacy, and remains consistent with Texas’ established market structure.

OPUC supports the implementation of demand response programs due to their significant benefits. These programs can help conserve electricity during peak periods—such as on hot summer days—by reducing demand when the system is most strained. By lowering demand during these critical times, DR helps utilities manage their resources more effectively, enhancing the reliability and efficiency of electricity delivery and usage.

OPUC believes that demand response programs can support several important goals:

* Lowering costs for residential consumers utility costs
* Reducing residential electricity load during peak demand periods
* Encouraging competition among Retail Electric Providers (REPs)
* Promoting the use of new technologies to strengthen grid reliability

These benefits ultimately support a more reliable and efficient ERCOT grid. However, OPUC has outstanding questions regarding the structure and administration of the programs discussed. For example:

* Who has direct control during a demand response event?
* Do customers receive incentive payments for allowing a utility or aggregator to control certain equipment?
* How is control administered and what does that mechanism look like?
* Are consumers compensated for voluntarily reducing their load in ways that support grid reliability?
* How are bill credits or other incentives calculated and applied?
* How to ensure that residential consumers’ personal data will be kept private?
* How will customer protection rules be enforced in these programs?

OPUC supports residential demand response, however we believe that the net costs and benefits should be a benefit to all residential customers, not just those that participate in the program.

We appreciate the opportunity to provide input and look forward to continued discussions. OPUC summarizes its concerns and respective recommendations below.

**1. Avoid Capacity Market-Style Incentive Structures**

OPUC has concerns with ERCOT’s proposal to base DR incentive payments on the Cost of New Entry or Peaker Net Margin. These mechanisms are key features of capacity markets, which Texas has explicitly avoided due to cost, complexity, and controversial design.

**Recommendation:** Tie incentive payments to market-based values that reflect real-time or day-ahead energy prices, rather than speculative or consultant-driven estimates. Avoid any design that mirrors the previously rejected Performance Credit Mechanism (PCM). OPUC emphasizes the importance of ensuring that DR programs deliver meaningful value to consumers and do not impose unnecessary costs. As such, these programs should be designed to be cost-effective, easy to understand, and straightforward to participate in.

**2. Ensure Clear Consumer Consent and Program Transparency**

Consumers must fully understand when and how they are participating in a DR program. Current smart device programs often lack transparency, leading to confusion or mistrust.

**Recommendation:** Require explicit, affirmative consumer opt-in with standardized disclosure of how the program works, including override rights, expected interventions (e.g., thermostat adjustments), and compensation.

**3. Protect Consumer Privacy and Autonomy**

The proposed use of appliance-level data and automated device controls raises privacy and consumer autonomy concerns.

**Recommendation:** Incorporate robust privacy protections and require that customers always retain the ability to override automated controls. These consumer protections should be formalized through Commission rulemaking or ERCOT protocol where applicable.

**4. Promote Program Simplicity and Cost Efficiency**

The value of residential DR must outweigh the administrative and operational costs. Texas should not replicate other markets that suffer from over-complexity and poor cost-benefit outcomes.

**Recommendation:** Keep program design simple, transparent, and limited in scope. Focus on cost-effective delivery and clear measurable outcomes, avoiding a proliferation of overlapping DR mechanisms.

**5. Assess Existing Retail DR Programs Before Launch**

Retail electric providers may already be deploying effective residential DR programs not visible to ERCOT.

**Recommendation:** Consider issuing a structured REP/Qualified Scheduled Entity survey to assess the scale and effectiveness of current DR programs. This information could inform ERCOT operations and guide whether a new ERCOT-level program is warranted.

**6. Phase in Implementation and Coordinate with the PUC**

Due to the complexity of design choices and potential consumer implications, ERCOT should take a deliberate, inclusive approach.

**Recommendation:** Phase in the program with a pilot and stakeholder review period. Consider referring key consumer protection elements to the Public Utility Commission of Texas for rulemaking.

**Conclusion**

OPUC supports voluntary, transparent, and consumer-focused demand-side solutions that strengthen reliability without compromising consumer rights or market stability. We urge ERCOT to avoid controversial market structures, prioritize consumer trust, and coordinate closely with regulators and stakeholders throughout the design process.

Finally, OPUC emphasizes the need to ensure consumer protections rules are strictly implemented, whether they go through Commission rulemaking or via ERCOT’s nodal protocol language, such that consumers' information is safe and participation in these programs, or a decision to not participate, does not negatively impact consumers in the future.

OPUC appreciates the opportunity to provide these comments and looks forward to working with Staff and other stakeholders on this project. OPUC looks forward to continued collaboration on this important initiative.

**City of Eastland**

The City of Eastland (Eastland) appreciates the opportunity to comment on ERCOT’s proposed Residential Demand Response Program (Program) on behalf of the Small and Large Commercial Consumer Segments.  Eastland agrees with ERCOT that residential demand response is a critical reliability and resource adequacy tool.  But Eastland is concerned that ERCOT’s proposed Program misses the opportunity to expand demand response participation in the energy market.

