

Resolution Regarding Smart Grid

WHEREAS, The Energy and Independence and Security Act of 2007 (EISA) establishes as policy the demonstration and deployment of a smart grid; *and*

WHEREAS, The American Recovery and Reinvestment Act of 2009 provided funds to support these smart grid initiatives; *and*

WHEREAS, The Federal Energy Regulatory Commission (FERC) issued a Smart Grid policy statement prioritizing the National Institute of Standards and Technology's (NIST) development of smart grid interoperability standards (as mandated in EISA); FERC encourages the development of interoperability standards consistent with cyber security and reliability standards in four prioritized functionalities (wide-area situational awareness, demand response, electric storage, and electric transportation); FERC's policy statement established an interim rate policy for smart grid investments; and the areas highlighted by FERC's policy statement overlap with State commissions' jurisdiction; *and*

WHEREAS, The White House, Department of Commerce, and the Department of Energy have repeatedly stated that the Administration considers the smart grid an essential element of America's job growth, energy independence, and future as a global economic leader, and emphasized the urgency of developing smart grid standards; *and*

WHEREAS, The Department of Energy has released funding opportunity announcements for smart grid investment grants and demonstration projects that will spur investment in smart grid, and require applicants to provide at least 50% cost share for any selected project, which cost share might be recovered through utility rates; *and*

WHEREAS, Various States and commissions are pursuing smart grid projects and deployment according to the needs and interests of their constituents; *now, therefore be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its 2009 Summer Committee Meetings in Seattle, Washington, recognizes the smart grid's potential to revolutionize the nation's energy grid; *and be it further*

RESOLVED, That NARUC agrees that to be most effective, the federal policies and standards that guide the deployment of the smart grid should be based on the following principles:

1. Smart grid policies and standards should enhance interoperability consistent with ensuring cyber security and maintaining or improving reliability.
2. The development of smart grid standards can best be achieved through a partnership among the States, the federal government, and industry. State commissions play an essential role in evaluating smart grid deployments; early deployments will influence the emergence of de facto and de jure standards.
3. Smart grid standards and policies should seek to achieve maximum consumer, reliability, and environmental benefits and to provide opportunities for innovation, consistent with providing utility service to consumers at fair, just, and reasonable rates.

4. There is inherent value within the State regulatory process and the manner in which it balances the needs of the utilities, the grid system, and consumers.
5. State commissions have jurisdiction over the elements of smart grid improvements that are within their vested authority; FERC should not authorize cost recovery for smart grid investments that are within the State commissions' jurisdiction; FERC and the State commissions must prohibit double cost recovery for the same investment.
6. Smart grid standards should enable a common semantic framework and provide for cyber secure interoperable communications through open protocols and standards (including Internet-based protocols and standards) if available and appropriate.
7. Smart grid policies and standards should be flexible and together with RTO policies and tariffs, should accommodate various State regulatory contexts, retail rate structures, and policy goals.
8. Smart grid policies and standards should promote a flexible, non-proprietary, open infrastructure that is upgradable to avoid excess costs as a result of obsolescence.
9. Smart grid policies should encourage interoperability of the electric grid and information services to foster a vast array of resources and information services.
10. Smart grid policies and standards should balance the costs of the smart grid with the benefits of the smart grid and the costs and benefits should be quantified to the extent possible.

*Sponsored by the Committees on Electricity, Energy Resources and the Environment,
and Critical Infrastructure*
Adopted by the NARUC Board of Directors July 22, 2009