WMS Presentation – NPRR 1296

July 8, 2026

Residential Demand Response Principles

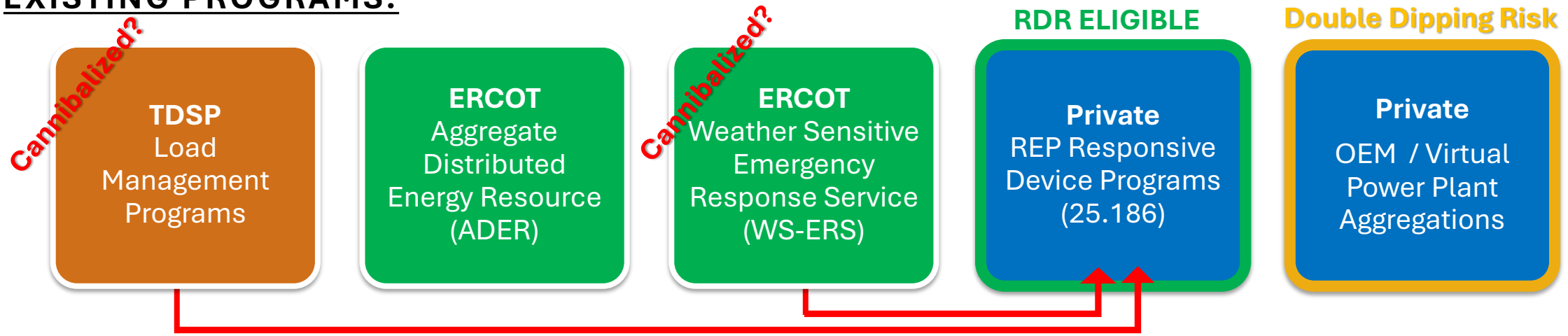
IDEAL PRINCIPLE

Natural **market price response** that allows **both supply-side and demand-side** resources to respond to the **same price signal**

		PRINCIPLES DR INTEGRATION APPROACHES	IDEAL (Mkt)	Out of Market Programs: NPRR 1296	Out of Market Programs: ALT
VISTRA	1	Preserves efficient price formation and minimize harm to existing energy-only market structure	☑	☒	?
VISTRA	2	Encourage a competitive ecosystem and avoid contractual or technological exclusivities that force the customers of some REPs and LSEs to subsidize the business models of certain other REPs and LSEs	☑	☒	?
RELIANT	3	Designed for REPs / LSEs to maintain customer protection requirements and align incentives properly	☑	☑	?
RELIANT	4	Strong "pay-for-performance" incentives	☑	☒	?
RELIANT	5	Promotes innovation in DR product design without restrictions on how competitive retail products are designed or used	☑	☒	?

Cannibalization of Existing Programs // No Double Dipping

EXISTING PROGRAMS:



Will ERCOT end up paying more for the same or lesser resources when markets can work for free?

- Residential responsive devices will migrate to a better paying / lower performance program = lower value.

How does ERCOT ensure that residential ESIIDs are not enrolled (and compensated by) multiple programs?

- ERCOT- and TDSP-administered DR program ESIIDs are ineligible – but what about other private programs?

Will home batteries be eligible for a residential DR program?

- ADER appears to be a better program for home batteries. ERCOT should ensure it isn't cannibalized by a lower quality residential DR program.

Appendix: “Capacity Incentive” Matrix

Ancillary Services & Fuel/Financial Programs

Reliant-Asserted "Capacity Incentive"	Category	Capacity Incentive?	Notes
Modification of the structure of the ASDCs to send scarcity pricing signals prior to firm Load shed	*Thermal Generation, Energy Storage Resources*	**No.** ASDCs contribute to energy price formation, specifically valuing the conversion of reserves to energy.	ASDCs and scarcity pricing signals also provide DR incentive from natural wholesale price response
Procurement of Ancillary Service quantities to support operations beyond NERC standards and prevention of firm load shed	*Thermal Generation, Energy Storage Resources*	**Yes and no.** While AS capacity is procured and valued on a capacity basis, its value is derived from the opportunity cost of providing energy.	AS procurement also provides DR incentives: (1) avoiding high volume/high cost intervals (allocated on load ratio share); and (2) direct participation through CLR, NCLR, ALR, or ADER.
Implementation of new Ancillary Service products to procure capacity to support operations beyond NERC standards and prevention of firm load shed	*Thermal Generation, Energy Storage Resources*	**Yes and no.** While AS capacity is procured and valued on a capacity basis, its value is derived from the opportunity cost of providing energy.	AS procurement also provides DR incentives: (1) avoiding high volume/high cost intervals (allocated on load ratio share); and (2) direct participation through CLR, NCLR, ALR, or ADER.
Firm Fuel Supply Service	*Thermal Generation*	**No.** FFSS is a fuel inventory "call option" design, not a capacity-accredited portfolio standard.[1]	Notably, FFSS is a reliability service established by statute and PUCT rule and is not an ERCOT discretionary program.[2]
Texas Energy Fund	*Thermal Generation*	**Yes.** The Texas Energy Fund does provide financial supports to increase thermal generation capacity.	Notably, the Texas Energy Fund is in statute with a limited scope and timeframe,[3] and is not an ERCOT discretionary program.

