

TITLE XIII--SMART GRID

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SEC. 1301. STATEMENT OF POLICY ON MODERNIZATION OF ELECTRICITY GRID.

It is the policy of the United States to support the modernization of the Nation's electricity transmission and distribution system to maintain a reliable and secure electricity infrastructure that can meet future demand growth and to achieve each of the following, which together characterize a Smart Grid:

- (1) Increased use of digital information and controls technology to improve reliability, security, and efficiency of the electric grid.
- (2) Dynamic optimization of grid operations and resources, with full cyber-security.
- (3) Deployment and integration of distributed resources and generation, including renewable resources.
- (4) Development and incorporation of demand response, demand-side resources, and energy-efficiency resources.
- (5) Deployment of `smart' technologies (real-time, automated, interactive technologies that optimize the physical operation of appliances and consumer devices) for metering, communications concerning grid operations and status, and distribution automation.
- (6) Integration of `smart' appliances and consumer devices.
- (7) Deployment and integration of advanced electricity storage and peak-shaving technologies, including plug-in electric and hybrid electric vehicles, and thermal-storage air conditioning.
- (8) Provision to consumers of timely information and control options.
- (9) Development of standards for communication and interoperability of appliances and equipment connected to the electric grid, including the infrastructure serving the grid.
- (10) Identification and lowering of unreasonable or unnecessary barriers to adoption of smart grid technologies, practices, and services.

SEC. 1302. SMART GRID SYSTEM REPORT.

The Secretary, acting through the Assistant Secretary of the Office of Electricity Delivery and Energy Reliability (referred to in this section as the 'OEDER') and through the Smart Grid Task Force established in section 1303, shall, after consulting with any interested individual or entity as appropriate, no later than 1 year after enactment, and every 2 years thereafter, report to Congress concerning the status of smart grid deployments nationwide and any regulatory or government barriers to continued deployment. The report shall provide the current status and prospects of smart grid development, including information on technology penetration, communications network capabilities, costs, and obstacles. It may include recommendations for State and Federal policies or actions helpful to facilitate the transition to a smart grid. To the extent appropriate, it should take a regional perspective. In preparing this report, the Secretary shall solicit advice and contributions from the Smart Grid Advisory Committee created in section 1303; from other involved Federal agencies including but not limited to the Federal Energy Regulatory Commission ('Commission'), the National Institute of Standards and Technology ('Institute'), and the Department of Homeland Security; and from other stakeholder groups not already represented on the Smart Grid Advisory Committee.

SEC. 1303. SMART GRID ADVISORY COMMITTEE AND SMART GRID TASK FORCE.

(a) Smart Grid Advisory Committee-

- (1) ESTABLISHMENT- The Secretary shall establish, within 90 days of enactment of this Part, a Smart Grid Advisory Committee (either as an independent entity or as a designated sub-part of a larger advisory committee on electricity matters). The Smart Grid Advisory Committee shall include eight or more members appointed by the Secretary who have sufficient experience and expertise to represent the full range of smart grid technologies and services, to represent both private and non-Federal public sector stakeholders. One member shall be appointed by the Secretary to Chair the Smart Grid Advisory Committee.
- (2) MISSION- The mission of the Smart Grid Advisory Committee shall be to advise the Secretary, the Assistant Secretary, and other relevant Federal officials concerning the development of smart grid technologies, the progress of a national transition to the use of smart-grid

technologies and services, the evolution of widely-accepted technical and practical standards and protocols to allow interoperability and inter-communication among smart-grid capable devices, and the optimum means of using Federal incentive authority to encourage such progress.

(3) APPLICABILITY OF FEDERAL ADVISORY COMMITTEE ACT- The Federal Advisory Committee Act (5 U.S.C. App.) shall apply to the Smart Grid Advisory Committee.

