



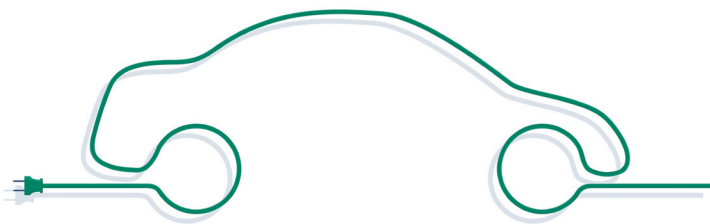
REGULATORY AND POLICY UPDATE

Quarter 4, 2019

This brief update is designed to share with S&C's clients where we see important government-related drivers for changes in electricity distribution. This is not meant to be a complete list of all legislative and regulatory changes in the energy sector, but a place to highlight those moves S&C believes are most interesting in terms of tracking trends. Any newly introduced legislation referenced below is legislation S&C believes is likely to pass.

U.S.

Federal—A bill (HR5428) was introduced in the House Committee on Science, Space, and Technology. The bill is titled the “Grid Modernization Research and Development Act of 2019,” and would direct the U.S. Department of Energy to take several steps to support the research, development and demonstration of smart grid technologies.



Transportation Electrification—There were a series of state-level bills that would clear the path for the electrification of transportation. While many of these were just introduced, it is telling that so many legislators are looking to act on this front:

- **California:** Passed a law (AB1100) to reduce barriers to electric vehicle (EV) charging-station deployment by updating local government minimum parking requirements for EVs .
- **Florida:** Introduced a bill (S7018) requiring the state's Public Service Commission, Department of Transportation (DOT) and Office of Energy to develop a plan for the development of charging infrastructure along the State Highway System
- **New Jersey:** Introduced three different bills on EVs:
 - » Requiring developers to offer EV charging stations as an option in new home construction (A5892)
 - » Clarifying EV charging installations at gas stations are not subject to several kinds of reviews and regulations (S4222)
 - » Requiring municipal planning boards to include the existing and proposed location of public EV charging infrastructure in their master plans (S606)

- **New York:** Enacted a law (S05820) directing the New York State Energy Research & Development Authority to prepare a report containing an inventory of the state's EVs and EV infrastructure
- **Ohio:** Introduced a bill (SB257) to authorize tax incentives for EVs
- **Pennsylvania:** Passed a bill (SB596) setting a 2030 goal for EV deployment in the state that is at least 50% higher than present market forecasts (The bill establishes a system for determining the charging infrastructure required to support those goals and lays out a process for utility EV programs to be evaluated by the Public Utility Commission (PUC). It also requires the PUC to issue transportation electrification infrastructure development plan guidelines for electric distribution companies.) legal guidance around when a non-utility builder of a microgrid could build its own distribution lines and cross legal rights of way. It also clarifies that a microgrid owner (under 10 MW) is not considered a public utility and subject to utility regulation.



- **South Carolina:** Introduced a (H4732) bill requiring the Department of Parks, Recreation and Tourism and the DOT to facilitate the charging of EVs at all state welcome centers and rest areas
- **Virginia:** Introduced a bill (HB75) authorizing Dominion Energy to implement an electric school-bus pilot program that includes up to 50 electric school buses, with costs not exceeding \$13.5 million

California—Gov. Gavin Newsom issued an executive order calling for transportation funding to align with state goals on climate and the environment and to help people cut back on driving. Most of the state’s transportation funding supports increased use of cars. Under this new executive order, state agencies are charged with finding ways to align funding for transportation planning and programming with climate goals, including helping Californians reduce driving.

The California legislature also passed (and the governor signed) Senate bill S559, which permits financing for certain storm-recovery costs and authorizes the Utilities Commission to fix rates within certain bands and require a multiyear rate plan of no more than five years.

Florida—The Senate introduced S0446, which would explicitly allow an owner of a commercial or industrial business or a contracted third party to install, maintain, and operate a renewable energy source device on their owned or leased property and to sell the electricity generated from the device to directly adjacent businesses.

Michigan—Gov. Gretchen Whitmer launched MI Power Grid, a multi-year initiative to maximize the benefits of the transition to clean, distributed energy resources for Michigan residents and businesses. This effort will consist of several stakeholder working groups to:

- » Conduct a statewide assessment of energy sources, infrastructure and usage
- » Engage stakeholders and the public on perceived needs and challenges
- » Identify regulatory and policy changes that could accelerate the clean energy transition
- » Foster faster development and implementation of clean energy technologies in the state
- » Improve the transparency of data and decision-making
- » Ensure the protection of low-income households during the transition

In the legislature, the Senate introduced two bills:

- » SB0596 would allow customers under the state’s Distributed Generation Program to generate electricity using an eligible generator interconnected with the local electric utility. Utilities would only be required to participate in the net-metering component of the program. The bill would change rules around the selection of customers for participation in the program and give both the customer and electricity provider proportional ownership of renewable energy credits granted. The bill would also specify some of the standards and definitions around “island mode” and “microgrids.”
- » SB0597 would remove a stipulation that the previously established charge for net metering and distributed generation customers shall not be recovered more than once.

New York—Gov. Andrew Cuomo in December vetoed a bill passed by both houses that would have created the state Office of the Utility Consumer Advocate to represent the interests of residential utility customers.





EUROPE

RIIO-ED2—British energy regulator Ofgem has decided on its high-level framework for the second round of RIIO performance-based regulation arrangements for electricity distribution, known as RIIO-ED2. The RIIO-ED2 framework will be five years in length, down from eight years, reflecting the greater uncertainty over changing patterns of generation and demand. The total expenditure (totex) incentives are retained as part of the key principles for RIIO. The development of revised outcome metrics and incentives will be a key part of the work for 2020, including further work on momentary interruptions.

Non-wires alternatives—As part of the rate filings for RIIO-ED2, the electricity distributors will be required to make full use of non-wires alternatives to traditional wires investment in the grid. The British market for such services is developing quickly. In 2018, the electricity distributor covering London, the East and Southeast of England went out to tender to procure non-wires alternatives from DERs in 28 zones of their network and procured 43MW of capacity. This year, they will be tendering for 170 MW of capacity.

UK blackouts—Ofgem published its findings on the August 9 UK blackout event, in which a lightning strike led to large transmission-connected generation and distribution generation being tripped off and approximately 1 million customers being interrupted. Key actions include:

- » A review of the standards that National Grid, the British electricity transmission system operator is required to comply with for securing the electricity system against disruptive events,
- » Increased transparency of the system operator's requirements and holdings of reserve, frequency response, and system inertia products
- » Further improvements in the structure and governance of the system operator
- » Further investigation as to why up to 1.5 GW of distribution generation was tripped off during the event

Electric Vehicles—The UK EV Energy taskforce made a range of regulatory and policy proposals to remove barriers and encourage EVs rollouts, including standards for charging station interoperability, cybersecurity requirements for chargers, restrictions on electricity distributors' control of charging, and the development of associated distribution network infrastructure as part of the electricity distribution rate case arrangements.



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