



Federal Energy Regulatory Commission
March 19, 2009
Open Commission Meeting
Staff Presentation
Item E-22

"Good morning Mr. Chairman and Commissioners.

Item E-22 before you today for your consideration is a draft of a proposed policy statement and action plan that sets forth the Commission's policies and near-term priorities to help achieve the modernization of the Nation's electric transmission system; one aspect of which is "Smart Grid" development.

Smart Grid advancements will apply digital technologies to the grid, and enable real-time coordination of information from both generation supply resources and demand side resources. These technologies will also help facilitate the integration of significant new renewable power sources into the transmission system.

The new efficiencies to the electric system from the improved communication and coordination between utilities and with the grid will produce both energy and cost savings in the provision of electric service. Ultimately, these technologies are expected to facilitate demand response and other consumer transactions and activities that will allow consumers to better manage their electric energy costs. The implementation of the Smart Grid technologies must also be done in a manner that will enhance the ability to operate and maintain a secure and reliable bulk power system.

Section 1305(d) of the Energy Independence and Security Act of 2007 requires the Commission to adopt interoperability standards and protocols necessary to ensure smart-grid functionality and interoperability in interstate transmission and in wholesale electricity markets. This proposed policy statement will help provide direction in achieving some of the tasks that need to occur before the Commission begins the formal process of adopting these standards and protocols.

Under the Energy Independence and Security Act of 2007, the Commission is required to undertake a rulemaking process to adopt interoperability standards for the smart grid, once sufficient consensus has been reached in the development of such standards under the coordination of the National Institute of Standards and Technology.

The development and implementation of these interoperability standards is a challenging task, which requires the efforts of industry, the states and other federal agencies, in addition to the Commission. The Commission will use its authority, in coordination and cooperation with other governmental entities, to help achieve the goal of interoperability in a timely manner.

The purpose of the policy statement and action plan the Commission ultimately adopts will be to prioritize the development of key interoperability standards, provide direction to the electric industry regarding cybersecurity requirements for Smart Grid projects, and contain an interim rate policy under which jurisdictional public utilities may seek to recover the costs of Smart Grid deployments before relevant standards are adopted through a Commission rulemaking.

Specifically, development of interoperability standards for inter-system communication and coordination, system and cyber security, wide-area situational awareness, demand response, energy storage, and electric vehicles should be prioritized and accelerated. The

work done on these suites of standards will provide a foundation for development of many other standards.

The draft also proposes that smart grid investments that demonstrate system and cyber security and coordination with Commission-approved Reliability Standards, upgradeability, and other specified criteria will be eligible for timely rate recovery and other rate treatments.

The Commission would seek comments from the industry on these and other steps the Commission can take to encourage and expedite the development of interoperability standards and implementation of Smart Grid projects.

Thank you. We are ready to answer any questions."