(b) Smart Grid Task Force-

(1) ESTABLISHMENT- The Assistant Secretary of the Office of Electricity Delivery and Energy Reliability shall establish, within 90 days of enactment of this Part, a Smart Grid Task Force composed of designated employees from the various divisions of that office who have responsibilities related to the transition to smart-grid technologies and practices. The Assistant Secretary or his designee shall be identified as the Director of the Smart Grid Task Force. The Chairman of the Federal Energy Regulatory Commission and the Director of the National Institute of Standards and Technology shall each designate at least one employee to participate on the Smart Grid Task Force. Other members may come from other agencies at the invitation of the Assistant Secretary or the nomination of the head of such other agency. The Smart Grid Task Force shall, without disrupting the work of the Divisions or Offices from which its members are drawn, provide an identifiable Federal entity to embody the Federal role in the national transition toward development and use of smart grid technologies.

(2) MISSION- The mission of the Smart Grid Task Force shall be to insure awareness, coordination and integration of the diverse activities of the Office and elsewhere in the Federal Government related to smart-grid technologies and practices, including but not limited to: smart grid research and development; development of widely accepted smart-grid standards and protocols; the relationship of smart-grid technologies and practices to electric utility regulation; the relationship of smart-grid technologies and practices to infrastructure development, system reliability and security; and the relationship of smart-grid technologies and practices to other facets of electricity supply, demand, transmission, distribution, and policy. The Smart Grid Task Force shall collaborate with the Smart Grid Advisory Committee and other Federal agencies and offices. The

Smart Grid Task Force shall meet at the call of its Director as necessary to accomplish its mission.

(c) Authorization- There are authorized to be appropriated for the purposes of this section such sums as are necessary to the Secretary to support the operations of the Smart Grid Advisory Committee and Smart Grid Task Force for each of fiscal years 2008 through 2020.

SEC. 1304. SMART GRID TECHNOLOGY RESEARCH, DEVELOPMENT, AND DEMONSTRATION.

(a) Power Grid Digital Information Technology- The Secretary, in consultation with the Federal Energy Regulatory Commission and other appropriate agencies, electric utilities, the States, and other stakeholders, shall carry out a program--

- (1) to develop advanced techniques for measuring peak load reductions and energy-efficiency savings from smart metering, demand response, distributed generation, and electricity storage systems;
- (2) to investigate means for demand response, distributed generation, and storage to provide ancillary services;
- (3) to conduct research to advance the use of wide-area measurement and control networks, including data mining, visualization, advanced computing, and secure and dependable communications in a highly-distributed environment;
- (4) to test new reliability technologies, including those concerning communications network capabilities, in a grid control room environment against a representative set of local outage and wide area blackout scenarios;
- (5) to identify communications network capacity needed to implement advanced technologies.
- (6) to investigate the feasibility of a transition to time-of-use and real-time electricity pricing;
- (7) to develop algorithms for use in electric transmission system software applications;
- (8) to promote the use of underutilized electricity generation capacity in any substitution of electricity for liquid fuels in the transportation system of the United States; and
- (9) in consultation with the Federal Energy Regulatory Commission, to propose interconnection protocols to enable electric utilities to access electricity stored in vehicles to help meet peak demand loads.

- (b) Smart Grid Regional Demonstration Initiative-
- (1) IN GENERAL- The Secretary shall establish a smart grid regional demonstration initiative (referred to in this subsection as the 'Initiative') composed of demonstration projects specifically focused on advanced technologies for use in power grid sensing, communications, analysis, and power flow control. The Secretary shall seek to leverage existing smart grid deployments.
 - (2) GOALS- The goals of the Initiative shall be--
 - (A) to demonstrate the potential benefits of concentrated investments in advanced grid technologies on a regional grid;
 - (B) to facilitate the commercial transition from the current power transmission and distribution system technologies to advanced technologies;
 - (C) to facilitate the integration of advanced technologies in existing electric networks to improve system performance, power flow control, and reliability;
 - (D) to demonstrate protocols and standards that allow for the measurement and validation of the energy savings and fossil fuel emission reductions associated with the installation and use of energy efficiency and demand response technologies and practices; and
 - (E) to investigate differences in each region and regulatory environment regarding best practices in implementing smart grid technologies.
 - (3) DEMONSTRATION PROJECTS-
 - (A) IN GENERAL- In carrying out the initiative, the Secretary shall carry out smart grid demonstration projects in up to 5 electricity control areas, including rural areas and at least 1 area in which the majority of generation and transmission assets are controlled by a tax-exempt entity.
 - (B) COOPERATION- A demonstration project under subparagraph (A) shall be carried out in cooperation with the electric utility that owns the grid facilities in the electricity control area in which the demonstration project is carried out.
 - (C) FEDERAL SHARE OF COST OF TECHNOLOGY INVESTMENTS- The Secretary shall provide to an electric utility described in subparagraph (B) financial assistance for use in paying an amount equal to not

