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Cc: Chase Lipscomb, Tugi Gotora, James Harville, PUCT

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Date: December 19, 2022

Subject: Energy Efficiency Stakeholder Survey

This memo presents the key findings from the Energy Efficiency Stakeholder Survey conducted in November by the EM&V team on behalf of the PUCT. Results may be used to inform the development of working groups for a future rulemaking.

BACKGROUND

On October 18th, 2022, the PUCT convened its biannual Energy Efficiency Implementation Project (EEIP) meeting for the investor-owned utility (IOU) programs. As part of the agenda, the second half of the meeting was dedicated for stakeholders across the industry to provide input on what changes should be considered in a future potential rulemaking to amend PUC Subst. 25.181 (Energy Efficiency Goal) and 25.182 (Energy Efficiency Cost Recovery Factor). Two presentations were given, one led by Oncor Electric Delivery and the other by the Sierra Club. Both presentations generated discussion regarding areas of focus for potential rulemaking and general discussions.

The PUCT tasked its EM&V contractor to then develop and implement a stakeholder survey building on the EEIP discussions. The EM&V team developed the Stakeholder Input Survey for Future Energy Efficiency Rulemaking to review specific topics discussed at the EEIP meeting, obtain feedback from stakeholders, and prioritize issues to inform potential working groups for a future rulemaking.

STAKEHOLDER SURVEY OVERVIEW

The EM&V team implemented an online survey with stakeholders over a three-week period (November 7-29). PUCT Staff distributed the survey invitation and link via the EEIP listserv and filed the notification in Project. 38578. In addition to the initial invite, PUCT staff sent three reminders (11/15, 11/22 and 11/28). At the request of the EM&V team, the South-Central Partnership for Energy Efficiency as a Resource (SPEER) also sent the survey invite to their members.

The survey achieved good representation across a range of stakeholder groups, of 47 total completes, 12 different types of stakeholder groups are represented in responses as well as four respondents who categorized themselves as 'other.' The primary respondent groups were implementation contractor, followed by regulated utility, clean energy advocate and trade ally.

Stakeholders were asked to limit their responses to one response per organization or company. Respondents were required to be a resident of Texas or responding as part of an organization or company with offices in Texas. The respondent's name and/or organization's name was collected, and responses filtered as needed to represent the range of stakeholders without overrepresentation from a particular company or organization. The below analysis and key findings do not list any responses by name but presents aggregated results by Stakeholder Group. The primary

respondent group was implementation contractor, followed by regulated utility, clean energy advocate and trade ally.

Table 1. Total Responses by Stakeholder Group

| Stakeholder Group | Total |
|---|--------------|
| Energy Efficiency Implementation Contractor | 12 |
| Regulated Utility | 8 |
| Clean Energy Advocate | 5 |
| Trade Ally (Contractor, Builder, Distributor, Retailer, Manufacturer) | 5 |
| Other | 4 |
| Engineering or Architecture Company | 2 |
| Environmental Group | 2 |
| Local Government | 2 |
| Low-Income Advocate | 2 |
| Retail Electric Provider | 2 |
| Other Advocate | 1 |
| Ratepayer Advocate | 1 |
| Trade Associate | 1 |
| Grand Total | 47 |

The measurement objectives of the survey included:

- Need for energy efficiency rulemaking
- Priority items for potential energy efficiency rulemaking
- Additional items to consider for potential energy efficiency rulemaking
- Successes of current energy efficiency portfolios
- Opportunities for improvement in current energy efficiency portfolios
- Challenges to increased energy efficiency in Texas
- Opportunities to increase energy efficiency in Texas

KEY FINDINGS

The majority (91%) of survey respondents indicated that opening a rulemaking for the IOU energy efficiency programs is important to their organization.

Of the 12 potential rulemaking topics identified in the EEIP meeting, the top 5 in order of importance are:

