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| NPRR Number | [1296](https://www.ercot.com/mktrules/issues/NPRR1296) | NPRR Title | Residential Demand Response Program |
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| Date | | October 23, 2025 | |
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| Submitter’s Information | | | |
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| Market Segment | | Consumer – Small Commercial | |

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| Comments |

The Lone Star Chapter of the Sierra Club appreciates the opportunity to make brief comments on Nodal Protocol Revision Request (NPRR) 1296, which would implement ERCOT’s proposed Residential Demand Response Program. The Sierra Club has participated in several of the discussions and agrees with the intent of the NPRR to create incentives for a residential demand response program in the ERCOT market.

We would note that there also appears to be strong Commission and legislative support for the benefits of a healthy and robust residential demand response market within ERCOT. First, in several workshops, the Commission has consistently discussed how residential demand response could play a key role in reducing demand, increasing reliability, reducing prices, and creating competition among load-serving entities through innovative products. Second, in 2023, the Texas Legislature approved SB 1699 – which was supported by the Sierra Club - which put in specific statutory language encouraging the use of smart devices and the need for the ERCOT competitive market to develop residential demand response through programs offered by retail electric providers. Recently, the PUCT engaged in rulemaking to implement sections of the legislation through Project No. 56966 (Goal for Reducing Average Total Residential Load in the ERCOT Region), and after public input, the PUCT adopted a new rule – 25.186 – Goal for Average Total Residential Load Reduction, which went into effect on January 1, 2025. The new rule creates an average total residential load reduction goal through the establishment of a demand response program that may be offered by retail electric providers to residential customers that utilize smart responsive appliances or devices to reduce electricity consumption during an ERCOT peak demand period.

Under the rule – which again is responsive to legislative action - a REP providing a responsive device program within the ERCOT region must submit to ERCOT, on a form prescribed by ERCOT, the following information for each calendar month in the quarter:

(A) the electric service identifier (ESI ID) for each residential customer with smart appliances or devices enrolled in each responsive device program offered by the REP; and

(B) the date of each demand response event, including each demand response event start time and stop time and the ESI IDs deployed for each event.

More recently, in 2025, the Legislature approved HB 5323 – also supported by the Sierra Club – which establishes the Texas Energy Waste Advisory Committee. Under the provisions of that legislation, the PUCT is required to coordinate with several other state agencies and ERCOT to assess opportunities to reduce energy waste through the development of programs – including demand response programs – to make the electric grid more reliable. Specifically, the advisory committee “is created to make recommendations for coordinating and improving state agency and interagency programs that reduce energy waste, increase energy efficiency, and ***enhance***

***demand response programs*** in order to increase reliability of electric service in the ERCOT power region in accordance with Section 39.159.”

The Sierra Club believes that while neither SB 1699 from the 2023 Legislative Session nor HB 5323 from the 2025 Legislative Session require that ERCOT implement a Residential Demand Response Program such as that proposed in NPRR 1296, we do believe it is responsive to the legislation and is a logical next step, particularly for Retail Electric Providers. We do very much appreciate that the required reporting used by REPs as part of the implementation of SB 1699 and Project No.56966 would also be used as part of the reporting requirement under NPRR 1296, easing the reporting burden on REPs.

**What Sierra Club supports about the ERCOT proposed RDRP**

Given the paucity of residential demand response programs in ERCOT, a program focused on residential Demand response in the competitive market is a welcome addition. Texans have begun to embrace the adoption of smart energy devices in the home such as smart thermostats, smart pool pumps and home battery systems, and even smart hot water heaters. Agreggations of residential customers through their REPs could be meaningful and provide readily accessible resources in the near term to help address future resource adequacy issues.

We believe there are several positive aspects of the program proposed by ERCOT in 1296, particularly for REPs:

* Voluntary – Only load serving entities that wish to engage must follow the parameters laid out in the revision request.
* Minimal Technical Requirements – The design is simple and relies on reporting by REPs, and registration of their programs, most of which is already ongoing, as opposed to complex telemetry requirements.
* Seasonal and time constrained – As ERCOT sees issues with grid reliability in all seasons, Sierra Club supports the focus of the program on a few times per year when net peak-load is high and demand response programs could be helpful to mitigate risk. Therefore, having more periods covered in the summer and winter makes sense.
* Simple Cost Allocation– The program is based on load share ratio, which is reasonable, simple and equitable. As discussed below, some adjustment to account for the difficulty of some NOIEs and Cooperatives to participate in the program might be reasonable.
* Defacto Cost Cap. The program design contains a defacto cost cap by limiting the total MWs to 500 MWs, which assures that the total cost to the market should not be more than approximately $70 million per year, which is a tiny fraction of total ERCOT costs for other reliability services.
* No Double Dipping. The language is clear in NPRR 1296 that a REP or NOIE can not participate in a separate ancillary service or ERS payment and also recieive an incentive under this program. In addition, while a REP could receive an incentive from a TDU to help pay for a smart device, they could not participate in a “load management” program for the TDU and also participate in this ERCOT RDRP.
* Pay for performance. Only those REPs and NOIEs that have customers that actually reduce net peak demand will receive an incentive, which is in keeping with market principles. Simply having a program doesn’t lead to a payment, only actual reductions earns you a payment.