more than 50 percent of the cost of qualifying advanced grid technology investments made by the electric utility to carry out a demonstration project.
(D) INELIGIBILITY FOR GRANTS- No person or entity participating in any demonstration project conducted under this subsection shall be eligible for grants under section 1306 for otherwise qualifying investments made as part of that demonstration project.

(c) Authorization of Appropriations- There are authorized to be appropriated--

- (1) to carry out subsection (a), such sums as are necessary for each of fiscal years 2008 through 2012; and
- (2) to carry out subsection (b), \$100,000,000 for each of fiscal years 2008 through 2012.

SEC. 1305. SMART GRID INTEROPERABILITY FRAMEWORK.

(a) **Interoperability Framework-** The Director of the National Institute of Standards and Technology shall have primary responsibility to coordinate the development of a framework that includes protocols and model standards for information management to achieve interoperability of smart grid devices and systems. Such protocols and standards shall further align policy, business, and technology approaches in a manner that would enable all electric resources, including demand-side resources, to contribute to an efficient, reliable electricity network. In developing such protocols and standards--

- (1) the Director shall seek input and cooperation from the Commission, OEDER and its Smart Grid Task Force, the Smart Grid Advisory Committee, other relevant Federal and State agencies; and
- (2) the Director shall also solicit input and cooperation from private entities interested in such protocols and standards, including but not limited to the Gridwise Architecture Council, the International Electrical and Electronics Engineers, the National Electric Reliability Organization recognized by the Federal Energy Regulatory Commission, and National Electrical Manufacturer's Association.

(b) **Scope of Framework-** The framework developed under subsection (a) shall be flexible, uniform and technology neutral,

including but not limited to technologies for managing smart grid information, and designed--

(1) to accommodate traditional, centralized generation and transmission resources and consumer distributed resources, including distributed generation, renewable generation, energy storage, energy efficiency, and demand response and enabling devices and systems;

(2) to be flexible to incorporate--

(A) regional and organizational differences; and

(B) technological innovations;

(3) to consider the use of voluntary uniform standards for certain classes of mass-produced electric appliances and equipment for homes and businesses that enable customers, at their election and consistent with applicable State and Federal laws, and are manufactured with the ability to respond to electric grid emergencies and demand response signals by curtailing all, or a portion of, the electrical power consumed by the appliances or equipment in response to an emergency or demand response signal, including through--

(A) load reduction to reduce total electrical demand;

(B) adjustment of load to provide grid ancillary services; and

(C) in the event of a reliability crisis that threatens an outage, short-term load shedding to help preserve the stability of the grid; and

(4) such voluntary standards should incorporate appropriate manufacturer lead time.

(c) Timing of Framework Development- The Institute shall begin work pursuant to this section within 60 days of enactment. The Institute shall provide and publish an initial report on progress toward recommended or consensus standards and protocols within 1 year after enactment, further reports at such times as developments warrant in the judgment of the Institute, and a final report when the Institute determines that the work is completed or that a Federal role is no longer necessary.

(d) Standards for Interoperability in Federal Jurisdiction- At any time after the Institute's work has led to sufficient consensus in the Commission's judgment, the Commission shall institute a rulemaking proceeding to adopt such standards and protocols as may be necessary to insure smart-grid functionality and interoperability in interstate transmission of electric power, and regional and wholesale electricity markets.

(e) Authorization- There are authorized to be appropriated for the purposes of this section \$5,000,000 to the Institute to support the activities required by this subsection for each of fiscal years 2008 through 2012.

SEC. 1306. FEDERAL MATCHING FUND FOR SMART GRID INVESTMENT COSTS.