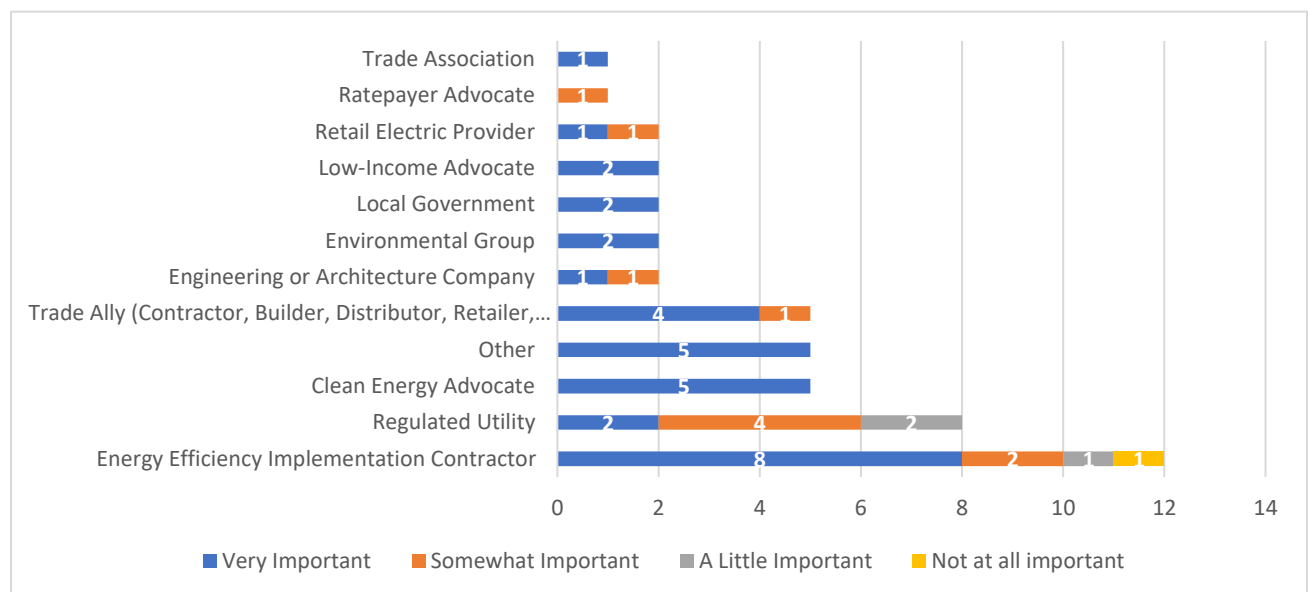
- Energy Savings Goals
- Demand Reduction Savings Goals
- Avoided Cost of Energy
- Equity and Resilience Goals for Low-Income and Other Underserved Segments
- Role of Demand Response/Load Management

It is the viewpoint of many of the Texas stakeholders surveyed that energy savings and demand reduction goals need to be reviewed and increased, cost effectiveness should be evaluated at the portfolio level, and more marketing, outreach, and education is needed.

IMPORTANCE OF AN ENERGY EFFICIENCY RULEMAKING

91% of stakeholder respondents indicated that opening a rulemaking was very important (70%) or somewhat important (21%) for the organization they were representing. 8% percent responded that it was a little important (6%) or not at all important (2%). Several groups identified a rulemaking as very important across all responses, including: Clean Energy Advocate, Other, Environmental Group, Local Government, Low-Income Advocate and Trade Association. As the largest respondent group, implementation contractors also had the largest number of respondents identifying a rulemaking as very important (8).

Figure 2. Importance of an Energy Efficiency Rulemaking by Stakeholder



Respondents were asked to explain the reason behind the importance of rulemaking for their organization. Responses were captured verbatim, then analyzed and categorized into common themes.

Of the 91% of stakeholders that indicated energy efficiency rulemaking was important to their organization, the most common reasons provided were:

- ERCOT reliability and resiliency
- Electricity affordability and equity
- Compared to other states, Texas has fallen behind in demand response and energy efficiency goals
- Impacts to conducting business in Texas

Below are representative quotes for these respondents:

“There are new opportunities for implementing energy efficiency and demand response to support system reliability, customer resilience and bill impacts.”

“[Updating energy efficiency and demand response goals] are the most effective and cost-effective ways to improve ERCOT reliability, electricity affordability, and energy equity.”

“Energy efficiency is [the] most cost-effective way to help reduce the total demand in the state and Texas is way behind and incredibly under invested. Texas had innovative and leading-edge programs at one point, but that was 20 years ago.”

“Our business plan for Texas projects is dependent on rulemaking.”

Of the 8% of stakeholders that indicated energy efficiency rulemaking was a little important or not at all important to their organization, the most common reason stated was that if opened there could be opportunity or minor adjustments made. Also, timing was a concern regarding the 2023 legislative session.

Below are representative quotes for these respondents:

“Opportunities exist to improve the current energy efficiency rule if it were opened. However, progress and improvements are continuously made and will continue to be made whether the energy efficiency rule is opened.”

“The timeline of a rulemaking may conflict with outcomes of the 2023 legislative session.”

