

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	54053	Agenda Number	45.
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Meeting Date:	1/28/2016	Department:	Purchasing
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Subject

Authorize negotiation and execution of contracts with qualifying vendors for enrollment and access to Austin Energy's Power Partner Thermostat Program, in a combined total amount not to exceed \$1,000,000 over a two-year contract term.

Amount and Source of Funding

Funding in the amount of \$333,333 is available in the Fiscal Year 2015-2016 Operating Budget of Austin Energy. Funding for the remaining 16 months of the original contracts are contingent upon available funding in future budgets.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:	Austin Energy is designating this purchase as a Critical Business Need in accordance with Senate Bill 7, as adopted by the City as Resolution No. 040610-02.
Prior Council Action:	
For More Information:	Ray Moncada, Senior Buyer Specialist, 512-322-6594
Council Committee, Boards and Commission Action:	January 19, 2016 – To be reviewed by the Resource Management Commission. January 25, 2016 – To be reviewed by the Electric Utility Commission.
Related Items:	
MBE / WBE:	This contract is exempt from City Code Chapter 2-9C Minority Owned and Women Owned Business Enterprise Procurement Program.

Additional Backup Information

These contracts are for vendor participation in Austin Energy's Power Partner Thermostat Program, a program developed by Austin Energy to incentivize customers to provide demand response services to the utility. This industry-leading demand response program is based on relationships with device manufacturers and web service companies that remotely host communicating or smart thermostats and, potentially, other in-home devices.

The vendors enroll and maintain customers in the program and allow Austin Energy use of their software systems to initiate demand response events such as heating and air conditioning systems when demand for electricity is highest. This helps reduce wholesale energy costs, prevent outages, and reduce energy use without significantly impacting comfort.

Currently, Austin Energy has contracts with three companies who have met participation requirements and provide services: Ecobee of Toronto, Canada; EnergyHub of Brooklyn, NY; and Nest Labs Inc. of Palo Alto, CA. The utility now seeks approval to renew existing contracts and negotiate contracts with additional companies to participate in the Power Partner Thermostat Program. Austin Energy estimates there are about 37,000 Wi-Fi thermostats installed in

its service area but only about 9,500 are enrolled in the program. The addition of new service providers is expected to result in an increase in program participation and, in turn, an increased demand response which benefits all customers.

The Power Partner Thermostat Program has been recognized as highly innovative by the electric utility industry; labeled “Bring your own thermostat” or “Bring your own device,” it is an alternative to programs in which the electric utility provides and owns the thermostat. Since the beginning of the program in 2013, over 9,500 of these remotely controllable thermostats have been enrolled in the program totaling an estimated 12.8 megawatts (MW) of demand response at an estimated first year cost of \$88 per kilowatt.

The demand response is achievable through the vendors’ software services that support the customers Wi-Fi-enabled devices; through the software services, Austin Energy is allowed access to cycle heating, ventilation, and air conditioning units when demand for electricity is highest.

In consideration for these services, Austin Energy provides payments to the manufacturer or web host associated with the customer's chosen device. The only way for Austin Energy to access these customer-owned devices for the purposes of demand response is through the device manufacturer or web hosting company. Therefore, Austin Energy seeks to contract with the following qualifying device manufacturers or web hosting companies: Nest Labs, Honeywell, Ecobee, Energy Hub, Think Eco, and Energate. In addition, Austin Energy requires the ability to contract for these same services with additional manufacturers should they become available.

The Power Partner Thermostat Program is one of the elements of the comprehensive Resource, Generation and Climate Protection Plan, to realize 700 MW of energy efficiency and 200 MW of demand response by 2025. The original plan, approved by Council in April 2010 and updated in December 2014, is designed to reduce local air pollution through energy conservation, reduce peak demand and assist customers in reducing electric consumption.

Renewing the contracts is necessary to maintain approximately 9,500 existing customer devices. By adding new service providers to the program, Austin Energy estimates an additional 3,000 to 5,000 thermostats per year may participate which could facilitate program growth at a rate of 4 to 7 MW per year, thus avoiding the need to purchase more costly peaking resources in the ERCOT market.