(a) Matching Fund- The Secretary shall establish a Smart Grid Investment Matching Grant Program to provide reimbursement of one-fifth (20 percent) of qualifying Smart Grid investments.

(b) Qualifying Investments- Qualifying Smart Grid investments may include any of the following made on or after the date of enactment of this Act:

(1) In the case of appliances covered for purposes of establishing energy conservation standards under part B of title III of the Energy Policy and Conservation Act of 1975 (42 U.S.C. 6291 et seq.), the documented expenditures incurred by a manufacturer of such appliances associated with purchasing or designing, creating the ability to manufacture, and manufacturing and installing for one calendar year, internal devices that allow the appliance to engage in Smart Grid functions.

(2) In the case of specialized electricity-using equipment, including motors and drivers, installed in industrial or commercial applications, the documented expenditures incurred by its owner or its manufacturer of installing devices or modifying that equipment to engage in Smart Grid functions.

(3) In the case of transmission and distribution equipment fitted with monitoring and communications devices to enable smart grid functions, the documented expenditures incurred by the electric utility to purchase and install such monitoring and communications devices.

(4) In the case of metering devices, sensors, control devices, and other devices integrated with and attached to an electric utility system or retail distributor or marketer of electricity that are capable of engaging in Smart Grid functions, the documented expenditures incurred by the electric utility, distributor, or marketer and its customers to purchase and install such devices.

(5) In the case of software that enables devices or computers to engage in Smart Grid functions, the documented purchase costs of the software.

(6) In the case of entities that operate or coordinate operations of regional electric grids, the documented expenditures for purchasing and installing such equipment that allows Smart Grid functions to operate and be combined or coordinated among multiple electric utilities and between that region and other regions.

(7) In the case of persons or entities other than electric utilities owning and operating a distributed electricity generator, the documented expenditures of enabling that generator to be monitored, controlled, or otherwise integrated into grid operations and electricity flows on the grid utilizing Smart Grid functions.

(8) In the case of electric or hybrid-electric vehicles, the documented expenses for devices that allow the vehicle to engage in Smart Grid functions (but not the costs of electricity storage for the vehicle).

(9) The documented expenditures related to purchasing and implementing Smart Grid functions in such other cases as the Secretary shall identify. In making such grants, the Secretary shall seek to reward innovation and early adaptation, even if success is not complete, rather than deployment of proven and commercially viable technologies.

(c) Investments Not Included- Qualifying Smart Grid investments do not include any of the following:

(1) Investments or expenditures for Smart Grid technologies, devices, or equipment that are eligible for specific tax credits or deductions under the Internal Revenue Code, as amended.

(2) Expenditures for electricity generation, transmission, or distribution infrastructure or equipment not directly related to enabling Smart Grid functions.

(3) After the final date for State consideration of the Smart Grid Information Standard under section 1307 (paragraph (17) of section 111(d) of the Public Utility Regulatory Policies Act of 1978), an investment that is not in compliance with such standard.

(4) After the development and publication by the Institute of protocols and model standards for interoperability of smart grid devices and technologies, an investment that fails to incorporate any of such protocols or model standards.

- (5) Expenditures for physical interconnection of generators or other devices to the grid except those that are directly related to enabling Smart Grid functions.
 - (6) Expenditures for ongoing salaries, benefits, or personnel costs not incurred in the initial installation, training, or start up of smart grid functions.
 - (7) Expenditures for travel, lodging, meals or other personal costs.
 - (8) Ongoing or routine operation, billing, customer relations, security, and maintenance expenditures.
 - (9) Such other expenditures that the Secretary determines not to be Qualifying Smart Grid Investments by reason of the lack of the ability to perform Smart Grid functions or lack of direct relationship to Smart Grid functions.
- (d) Smart Grid Functions- The term `smart grid functions' means any of the following:
- (1) The ability to develop, store, send and receive digital information concerning electricity use, costs, prices, time of use, nature of use, storage, or other information relevant to device, grid, or utility operations, to or from or by means of the electric utility system, through one or a combination of devices and technologies.
 - (2) The ability to develop, store, send and receive digital information concerning electricity use, costs, prices, time of use, nature of use, storage, or other information relevant to device, grid, or utility operations to or from a computer or other control device.
 - (3) The ability to measure or monitor electricity use as a function of time of day, power quality characteristics such as voltage level, current, cycles per second, or source or type of generation and to store, synthesize or report that information by digital means.
 - (4) The ability to sense and localize disruptions or changes in power flows on the grid and communicate such information instantaneously and automatically for purposes of enabling automatic protective responses to sustain reliability and security of grid operations.
 - (5) The ability to detect, prevent, communicate with regard to, respond to, or recover from system security threats, including cyber-security threats and terrorism, using digital information, media, and devices.
 - (6) The ability of any appliance or machine to respond to such signals, measurements, or communications

