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FERC Approves First Smart Grid Proposal Using New Policy

The Federal Energy Regulatory Commission (FERC) used its new smart grid policy for the first time today when it agreed that Pacific Gas and Electric Company (PG&E) can recover a portion of its costs in transmission rates for a regional project that will ensure electric power reliability for consumers and integrate variable renewable resources into its system.

PG&E, as part of a regional project with neighboring utilities and the Western Electricity Coordinating Council, is developing a \$50 million synchrophasor project that would provide real-time data on key transmission system operating measurements in the region. WECC has sought \$25 million in grants for one half of PG&E's portion of the project from the Department of Energy under the American Recovery and Reinvestment Act of 2009. PG&E will seek recovery of the remaining costs in a future transmission rate filing. Today's decision also allows PG&E to recover 100 percent of abandoned plant costs if the project is abandoned for reasons beyond the utility's control.

"One goal of our smart grid policy is to protect consumers while providing early-moving utilities that invest in smart grid technologies with the cost recovery assurances they need to take that important first step," FERC Chairman Jon Wellinghoff said.

FERC's Smart Grid policy, adopted in July, provides guidance regarding smart grid development focusing on key standards to achieve interoperability. The policy includes an interim rate policy that allows the recovery of FERC-jurisdictional smart grid related costs if the utility demonstrates that : (1) the smart grid facilities advance the policy and goals of the Energy Independence and Security Act (EISA); (2) the smart grid facilities do not adversely affect the reliability and cybersecurity of the bulk power system; (3) the possibility of stranded investment in smart grid equipment has been minimized; and (4) information will be provided to the DOE Smart Grid Clearinghouse.

PG&E's project meets the criteria set out in the Smart Grid Policy Statement, but FERC cautioned that future applications of synchrophasor data and communications in real-time operations will require a more detailed demonstration of no adverse impacts on reliability or cyber security.

FERC said PG&E's project will help collect information on how to reliably and securely make use of synchrophasor data and communications to improve the reliability, security and efficiency of the electric grid, as envisioned by EISA.

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