

Part 1
GreenMonk
Smart Grid Heavy Hitters Series
Interview with FERC Chairman Jon Wellinghoff
April 15, 2010

Tom Raftery: Hi and welcome to GreenMonk TV a Smart Grid heavy hitter show and with me today, I have Chairman Jon Wellinghoff. Jon is Chair of the Federal Energy Regulatory Commission. Jon, the Federal Energy Regulatory Commission, you regulate basically the energy sector in the U.S. We've seen a lot of developments in the Smart Grid faced in the last three to four years, especially in the last two years and we've seen definitions of Smart Grids kind of expand as recovery act monies are made available. What's the FERC's view on Smart Grids?

FERC Chairman Jon Wellinghoff: Oh yeah. Right Tom, it has been an expanding of the definition. Our agency is responsible for the wholesale side of electric sales and electric energy transmission and regulation in this country. We believe the Smart Grid is best defined as providing consumers the opportunity to communicate with and participate in the electric system in ways that can control their costs. And that's the way we're really defining the Smart Grid and in that regard we are responsible, for example, setting the standards for the Smart Grid.

We will actually promulgate the rules for the Smart Grid. The standards are being developed by a group out of the Department of Commerce and a number of stakeholders in the electric industries and once they develop them, they will give them over to us and we will actually take them and put them into rules so we we'll have standard rules of interoperability, of communication between difference devices, so that consumers down at their end in buildings, commercial and residential buildings, can actually communicate up to the grid in ways they can then better control their cost and at the same time they can help make the grid more efficient.

TR: If we can talk about two-way communication between utility companies and consumers, there seems to have been a bit of a backlash with some of the early rollouts of Smart Grids. I'm thinking of ones in Texas and California recently. What is the FERC's thinking on that?

JW: There absolutely has been a backlash, I agree. In fact, there was a very interesting article in the *Electricity Journal* recently about a gentleman who was a marketing PhD who got a smart meter and a time of use rates and I think his first month his usage went up 163 percent and his bill went up like 70 percent and so he was trying to figure it out, you know, how is this helping me out? The problem I think to date has been that many distribution utility companies have been rolling out smart meters without making consumers smart at the same time.

We need to give consumers the tools that they need to utilize the Smart Grid in a way that will help them control their costs. If you don't do that, it's like, you know, somebody coming and driving a Ferrari into your driveway and setting it there and not giving you the keys. I mean, if they don't have the tools and the ability to use the Smart Grid in a way that can control their costs, then consumers are going to be upset. So, I am seeing this happen in certain distribution utilities which we don't have direct jurisdiction over because those are retail entities where they have retail relationships with their customers. But I have had a lot of conversations with the CEOs of those companies and indicated to them I think that they really need to re-think their strategies.

Strategies need to be not simply putting this "smart meter in the house" but you've got to give the consumer the ability to see on the Internet how their usage is varying, you have to give them devices, dashboards, inside the house where they can see consumption on a daily basis, and then you have to also give them the ability to look at what appliances they can change usage of at different times to ultimately reduce costs and control overall costs within their house. If you don't that it's going to be a backlash because consumers are not going to understand how they are can best take advantage of these things unless they are given the tools. But consumers are very smart. Once they are given the tools and once they are given the ability to do this, I think they will learn very quickly and I think they will see that there are great advantages to having this kind of technology inside their homes and businesses.

TR: Last question. We are seeing some kind of pilot rollouts of smart meters in some jurisdictions in the U.S. but, you know, very little beyond that. How long do you think it will be before we will start to see full end-to-end rollouts of Smart Grids including in-home devices and demand response technologies and proper pricing and real-time pricing have been rolled out?

JW: Well, there is a number of jurisdictions that will be going beyond pilots in the U.S. certainly; California is one, Texas is another. I believe Pennsylvania and Massachusetts or other jurisdictions. So, I think you are going to see this take place rather rapidly. I think over the next five to seven years you will see a fairly full rollout of full-scale Smart Grid technology, and in-home devices I hope are following very quickly. As I mentioned, I think it is a big mistake utilities are putting simply the smart meter devices without the in-home devices and the other Internet connections and the other tools the consumers need to make use of these smart meters and so I hope that we see the two coming together very quickly.

TR: Jon, that's been great. Thanks a million for coming on the show.