

March 16, 2017

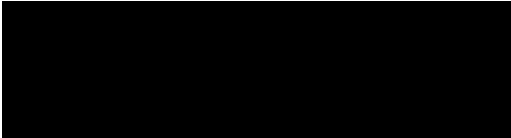
Will Batson
Legislative Clerk
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

Re: Question From The Honorable Fred Upton Regarding February 15, 2017 Testimony
“Are the efforts to modernize the grid and maximize the benefits to consumers of time-of-use rates, demand response, and smart meters hindered by the lack of real-time pricing rates at the modal level?”

Response:

Grid modernization investments in reliability and adaptability, and price responsive demand, are the building blocks to a grid that best serves the customer needs for power. Power system investments, especially in the delivery system, consider financial and physical factors to reflect planning and operating considerations. Selecting from among alternatives should be based on the expected net benefits to the customer, which includes, but is not restricted to, current supply costs. Customers responding to prices based on marginal supply costs provide signals to what aspects of grid modernization are most essential, and many elements of grid modernization are needed to achieve the desired level of price response. Linking retail prices to system marginal supply costs (which may be better if nodally distinguished) is a necessary condition. The availability of time-differentiated prices alone will not be sufficient. Customers must see and realize the benefits of becoming price responsive. Hence, grid modernization should extend beyond attending to the physical needs of the grid and to better enable the customer to produce, use, and manage their energy choices.

Sincerely,



Michael W. Howard, Ph.D., P.E.
President and Chief Executive Officer

MH/kes

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