PRIORITY ISSUES

The current administrative rules governing the IOU energy efficiency programs in Texas cover a range of issues. During discussions held at the EEIP meeting on October 18th, 2022, stakeholders identified several issues of concern in need of change if an energy efficiency rulemaking is opened. Below are the identified topics in no particular order.

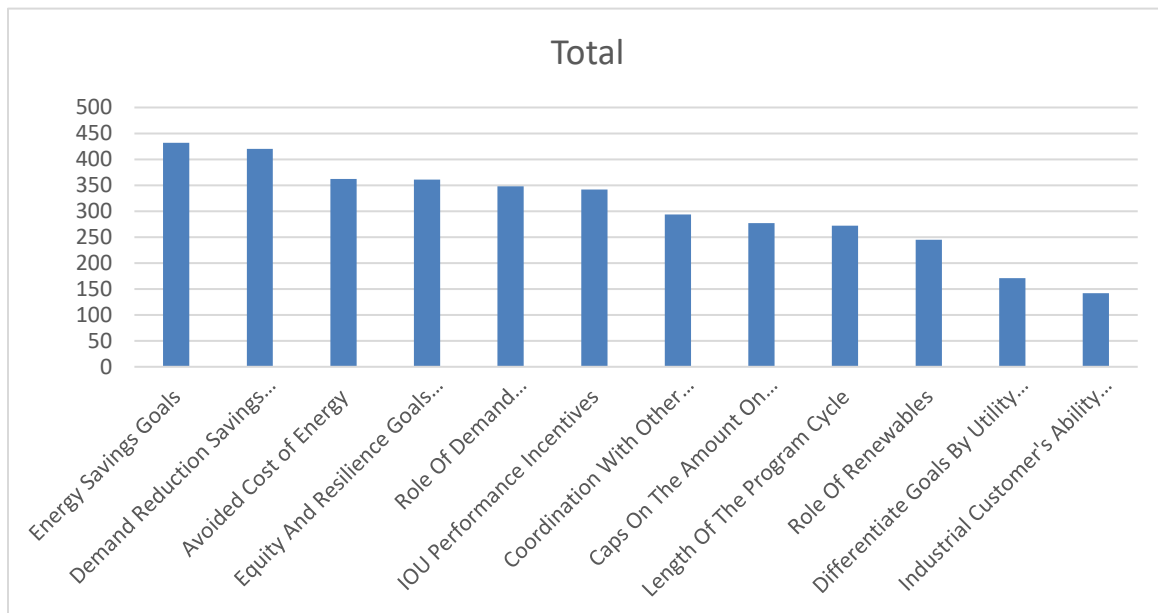
Table 3. Identified Topics at EEIP Meeting

| Identified Topics at EEIP Meeting | |
|---|---|
| Avoided Cost of Energy | Equity And Resilience Goals for Low-Income and Other Underserved Segments |
| Demand Reduction Savings Goals | Caps On the Amount on Customer Bills to Fund Programs |
| Energy Savings Goals | Role of Renewables |
| IOU Performance Incentives | Coordination With Other Funding Sources Including Federal |
| Length Of the Program Cycle | Differentiate Goals by Utility Service Territory |
| Role of Demand Response / Load Management | Industrial Customer's Ability to Opt-Out of Programs |

Survey respondents were asked to rank the 12 topics of identified concern in order of importance (1 being the most important and 12 being the least).

The following are the results from that exercise after calculating the weighted value¹ of importance.