automatically or in a manner programmed by its owner or operator without independent human intervention.

(7) The ability to use digital information to operate functionalities on the electric utility grid that were previously electro-mechanical or manual.

(8) The ability to use digital controls to manage and modify electricity demand, enable congestion management, assist in voltage control, provide operating reserves, and provide frequency regulation.

(9) Such other functions as the Secretary may identify as being necessary or useful to the operation of a Smart Grid.

(e) The Secretary shall--

(1) establish and publish in the Federal Register, within 1 year after the enactment of this Act procedures by which applicants who have made qualifying Smart Grid investments can seek and obtain reimbursement of one-fifth of their documented expenditures;

(2) establish procedures to ensure that there is no duplication or multiple reimbursement for the same investment or costs, that the reimbursement goes to the party making the actual expenditures for Qualifying Smart Grid Investments, and that the grants made have significant effect in encouraging and facilitating the development of a smart grid;

(3) maintain public records of reimbursements made, recipients, and qualifying Smart Grid investments which have received reimbursements;

(4) establish procedures to provide, in cases deemed by the Secretary to be warranted, advance payment of moneys up to the full amount of the projected eventual reimbursement, to creditworthy applicants whose ability to make Qualifying Smart Grid Investments may be hindered by lack of initial capital, in lieu of any later reimbursement for which that applicant qualifies, and subject to full return of the advance payment in the event that the Qualifying Smart Grid investment is not made; and

(5) have and exercise the discretion to deny grants for investments that do not qualify in the reasonable judgment of the Secretary.

(f) Authorization of Appropriations- There are authorized to be appropriated to the Secretary such sums as are necessary for the administration of this section and the grants to be made pursuant to this section for fiscal years 2008 through 2012.

SEC. 1307. STATE CONSIDERATION OF SMART GRID.

(a) Section 111(d) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2621(d)) is amended by adding at the end the following:

- ˆ (16) CONSIDERATION OF SMART GRID INVESTMENTS-
 - ˆ (A) IN GENERAL- Each State shall consider requiring that, prior to undertaking investments in nonadvanced grid technologies, an electric utility of the State demonstrate to the State that the electric utility considered an investment in a qualified smart grid system based on appropriate factors, including--
 - ˆ (i) total costs;
 - ˆ (ii) cost-effectiveness;
 - ˆ (iii) improved reliability;
 - ˆ (iv) security;
 - ˆ (v) system performance; and
 - ˆ (vi) societal benefit.
 - ˆ (B) RATE RECOVERY- Each State shall consider authorizing each electric utility of the State to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures of the electric utility for the deployment of the qualified smart grid system.
 - ˆ (C) OBSOLETE EQUIPMENT- Each State shall consider authorizing any electric utility or other party of the State to deploy a qualified smart grid system to recover in a timely manner the remaining book-value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.
- ˆ (17) SMART GRID INFORMATION-
 - ˆ (A) STANDARD- All electricity purchasers shall be provided direct access, in written or electronic machine-readable form as appropriate, to information from their electricity provider as provided in subparagraph (B).
 - ˆ (B) INFORMATION- Information provided under this section, to the extent practicable, shall include:
 - ˆ (i) PRICES- Purchasers and other interested persons shall be provided with information on--

` (I) time-based electricity prices in the wholesale electricity market; and
` (II) time-based electricity retail prices or rates that are available to the purchasers.

` (ii) USAGE- Purchasers shall be provided with the number of electricity units, expressed in kwh, purchased by them.

