Contract Category No. 961-M2
Electricity Sourcing Services Additional Services Provided by TEA
Demand Response

Texas Energy Aggregation, LLC

Demand Response	Response
Verifiable prior experience in Demand Response (DR) contracts	Texas Energy Aggregation (TEA) has been negotiating Demand Response (DR) contracts on behalf of clients since 2005. We have enrolled 6 of our largest clients in the program, and 5 of those clients have continued participating over multiple contracts from 24 to 60 months in length. TEA has contracted or bid multiple DR providers, including one REP providing DR.
Procurement assistance and RFP development	TEA will work with each agency to identify opportunities and usage at specific meters and the realistic ability to reduce or curtail usage and to quantify the potential payback. If it is determined that DR is a viable opportunity, TEA will then prepare information to include in an RFQ. Because offerings for managing this program are diverse and evolving, setting overly specific criteria for an RFP might disqualify or limit some providers' responses. TEA would instead recommend issuing an RFQ to review DR proposals, and then invite one or more proposers to make a presentation before TEA and the client. DR providers will estimate the potential gross dollar payback based upon historical payouts, and offer a percentage of revenue shared with the agency. If decision makers at the agencies determine that there is a viable opportunity, TEA will negotiate with the DR provider(s) to gain the highest possible revenue sharing agreement at or below prevailing market rates.
Description of hurdles faced with DR contracts	Limited understanding on the client's part about how DR works has prevented in-depth investigation of the value of DR programs, especially the fear of being without power. Additionally, early adopters of the program suffered from the lack of clarity or organization on ERCOT's part. Although these issues have since been rectified, perceptions of DR have undoubtedly influenced participation. The names of these programs have changed, further contributing to the confusion (LaaR and EILS are gone). There have only been a few curtailment events in the last decade, and these were precipitated by extreme and often unseasonal weather events. In spite of curtailments, rolling blackouts still resulted for all but critical need customers (such as hospitals and prisons). Consequently, even customers who did not participate in a DR program still faced involuntary outages. In these cases, only DR participants were given advance warning and adequate time to prepare. Ironically, one of TEA's customers earmarked DR funds to purchase on-site backup generation equipment, and with both advance warning and backup power, was one of the few customers in the area that did not face total outage. Many agencies have backup power supplies which can be dispatched in lieu of actually curtailing usage. Some older diesel units have been disqualified from participating in DR due to EPA regulations, only allowing these units to be dispatched during "emergency" situations. ERCOT and the EPA are examining how the state's ERS "Emergency Response System" could be considered as a non-emergency situation. Further study would also reveal that agencies such as TDCJ have the majority of their load in rural, and not in air quality non-attainment areas. Most of the hurdles described here have been addressed by ERCOT, market participants and DR providers. The greatest challenge facing DR is in educating/encouraging customers to consider it.
Outcomes of DR contracts	TEA's clients with DR contracts have had a consistently positive experience in recent years. Actual demand response events have been reduced by better forecasting, monitoring and management on ERCOT's part. The creation of a day-ahead market and proliferation of renewables has also contributed to grid reliability, although in the short term, they have reduced real-time market volatility and may have suppressed DR payouts to customers. Greater DR participation has also reduced paybacks for many customers. Overall, these checks have been viewed as "found money" - an additional revenue stream for TEA's clients, and we have encouraged them to tie these funds to energy-related upgrades and investments which might not have otherwise been budgeted, such as power factor correction, lighting upgrades, and backup generation. Such a smart strategy takes short-term gains as an investment in guaranteed long-term savings.

If Respondent(s) currently has DR contracts with public entities	TEA currently does not have any DR contracts with public entities. Competitive, for-profit businesses keep a keen eye on their bottom line and any opportunity to enhance it is welcomed. Conversely, public clients have often viewed any discussion of curtailment or emergency demands as a new complication to their job, or a risk of additional liability and work on their own part for an uncertain return, and frankly, on a return which they themselves cannot benefit. Assisting in the necessary task of procuring electricity contracts remains TEA's primary focus. Engaging in coercing any public customers to participate in DR without great interest on their part sometimes places us in a perceived sales role which could undermine our trust with our public clients. We are unaware if SECO has conducted an informational seminar in its regular meetings, but we believe that such an event could stimulate interest in DR. TEA would welcome the opportunity to help clients in procuring a DR contract, as many are eligible candidates.
Percentage of discounts or incentives entity receives using a Demand Response contract	TEA's current DR clients receive a range of 65–90% of the gross revenue paid out by ERCOT. These numbers are variable depending upon the size of load bid into the program, whether the client chooses Emergency Response Service (ERS) or the Responsive Reserve Service plan (RRS). Another factor is the particular time window(s) chosen for the curtailment program. In some programs, the cost for any hardware or monitoring equipment is deducted from payouts or may be absorbed by the DR provider.
How Respondent(s) measures and verifies demand reductions	Usage is metered by existing IDR meters every 15 minutes, and this usage is compared to the preceding 15-minute interval following a curtailment event. An annual 30-minute test is required to assure that the customer is capable of compliance. Although the customer or consultant can log in to an online portal provided by the delivery company, it is the responsibility of ERCOT to verify compliance on the the customer's part, and it is the responsibility of the DR provider to verify compliance and accurate receipt of revenue by monitoring average real-time market clearing prices during the tri-annual, 4 month tranches.
Compensation model for DR services provided by Respondent	On TEA's existing clients, TEA has opted to receive either: 3.5% of the gross revenue paid out by ERCOT, OR 10% of the DR providers' net revenue. In the case of state agencies, TEA recommends that we receive 3.5% of the gross revenue. TEA will always prefer any compensation methods which align interests with the agencies and incentivize TEA to work toward the best contract terms of the state agency without any gain or reduction in TEA's revenue.