Figure 4. Prioritization of 12 EEIP Meeting Topics



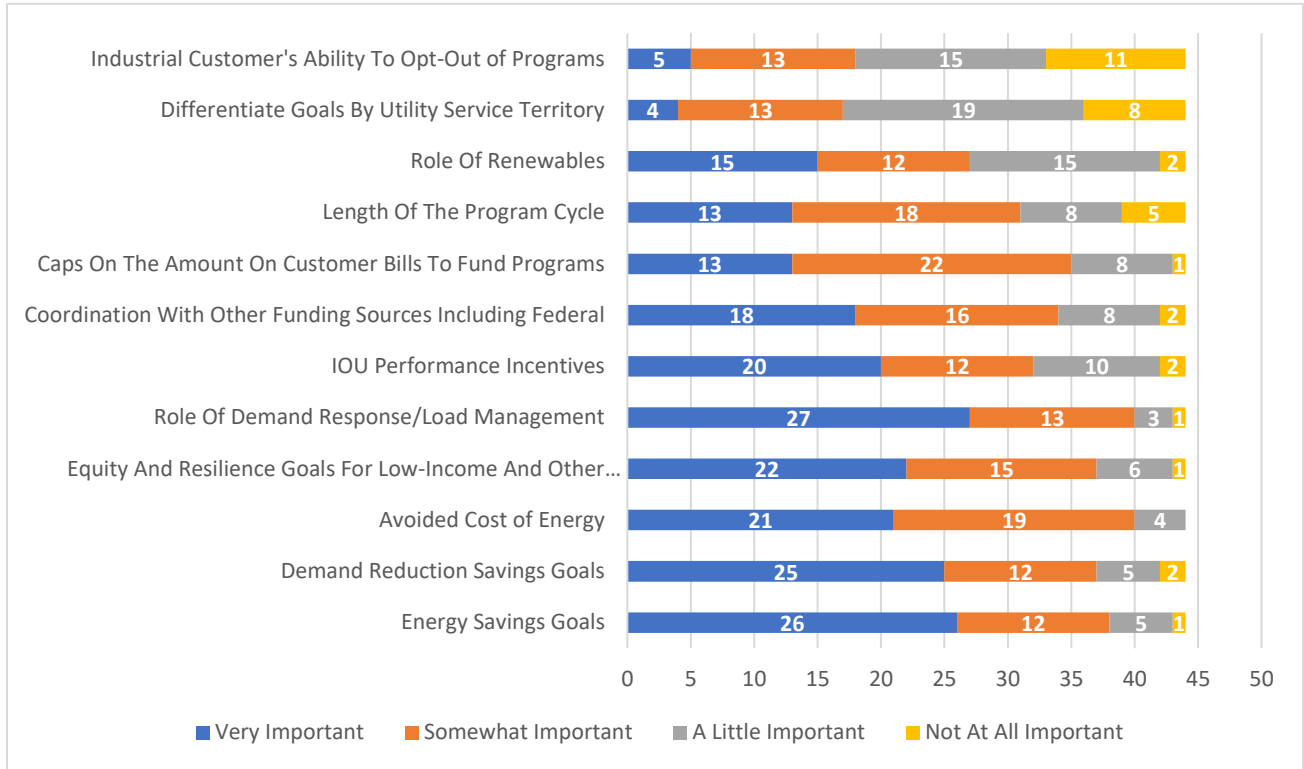
Based on the stakeholder responses the five most important rulemaking topics are:

- Energy Savings Goals
- Demand Reduction Savings Goals
- Avoided Cost of Energy
- Equity and Resilience Goals for Low-Income and Other Underserved Segments
- Role of Demand Response/Load Management

Stakeholders were also asked to provide the importance of the topic area to their organization regardless of priority ranking, shown in Figure 5 below. A similar pattern is seen as in the prioritization of topics, with the most respondents ranking the top five most important rulemaking topics in the prioritization as “very important.” Two additional topics rated as “very important” by 18 or more respondents were: IOU Performance Incentives and Coordination with Other Funding.

¹ The more the respondent preferred an option, the larger the weight associated with this selection. (i.e., a weight of 12 was attributed to first choices and a weight of 1 was attributed to last choices.) The frequency of each ranking was totaled, and then the weighted value calculated for each topic.

Figure 5. Importance of EEIP Topic Area (n=44)



Stakeholders were asked to identify if there were any priority issues for their organization not included in the 12 EEIP identified topics. Over half (54%) of respondents indicated “yes” and provided their areas of concern. Responses were captured verbatim, then analyzed and categorized into common themes. Below is a summarized list of top concerns:

- Portfolio Cost Effectiveness vs. Program Cost Effectiveness (n=5)
- Avoided Cost of Capacity (n=2)
- Access to Programs and Ability of the IOUs to Communicate Directly to Customers (n=3)
- Reduction of Green House Gas Emissions (n=2)
- Incorporating Other Non-Energy Benefits into the Cost/Benefit Analysis (n=3)
- Market Structure (n=3)

VIEWPOINT OF ENERGY EFFICIENCY IN TEXAS

Stakeholders were asked about their organization’s viewpoint and perception of the IOU energy efficiency programs as well as energy efficiency across Texas. Responses were captured verbatim, then analyzed and categorized into common themes.

Below are the themes from the answers received for each viewpoint question.