**Concerns that Sierra Club shares with other stakeholders**

Overall, we are supportive of NPRR 1296 given the need to grow residential demand response in ERCOT, meet our growing electric demand and assure reliability. Still, ultimately this NPRR should be viewed as a transitional effort, and not a permanent feature of the market. The best outcome would be for residential demand response to grow in the market competitively as REPs compete for customers, and NOIEs take advantage of new technologies to help their customers save money, as opposed to an incentive paid for by all customers, whether or not they choose to participate in the programs.

We also share the concern expressed by Vistra and many others that it could undermine price formation because of the presence of an-out-of-market incentive. We believe this can be at least partially mitigated.

Third, we are concerned about the ability of all REPs and NOIEs that want to participate in the program to be able to participate. Specifically, because REPs already are required to report on their demand response efforts, including with meter-level data, they are better equipped to participate than NOIEs which only are required to report through an annual demand response survey with ERCOT and presently do not have meter-level data reporting or registration requirements.

Finally, we are uncomfortable with the requirement that to participate a REP or NOIE must have at least 2,000 residences (ie meters) entered in the program to establish a baseline. While we appreciate ERCOT’s need to carefully measure performance, this number of residences creates a high barrier to participation. The reporting requirements that resulted from SB 1699 have no such minimum number of residences or meters, nor do current participation requirements for the Weather-sensitive loads that enroll in ERCOT’s ERS program. Instead, to participate in weather-sensitive loads, a minimum aggregation of 0.5 MW is required through aggregating several customers. This is a much lower and more reasonable threshold for participation which we believe is equivalent to about 500 customers, not 2,000. It’s worth noting that other ERS programs only require a minimum load of 0.1 MWs which could be another more flexible requirement.

Sierra Club suggestions or recommendations

We believe that first the NPRR should be modified by stating that the new program is a program that is authorized for three years, after which it can be extended through Board action. This will provide stakeholders with assurance that there will be a review after three years to assess its effectiveness and whether incentives are still needed to provide the benefits of a residential demand response program. Essentially, we view this NPRR as a transitional pilot project and putting in a time period after which it would be assessed provides assurance to the market.

We are opposed to the minimum threshold of 2,000 participants. Specifically, the NPRR states “A minimum of 2,000 participants per NOIE/REP representing RDR resources will be required to be eligible for assessment.” We would suggest using a minimum level such as 0.5 or even 0.1 MW in total expected capacity for participation in the program, as opposed to the number of households or meters. It is unreasonable to expect much participation with such a high threshold. We would suggest language such as “NOIE/REP representing RDR resources must be able to provide at least 0.5 MWs of expected demand reduction to be eligible for assessment.”

If an average home in Texas uses about 4 kilowatts at Peak Use, and can reduce their peak by about 25 percent through smart devices, then establishing such a minimum capacity requirement would be roughly equivalent to 500 homes, a much lower threshold for participation by NOIEs or REPs. An even more flexible approach would be to establish a 0.1 MW minimum, which would be equivalent to about 100 homes.

Third, we agree with comments that given the difficulty many NOIEs will have to participate in this program, we would be supportive of allowing NOIEs to opt-out of contributing to the program. Obviously, NOIEs that opt-out of paying for the program are not allowed to be a participant in the program. Put simply, NOIEs that participate would share in the cost, and those that do not, would not.

Finally, we agree that adjustments should be made to mitigate the impact on market prices by, as Reliant has suggested, including an ERS-style price adjustment mechanism. Again, if ERS were deployed in a season, then the curtailment capability of REPs or NOIEs that participate in the RDRP program will be included in the Reliability Deployment Price Adder. This helps “adjust” the price upward through the RDPA for those curtailments that would have otherwise led to higher prices. There may be other options to help mitigate the impact of NPRR 1296 on market prices, but this seems like the simplest solution.

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| Revised Cover Page Language |

None at this time.

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| Revised Proposed Protocol Language |

None at this time.