` (iii) INTERVALS AND PROJECTIONS- Updates of information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use information, where available, and shall include a day-ahead projection of such price information to the extent available.

` (iv) SOURCES- Purchasers and other interested persons shall be provided annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost-effective basis.

` (C) ACCESS- Purchasers shall be able to access their own information at any time through the Internet and on other means of communication elected by that utility for Smart Grid applications. Other interested persons shall be able to access information not specific to any purchaser through the Internet. Information specific to any purchaser shall be provided solely to that purchaser.'

(b) Compliance-

(1) TIME LIMITATIONS- Section 112(b) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2622(b)) is amended by adding the following at the end thereof:

` (6)(A) Not later than 1 year after the enactment of this paragraph, each State regulatory authority (with respect to each electric utility for which it has ratemaking authority) and each nonregulated utility shall commence the consideration referred to in section 111, or set a hearing date for consideration, with respect to the standards established by paragraphs (17) through (18) of section 111(d).

“(B) Not later than 2 years after the date of the enactment of this paragraph, each State regulatory authority (with respect to each electric utility for which it has ratemaking authority), and each nonregulated electric utility, shall complete the consideration, and shall make the determination, referred to in section 111 with respect to each standard established by paragraphs (17) through (18) of section 111(d).”.

(2) FAILURE TO COMPLY- Section 112(c) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2622(c)) is amended by adding the following at the end:

“(In the case of the standards established by paragraphs (16) through (19) of section 111(d), the reference contained in this subsection to the date of enactment of this Act shall be deemed to be a reference to the date of enactment of such paragraphs).”.

(3) PRIOR STATE ACTIONS- Section 112(d) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 2622(d)) is amended by inserting “and paragraphs (17) through (18)” before “of section 111(d)”.

SEC. 1308. STUDY OF THE EFFECT OF PRIVATE WIRE LAWS ON THE DEVELOPMENT OF COMBINED HEAT AND POWER FACILITIES.

(a) Study-

(1) IN GENERAL- The Secretary, in consultation with the States and other appropriate entities, shall conduct a study of the laws (including regulations) affecting the siting of privately owned electric distribution wires on and across public rights-of-way.

(2) REQUIREMENTS- The study under paragraph (1) shall include--

(A) an evaluation of--

(i) the purposes of the laws; and

(ii) the effect the laws have on the development of combined heat and power facilities;

(B) a determination of whether a change in the laws would have any operating, reliability, cost, or other impacts on electric utilities and the customers of the electric utilities; and

(C) an assessment of--

(i) whether privately owned electric distribution wires would result in duplicative facilities; and

(ii) whether duplicative facilities are necessary or desirable.

(b) Report- Not later than 1 year after the date of enactment of this Act, the Secretary shall submit to Congress a report that describes the results of the study conducted under subsection (a).

SEC. 1309. DOE STUDY OF SECURITY ATTRIBUTES OF SMART GRID SYSTEMS.

(a) DOE Study- The Secretary shall, within 18 months after the date of enactment of this Act, submit a report to Congress that provides a quantitative assessment and determination of the existing and potential impacts of the deployment of Smart Grid systems on improving the security of the Nation's electricity infrastructure and operating capability. The report shall include but not be limited to specific recommendations on each of the following:

- (1) How smart grid systems can help in making the Nation's electricity system less vulnerable to disruptions due to intentional acts against the system.
- (2) How smart grid systems can help in restoring the integrity of the Nation's electricity system subsequent to disruptions.
- (3) How smart grid systems can facilitate nationwide, interoperable emergency communications and control of the Nation's electricity system during times of localized, regional, or nationwide emergency.
- (4) What risks must be taken into account that smart grid systems may, if not carefully created and managed, create vulnerability to security threats of any sort, and how such risks may be mitigated.

(b) Consultation- The Secretary shall consult with other Federal agencies in the development of the report under this section, including but not limited to the Secretary of Homeland Security, the Federal Energy Regulatory Commission, and the Electric Reliability Organization certified by the Commission under section 215(c) of the Federal Power Act (16 U.S.C. 824o) as added by section 1211 of the Energy Policy Act of 2005 (Public Law 109-58; 119 Stat. 941).