

STATE OF NEW YORK

# Public Service Commission

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11069/10-E-0285

## **PSC TAKES MAJOR STEP TOWARD MODERNIZING THE GRID**

— Framework Laid Out for Utilities to Create a Smarter Grid —

Albany, NY—8/18/11— The New York State Public Service Commission (Commission) today approved a policy statement that would establish regulatory policies and set forth guidelines for utilities to follow regarding the development of smart electric grid systems and associated efforts to modernize the electric grid.

“As part of the ongoing process of upgrading and replacing our transmission and distribution systems, utilities are increasingly employing smart grid technologies which, if utilized properly, have the potential to make electric power systems more reliable, robust, efficient and economical,” said Commission Chairman Garry Brown. “The guidelines we are establishing today support important state energy policy goals and will advance New York’s leadership in the 21st century clean energy economy.”

The term smart grid refers to a variety of information, communication and automation technologies that have the potential to improve the operation of the electric system. Although a multitude of definitions exist for the smart grid, they all include the integration of information and the use of two-way communications technologies and advanced control capabilities in the electric grid system.

Recent advancements in technology, as well as continuing increases in electricity demands, have led utility regulators to consider the smart grid and its role in the modernization of the electric grid. Smart grid technologies build on automation systems that utilities have been installing for

many years, and can bring enhanced reliability and reduced maintenance costs to utilities and their customers, as well as enable integration of increased levels of renewable energy and increased energy efficiency and demand response.

The development of the robust and comprehensive smart grid policy statement was based on input not only from the state's investor-owned electric utilities but from cutting-edge technology companies, hardware and software vendors, consumer representatives, not-for-profit organizations, and other governmental entities. The guidelines create the conditions that will allow optimal technology solutions to flourish.

The guidelines are as follows:

- In the short term, utilities are to pursue established and reliable technologies that can provide a relatively certain return on investment. In the longer term, the billions of dollars the federal government has provided for smart grid projects nationwide will generate a significant base of knowledge and experience which, along with further development of smart grid standards, will help identify those technologies that are most effective and efficient.
- Smart grid technologies will utilize a hybrid of both public and private networks. Utilities and communication providers should work together to ensure appropriate use of commercial facilities, and to limit utility capital investments in dedicated communications infrastructure.
- Utilities must provide basic information on smart grid to customers who are largely unaware of this technology. Utilities further must provide a thoughtful and comprehensive customer education plan before commencing with implementation of technologies that require extensive customer engagement.
- Smart grid projects must be able to show demonstrable benefits in excess of costs.
- For most smart grid projects, rate recovery will be addressed through traditional means. The Commission will consider risk-sharing mechanisms for novel or unproven technology.
- Utilities can start to develop smart grid plans and projects using the existing industry standards as building blocks.
- Utilities must develop the capability to build and maintain cyber security standards. Utilities will bear the responsibility to ensure that cost-effective protection and

preparedness measures are employed to deter, detect, and respond to cyber attacks, and to mitigate and recover from their effects.

- Utilities and third-party providers must protect customer privacy when projects involve the collection and use of customer data.

With the formalization of the guidelines in place, utilities now have a better understanding of the “rules of the road” to develop smart grid systems that integrate new intelligent technologies, while optimizing the use of existing facilities and resources and maintaining just and reasonable rates for electric customers. Utilities will be free to pursue established and reliable technologies that can provide a proven return on investment.

A copy of the policy statement, when available, may be obtained by going to the Commission Documents section of the Commission’s Web site at [www.dps.state.ny.us](http://www.dps.state.ny.us) and entering Case Number 10–E–0285 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission orders may also be obtained from the Commission’s Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).