



This brief update is designed to share with S&C's clients. It describes where we see important government-related drivers for change 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.

This Quarter's Trend: Improving Resilience To Severe Weather Threats

This past winter saw energy grids face a range of severe weather threats. Ice storms, plummeting temperatures, high winds, and flooding caused grid-infrastructure damage and resulted in millions of customers facing supply disruption. In response, a number of initiatives, both at the federal and state level in the U.S. as well as internationally, were introduced. Some processes are new, based on a better understanding of the threats, and strengthen utilities' ability to act. Others are further developments in processes already underway to enhance protection and harden the grids. Overall, experiences this winter reinforced the challenges posed by climate change and the importance of an enhanced focus on grid reliability and resilience.

United States

Federal—The Federal Energy Regulatory Commission and the North American Electric Reliability Corporation launched a joint investigation into the impact of Winter Storm Elliot. The December storm affected much of the northern U.S. with record cold temperatures and blizzard conditions, leaving up to 1.6 million people without power and leading to new electricity-demand records over a number of days. Much of the investigation's focus will be

on weatherization standards and how to prepare for even more severe and frequent future weather threats.

On January 30, the U.S. Department of Agriculture announced details of a \$2.7 billion investment in 64 rural electric cooperatives. The funding is provided as part of the Rural Development Electric Loan and Loan Guarantee Program and is intended to support upgrading or expanding existing infrastructure and energy efficiency projects. The package includes \$613 million for smart grid technology.

In February, the Office of Clean Energy Demonstrations, part of the U.S. Department of Energy, launched its \$15 million Energizing Rural Communities Prize. The initiative's aim is to reward organizations that develop innovations or strategies to help rural/remote communities improve their energy systems. The prize is part of the wider Energy Improvements in Rural or Remote Areas (ERA) program, created by the Bipartisan Infrastructure Law. A further funding announcement of up to \$300 million under the ERA is expected soon.

Arizona—House bill (HB2440) was introduced that, if adopted, would require a public power entity and any public service corporation to prioritize grid reliability and affordability when making decisions on the planning, investment, procurement, and operation of its resources, including those associated with generation, transmission, and distribution.

Illinois—Utility companies ComEd and Ameren submitted petitions to the Illinois Commerce Commission seeking approval of their multiyear grid and rate plans through to 2027. A key driver of the submissions is meeting the objectives of the state’s Climate and Equitable Jobs Act. Among the act’s key focus areas is investing in infrastructure upgrades and modernization to deliver both enhanced resilience to combat the challenges climate change poses as well as the increased reliability levels on which the economy increasingly relies.

The Illinois Commerce Commission announced plans to develop and adopt a Renewable Energy Access Plan. Among the key drivers are designating renewable energy access planning zones, creating new investment in renewable energy resources, improving transmission capacity, and investing in state and regional power system reliability. In the next stage, the commission will establish a schedule and procedures to ensure the timely completion of the plan.

Indiana—A House bill (HB1007) passed that would require decisions concerning Indiana’s electric generation resource mix, energy infrastructure, and ratemaking constructs to consider reliability, affordability, resilience, stability, and environmental sustainability. It also would require the Indiana Utility Regulatory Commission to commence a review before September 1, 2023, of the framework for and requirements with respect to performance-based ratemaking for investor-owned electricity suppliers.

Minnesota—Governor Tim Walz signed into law a bill requiring the state’s power utilities to use 100 percent clean energy by 2040. The bill also sets interim targets of 80 percent by 2030 and 90 percent by 2035. The decision accelerates previous targets but provides some flexibility to allow utilities to reach the standards while maintaining affordability and reliability.

Texas—A House bill (HB973) was introduced to create a Critical Infrastructure Resiliency Fund. The bill proposes to make funding available as part of an Electric Grid Improvement Account to eligible entities for projects related to grid hardening and

weatherization. Eligible entities would include any transmission or distribution utility, including municipally owned utilities and cooperatives. If approved, the legislation would take effect on September 1, 2023.

Virginia—Senate Bill 1370 was introduced to amend an existing pilot program for undergrounding electric lines. The program would consist of three projects to construct electrical transmission lines of between 69 kV and 230 kV entirely or partly underground. The pilot’s purpose is to understand the benefits of undergrounding, particularly as it pertains to supporting the state’s grid reliability/resilience or economic development priorities.



Australia

Work begins on annual market performance report—The Australian Energy Market Commission began working on its annual assessment of National Electricity Market power systems performance. The [Annual Market Performance Review](#) focuses on power system reliability and security and reliability standards. As part of the commission’s review, a reliability panel will advise on the safety, security, and reliability of the power system. The report was due to publish in late March 2023.



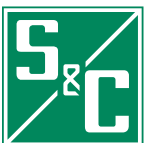
Canada

Ontario regulator initiates review of distributor resilience—In January, the Ontario Energy Board [published a letter](#) outlining plans to engage stakeholders in the preparation of a report on improving distribution sector resilience, responsiveness, and cost efficiency. The work stems from an October 2022 request from the Ministry of Energy to highlight the critical role the sector plays in the energy transition and the importance of preparing for extreme weather events, such as the two that affected infrastructure across eastern Ontario in 2022. The report is required to be submitted by June 30, 2023.

Report sets a path forward for DER integration—The OEB responded to the recommendation of its Framework for Energy Innovation working group and set out its [policy determinations and next steps](#) with regard to distributed energy resources (DER) integration. The OEB will adopt a benefit-cost assessment (BCA) framework that identifies the full energy system benefits and costs of DER solutions. It will launch a separate initiative to develop BCA framework components. Several activities are underway to collect new or more granular DER information, so the OEB is not imposing any further DER data-collection requirements at this stage.

Great Britain

Ofgem CEO focuses on Britain's energy infrastructure investment needs—In a [wide-ranging speech](#) to the Institute of Government, Jonathan Brearley, CEO of British energy regulator Ofgem, highlighted the scale of the investment challenge facing the country's energy sector. To both reduce dependence on international gas and to deliver the British government's decarbonization goals, Brearley identified the need to “build new energy infrastructure at a pace not seen in decades.” In detailing the role of the future system operator as one with the authority to develop planning for future infrastructure needs, he noted Ofgem's role should focus on ensuring efficient delivery through a combination of competition and regulation.



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