As you know, in PURA the Legislature directs that “electric services and their prices should be determined by customer choices and the normal forces of competition.”  Eastland did not participate in the May 2, 2025, Workshop and, for purposes of these comments, has only reviewed the May 2, 2025, Workshop slides.  However, the Program appears to contradict PURA’s directive: it appears to be a capacity market design that would reward consumers for demand response *availability* during times of grid constraint, compensating them with an administratively determined price.  Thus, the normal forces of competition would not dictate or control the Program’s incentives.  Without getting into program details at this time, Eastland has two key recommendations.

First, ERCOT should fully collaborate with the stakeholder community to design the Program as an energy market product.  ERCOT, for example, could allow that participating residential consumers’ Retail Electric Providers—or Load Serving Entities—bid aggregated demand response capacity into SCED.  This ensures that competition controls the demand response capacity settlement price, ensuring a competitive outcome.  Second, ERCOT should consolidate the proposal with the Aggregated Distributed Energy Resource (ADER) Pilot Project.  The Program envisions a service—aggregated demand response—that is consistent with other ADER products.  And the ADER pilot program is an existing and successful collaboration among stakeholders, ERCOT and the PUC.  As such, it would be the most efficient forum to develop the Program in a manner that simultaneously promotes Residential Demand Response and ADER proliferation.  Coordination with the ADER Pilot Project would help meet this objective.

**Chariot Energy**

Thank you for the opportunity to provide feedback for the Residential DR Workshop I.

I have a question. Suppose we discharge a residential behind-the-meter battery every day during the evening, which is typically the peakiest hour, and that also overlaps with the highest net load hour.

In that case, is there a high possibility that from ERCOT’s perspective, the repeated discharging has already lowered the baseline MWh to the point where it appears that there’s no actual load reduction during the highest net load hours?

Looking at the logic applied to ERS, it seems reasonable that there’s no need for separate compensation if that reduced level of load was always present regardless of whether the grid is tight or not—but I’m asking just to be sure.

**Pedernales Electric Cooperative (PEC)**

Thank you for the opportunity to comment on ERCOT’s proposed residential demand response (DR) program. The proposal aims to incentivize DR participation via payments to REPs (and possibly NOIEs) for their eligible customers who reduce their load during net peak load hours.

PEC supports cost-effective strategies that reduce electricity use during net peak hours. We agree with ERCOT’s message that the program be quick to develop, simple to administer, popular to join and cost-effective. While we have several concerns with the initial proposal as we outline below, we look forward to additional discussion and collaboration.

**Data Transfer and Integrity**

The requirement to transmit 15-minute interval data for all residential accounts, along with other requited verification data, raises concerns about the cost and technical feasibility, potentially limiting participation. We welcome further discussions with ERCOT and others to better understand the data requirements and explore alternative solutions.

One related issue to address is potential gaps in 15-minute data that may occur due to outages, and the estimates for usage that are applied for these periods. This has historically been an issue in the ERCOT competitive market, such as with REPs offering time of use products.

**Program Participation and Design**

PEC understands this program is not to be duplicative of other programs, but we are unclear whether this only applies to programs similarly designed to the ERCOT proposal. It is also unclear whether NOIEs would be required to share the ERCOT payment with participating customers, if their DR program features an upfront bill credit rather than per event payments.

A quick review of internet offers shows there are existing DR programs in Texas offered by coops, MOUs and REPs, and we observed most have upfront bill credits ranging from $25 to 1$150. ERCOT should clarify whether these customers are also eligible for the ERCOT program, since the design of these programs is not based on significant peak events like the ERCOT program.

If the ERCOT program requires all or a portion of ERCOT’s payment be shared with end-use customers each time an event is called, retroactive identification of qualifying hours and amounts will cause confusion and hinder marketing. The proposed PCM style approach makes the program extremely complicated and difficult to administer. Even if payments are not required to be shared with end-use customers, we encourage ERCOT to work with stakeholders to design a process that allows the events and amounts paid for savings to be declared in advance of each event.

**Cost Recovery**

The cost recovery proposal would uplift charges to all customers regardless of the ability of their utility to participate. This raises equity concerns for NOIEs unable to participate due to the prohibitive cost or lack of access to required technology. Cost recovery should not apply to NOIEs who are unable to participate.

To encourage NOIE participation in a voluntary program, there should be consideration to allow cost recovery mechanisms that would properly incent NOIEs to make the additional investments that would be required to provide the premise-level data required.

Again, PEC appreciates the opportunity to provide this input and looks forward to continued collaboration with ERCOT and the stakeholder community on this important initiative.

