



FEDERAL ENERGY REGULATORY COMMISSION

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Item Nos. E-22

Commissioner Marc Spitzer

Statement of Commissioner Marc Spitzer on FERC accelerates Smart Grid development with proposed policy, action plan

"Today's Order is an important step in assuring development of and investment in smart grid technology.

I appreciate that the proposed Policy Statement seeks to encourage utilities to invest in meaningful smart grid technology as soon as possible. There have been developments in smart grid technology and we expect improvements in the technology over time. However, further delay in investment in technology, until the "best mousetrap" appears, ill serves U.S. ratepayers.

Today's statement proposes to allow utilities to invest in current and effective smart grid technologies without fear of cost disallowance if something better comes along. Prompt and widespread use of smart grid applications will only foster further advancements in the technology.

I see several ways smart grid technologies will advance FERC's policy goals.

First, Smart Investment in Transmission: In EPCA 2005, Congress concluded that investment in transmission facilities has been lacking to the detriment of the nation's consumers. I remain a strong proponent of new infrastructure to ensure adequate, reliable supplies of electricity at just and reasonable rates. But, as we are all aware, it has become increasingly more difficult to site these much needed transmission lines. A universal argument is that existing infrastructure is adequate to meet the needs of consumers and the real problem is the utilities' failure to operate the grid efficiently. In some cases there is merit to this contention. A smart grid holds the promise of more efficient use of existing transmission capacity. However, the installation of smart grid technology alone will not eliminate the congestion and other burdens now placed on our overstretched transmission grid. Installation of smart grid technology will, however, allow the market to better and more nimbly identify and quantify the need for additional transmission. Thus, I expect that the installation of smart grid technology will lead to "smart investment in transmission" and hopefully mitigate opposition to transmission siting.

Second, Smart Tariffs and Markets: The information provided by smart grid technology may lead to greater perspective on innovative grid operations to best serve consumers. (For example, the smart grid will advance vehicle-to-grid and may change the way transmission and generation is used by easing the need for large, centralized generation, resulting in more distributed generation.) This information could itself support even newer technologies and wholesale services that would further benefit consumers. Information from smart grid technologies may lead to smarter use of existing and new generation and change the way that those resources, whether they be conventional generation facilities or renewable resources, serve consumers. Our goal as regulators should be to ensure, consistent with our statutory obligations, we advance rather than impede these new electricity services and technologies. In other words, the Commission has a role to promote "smart tariffs" so that new wholesale services and products flourish over the "smart grid."

Third, Smart Rates: Smart grid technology will assist the Commission in its mandate to ensure that rates are just and reasonable and not unduly discriminatory. Information from smart grid facilities will help regulators more accurately identify consumer usage and needs. This, in turn, will allow for the design of rates that encourage efficiencies while assuring service providers are adequately compensated. This is more than efficient operation of the grid, which smart



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grid technologies certainly provide. Instead, I envision that over time smart grid technology will allow providers to tailor services and rates in ways heretofore unimaginable, leading to more consumer savings and a higher quality of service.

It is appropriate that the Commission encourage utilities to invest in the smart grid and modernize their operations and the services they provide based on the new technologies. However, this new technology provides regulators with opportunities to regulate more smartly. I look forward to working with my fellow state regulators to take advantage of those opportunities for the ultimate benefit of consumers.

I thank the members of the Team for their hard work on getting this proposed policy statement prepared so quickly and I look forward to public comments."