Top three IOU energy efficiency accomplishments over the last five years:

- Goals Consistently Met and Exceeded (despite COVID and/or increased baselines) (n=16)
- Cost Effectiveness of Programs / Benefits to Rate Payers (n=6)
- Hard to Reach, Low to Mid Income Program Offerings (n=4)

Below are quotes from stakeholders identifying the top 3 accomplishments of the IOU energy efficiency portfolios over the last five years:

“Number of homes serviced, the energy saved, the jobs provided”

“Consistently delivering more than the energy and demand goals at 3 times the cost-effectiveness”

“Huge returns in avoided cost benefit to consumers...Significant environmental benefits of energy-savings measures...Utilities have been able to direct significant expenditures and achieve significant results for lower income customers.”

Top three areas of improvement for IOUs energy efficiency portfolios:

- Increase Energy Savings and Demand Reduction Goals (n=7)
- Portfolio Cost Effectiveness vs. Program Cost Effectiveness (n=4)
- Annual Program Planning Cycle (tied with above) (n=4)
- New Measures / Innovation (n=8)
 - It is worth noting this topic was broad ranging from whole house energy efficiency, variable speed HVAC, focus on heat pumps, thermal energy storage, focus on communicating thermostats, to open access to AMI to quantify impacts and enable market-based programs that are streamlined and increase flexibility of program EM&V requirements for pilots and emerging technologies.

Below are quotes from stakeholders identifying the top three areas to improve the IOU energy efficiency portfolios:

“Portfolio, not program cost-effectiveness. Much much higher energy efficiency, demand reduction and stabilization goals. Much higher dollar amount for low income and multifamily energy efficiency and demand reduction.”

“Increase the goals and cost effectiveness at portfolio level”

“Longer planning cycle/filing period, e.g., triennial. Increased flexibility of program EM&V requirements for pilots, emerging technologies, and market.”

Top three challenges to increase the energy efficiency of Texas homes and/or businesses:

- Education (n=16)
 - Complexity of Programs
 - Awareness of Programs
- Affordability (Residential and Commercial) (n=9)
- Workforce Shortage / Supply chain (n=5)

Below are quotes from stakeholders identifying the top three challenges to increase the energy efficiency of Texas homes and/or businesses:

“Increasing labor costs (impacting contractors, required incentive levels increasing, reducing cost effectiveness), customer behavior, competing goals within the energy efficiency rule.”

“Customer education, cost effectiveness [not at a] portfolio level, increasing baselines, lack of REP participation, supply chain issues”

“Awareness of energy savings opportunities needed to prioritize action, financial mechanism to afford improvements, access to skilled, qualified workforce to perform measures to program, evaluate and manufacture requirements.”

“Cost, engagement, and participation”

Top three solutions that could increase the energy efficiency of Texas homes and/or businesses:

- Marketing, Outreach, and Education (n=12)
- Streamline Program Delivery and Remove Barriers to Participate (n=4)
- Cross Collaboration of Funding (n=3)

Below are quotes from stakeholders identifying top three solutions to increase the energy efficiency of Texas homes and/or businesses:

“Increase consumer knowledge and education through marketing and outreach. Direct to customer incentives. Make it easier for TDUs to offer new programs and measures. Review participation and documentation requirements, as well as calculations to reduce administrative burden for participant and TDU”

“Better marketing of programs, more pilot programs that could bring new technology into the marketplace, improve hard to reach and low-income programs through ease of use”

“Improving the process by which utility energy efficiency funds and federal energy efficiency funds are braided and used in tandem to deliver services to low-income and hard to reach populations. Investing in energy efficiency workforce expansion to ensure that there is a trained and available workforce to implement energy efficiency improvements. Expand/loosen the constraints under which fund subrecipients may elect to use energy efficiency funds for low-income/hard to reach customers”

RECOMMENDATIONS AND NEXT STEPS

Given the strong, representative response to the survey, the EM&V team believes the information collected, in conjunction with the October EEIP meeting discussions, have provided sufficient insight of priority topics to address in a future energy efficiency rulemaking. The EM&V team recommends four working groups are formed around the following topics:

- Program Goals (both Energy Savings and Demand Reduction)
- Program Planning (including Avoided Cost of Energy, IOU Performance Incentives, Cost-effectiveness and Marketing/Education)

- Equity and Resilience Goals for Low-Income and Other Underserved Segments (including coordination with other Funding Sources)
- Role of Demand Response/Load Management (including REP participation and Market Structure)

These working group areas are informed by both the prioritization of EEIP topics as well as other areas identified in the survey. While all topic areas are related, it is particularly important to note that achievable program goals are in particularly affected by the other topic areas.