



FEDERAL ENERGY REGULATORY COMMISSION

July 16, 2009

Commissioner Suedeem G. Kelly

Talking Points of Commissioner Suedeem G. Kelly on Smart Grid Policy

- The electrical grid faces daunting challenges that cannot be addressed by our existing technologies. While digital technologies have transformed other industries, we have only recently focused on the urgent need to modernize the grid by developing and implementing a range of new technologies. Today's Policy Statement provides a roadmap to transforming the old grid into the grid of the future, better known as the Smart Grid.
- While I believe regulators, industry and customers have reached consensus on the tremendous potential of a smart grid, there has been less of an understanding over how to most efficiently develop and deploy it. Today's Policy Statement sets forth priorities for the development of key interoperability standards, which are the foundation of the smart grid. The Policy Statement also addresses several issues of concern to utilities in deciding whether to implement new technologies: whether they are able to recover costs in regulated rates, and whether there is potential for stranded costs associated with legacy systems that are replaced by smart grid systems.
- To that end, the Policy Statement sets forth guidance for receiving interim rate treatment to jurisdictional public utilities for early implementation of certain Smart Grid technologies, and sets forth 4 demonstrations applicants must make to qualify, including a showing that: 1) the smart grid facilities will advance the smart grid concept; 2) reliability and cyber-security of the bulk-power system will not be adversely affected; and 3) the applicant has minimized the possibility of stranded costs and obsolescence.
- The fourth demonstration—and in my view, a critical one—is that applicants seeking interim rate treatment must share information with the Department of Energy Smart Grid Clearinghouse. This information will help inform state and federal regulators when making decisions on proposed smart grid projects. Quite simply, the more information available that will demonstrate the benefits of a smart grid, the more investments will be made in smart grid technologies.
- The smart grid can, and should be, far more responsive, interactive, and transparent than today's grid. There are many moving parts—literally and figuratively—that require coordinated effort and commitment from federal and state agencies, and all other stakeholders, in order for a successful deployment.
- However, as we move toward a smart grid future, we must also continue to provide fair regulatory treatment to both consumers and utilities. As a federal regulator and co-chair of the FERC-NARUC Smart Grid Collaborative, I know firsthand that we can achieve these goals only through significant coordination between wholesale and retail markets, and between federal and state regulators. The Commission has worked closely with DOE, NIST, industry, and consumer groups in developing today's policy. We received over 70 sets of comments on the draft policy statement from a diverse group of stakeholders, and their thoughtful insights also helped inform today's policy.
- I thank everyone for their efforts, and am confident that our continued relationships with all stakeholders will facilitate our ability to rapidly deploy innovative, secure smart grid technologies. I am pleased to support this policy.