*Note: A limited search of internet offers offers from Coops, Munis and REPs, most with an upfront payment rather than per event credits, and bill credits ranging from $25 up to the TXU Energy offering $150, defined as a “one-time reward redeemable for $50 in gift cards, a $50 prepaid card, or up to $150 in energy efficient product”.*

**Texas Public Power Association (TPPA)**

**TPPA respectfully recommends that ERCOT revise its proposed demand response program to apply only to Retail Electric Providers (REPs), allowing MOUs to opt in voluntarily and avoid any mandatory funding obligations.**

Rationale for our recommendation:

* **Extending ERCOT’s proposed new demand response program to MOUs would undermine successful, self-funded local programs and impose new costs.** TPPA supports ERCOT’s goal of maximizing supply and demand side resources to maintain grid reliability during system stress. Demand response is a proven and valuable tool for reducing load. Many MOUs have long-standing, nationally recognized programs that are fully funded by their customers through local rates and have benefited the entire ERCOT system. Applying the proposed program across all market segments risks weakening the existing price signals that support MOU-run programs while layering on redundant and disruptive costs.
* **MOUs already have strong financial incentives to invest in demand response programs.** MOUs have a strong incentive to implement demand response programs because they are directly exposed to wholesale energy and transmission costs. As vertically integrated entities, MOUs purchase power from the wholesale market and bear the full financial impact of real-time price spikes. This exposure makes reducing peak demand a critical strategy for avoiding high-cost hours, preserving budget stability, and protecting their rate base. In contrast, REPs often serve customers under fixed-rate contracts and rely heavily on hedging, which insulates them from direct wholesale price signals during scarcity events. Additionally, MOUs are better positioned to implement demand response programs effectively due to their direct customer relationships and access to meter data. REPs, on the other hand, must coordinate with Investor-Owned Utilities (IOUs)—which operate their own demand response programs with legislatively guaranteed cost recovery, performance bonuses, and limited incentives to share customer data with REPs.
* **ERCOT’s proposed data requirements would impose unjustified costs and operational burdens on MOUs**. ERCOT currently lacks an established process to obtain the meter data necessary for MOU participation. The proposed approach – which would require transferring all of a participating MOU’s interval meter data using identifiers akin to ESI IDs – creates significant barriers. Many MOUs operate with electric departments focused solely on distribution system operations and maintenance, while customer care and billing fall under separate city administrative departments. These MOUs often lack the technical expertise and staffing capacity to develop, manage, and support the data infrastructure ERCOT’s proposal requires. Many MOUs would need to build entirely new systems, and some currently use meters that cannot record or export data in the required format. Even where meters are technically capable, they have not historically been used for external data sharing. The buildout of these new processes would be complex and costly.

Requiring MOUs to fund a program that undermines their existing, successful demand response efforts – while imposing significant capital burdens in order to allow them to participate – would be inequitable and unreasonable.

TPPA respectfully recommends that ERCOT revise the proposal to apply only to REPs and allow MOUs to opt in voluntarily. MOUs should only be required to fund the program if they choose to participate.

**Texas Public Power Association (TPPA)**

The Texas Energy Association for Marketers’ (TEAM) appreciates the opportunity to provide feedback on the information presented at the May 2, 2025 workshop hosted by the Electric Reliability Council of Texas, Inc. (ERCOT). TEAM is a non-profit industry association whose members are retail electric providers (REPs) certificated by the Public Utility Commission of Texas and participating in the ERCOT market as load serving entities (LSEs). As the market participants responsible for serving end-use residential customers in the competitive market, TEAM supports ERCOT’s efforts to develop a program with the goal of incentivizing and growing residential demand response (DR) capacity. To that end, ERCOT’s overarching design framework of quick to develop, simple to administer, popular to join, and cost-effective serves as a solid basis for a residential demand response program. The program as proposed by ERCOT will provide REPs the flexibility to work with their customers to find strategies that are valuable for customers and market reliability. This flexibility is key to maximizing the residential demand response contribution to ERCOT.

TEAM also supports this proposed program as one that builds on and/or compliments the Responsive Device Program implemented in 16 Texas Administrative Code § 25.186. Adding an ERCOT program that provides predictable financial incentives tied to actual performance during times of need will increase the pool of resources REPs can leverage to bring residential DR to the grid at times of peak net load. TEAM is sensitive to concerns raised in the workshop about potential market disruptions; however, at this point, we support ERCOT’s design and understand that a low barrier to entry to getting this kick-started has wide-reaching benefits. This program will allow the Commission, ERCOT, REPS, and other market participants to benefit from the reliability impacts of residential DR at times of peak net load. In the future, if this program becomes unwieldy or appears that it could be over-subscribed, the program could be revisited. However, adding significant administrative burden at this point would be premature and would work at cross purposes to bringing residential DR as a reliability tool.

ERCOT’s recommendations on the key design elements provide a workable framework from which to begin this program.

Eligibility

NOIE Participation

Program Trigger

Allocation

Incentive Payment

Performance Duration

Performance Assessment

Data Submission

Settlement

Cost Recovery

Program Framework

Because this program would be established through an NPRR, should there be a need to adjust or modify the terms depending on subscription rates, those terms can be adjusted through a subsequent NPRR.

The members of TEAM look forward to the workshop scheduled for June 16, 2025, and to continuing the discussion regarding residential DR and specific program design elements. TEAM is encouraged that creating this new residential DR program is a key ERCOT priority for 2025 and appreciates the chance to work collaboratively with stakeholders to make it a reality.