[1] Vistra has raised this concern from the inception of FFSS, originally advocating for a capacity-accredited portfolio standard but that is not how FFSS was ultimately designed. Vistra provided a short history on pp. 2-3 and 9-10 of its August 14, 2025 comments in PUCT Project No. 58434 (https://interchange.puc.texas.gov/search/documents/?controlNumber=58434&itemNumber=11)

[2] *See* 16 TAC § 25.520 implementing PURA § 39.159 and the Commission's order approving the blueprint for wholesale electric market design and directives to ERCOT in PUCT Project No. 52373 (January 13, 2022): https://interchange.puc.texas.gov/search/documents/?controlNumber=52373&itemNumber=336.

[3] *See* 16 TAC §§ 25.510 & 25.511, implementing PURA Chapter 34, Subchapter A.

Capacity Payments & Storage/Renewables Incentives

Reliant-Asserted "Capacity Incentive"	Category	Capacity Incentive?	Notes
Contracts for Capacity	*Thermal Generation, Energy Storage Resources*	**Yes.** By definition, a capacity payment.	Multiple controls to limit use cases and market impact when utilized.
Investment Tax Credits	*Energy Storage Resources, Wind and Solar Resources*	**Yes.** Provides financial supports to increase renewable and storage capacity.	Notably, it is in federal law and not an ERCOT discretionary program.
Production Tax Credits	*Wind and Solar Resources*	**Yes and No.** Subsidizes energy production from renewables and storage, not capacity. But energy subsidy can augment capacity investment economics and economically harm other generation technology, particularly in an energy-only market structure.	Notably, it is in federal law and not an ERCOT discretionary program.
Wholesale storage load treatment (exempt from transmission charges and ERCOT Ancillary Service costs for charging load)	*Energy Storage Resources*	**No.** Agree with Reliant's description of the impact, but that is not a capacity payment.	Notably, wholesale storage load treatment is established in PUCT rule and is not an ERCOT discretionary program.[4]

[4] *See* final order in Project No. 39917 establishing 16 TAC § 25.501 for further discussion (March 29, 2012): https://ftp.puc.texas.gov/public/puct-info/agency/rulesnlaws/subrules/electric/25.501/39917adt.pdf

Demand Response Programs

Reliant-Asserted "Capacity Incentive"	Category	Capacity Incentive?	Notes
4 Coincident Peak Transmission Cost Allocation	*Demand Response for Mid-to-Large Commercial and Industrial Consumers*	**No.** 4CP is a transmission cost allocation mechanism, not a capacity payment.	4CP is also being evaluated for changes as required by Senate Bill 6. See PUCT Project Nos. 58484 and 58000. Notably, 4CP is established in PUCT rule and is not an ERCOT discretionary program.[5]
Responsive Reserve Service, ERCOT Contingency Reserve Service, and Non-Spinning Reserve Service procurements for Non-Controllable Load Resources	*Demand Response for Mid-to-Large Commercial and Industrial Consumers*	**Yes and no.** While AS capacity is procured and valued on a capacity basis, its value is derived from the opportunity cost of providing energy.	AS procurement also provides DR incentives: (1) avoiding high volume/high cost intervals (allocated on load ratio share); and (2) direct participation through CLR, NCLR, ALR, or ADER.
Emergency Response Service	*Demand Response for Mid-to-Large Commercial and Industrial Consumers*	**Yes.** ERS is a capacity incentive, but is not limited to mid-to-large customers (Weather Sensitive ERS can include Residential DR).	ERS deployment is limited to defined tight system conditions and is accounted for in wholesale market price formation. Notably, ERS is established in PUCT rule and is not an ERCOT discretionary program.[6]
TDU Load Management Programs	*Demand Response for Mid-to-Large Commercial and Industrial Consumers*	**Yes.** TDU load management programs are a capacity incentive, but are not limited to mid-to-large customers (they can and do include Residential DR).	TDU load management program deployments are limited to defined tight system conditions and should be accounted for in wholesale market price formation.[7] Notably, TDU load management programs are established in statute and PUCT rule and is not an ERCOT discretionary program.[8]
SB6 Large Load Demand Reduction Program	*Demand Response for Mid-to-Large Commercial and Industrial Consumers*	**TBD.** The details of this program have not been established yet. PUCT Staff's scoping questions in Project No. 58482 include whether it should be procured on an as-needed or a seasonal basis.	While details remain to be worked out, program deployments are limited to defined tight system conditions and should be accounted for in wholesale market price formation.[9] Notably, the SB6 Large Load Demand Reduction Program is established in statute and will be implemented in PUCT rule, and is not an ERCOT discretionary program.[10]

[5] *See* 16 TAC § 25.192(b)(1).
[6] *See* 16 TAC § 25.507.
[7] Pending implementation of NPRR1006.
[8] *See* 16 TAC § 25.181, implementing PURA § 39.905.
[9] *See* PURA § 39.170(c).
[10] *See* PUCT Project No. 58484, implementing PURA § 39.170.