



Power Systems Design: Empowering Global Innovation

Smart Grid Thieves

Author: Edward Herbert, Co-Chairman PSMA Energy Efficiency Committee

Date: 01/10/2014

Categories: Government & Industry, Smart Power Grid

An underlying premise of the “Smart Grid” is that the utilities will be able to send commands through the “Smart Meters” to shut off various loads when power demand is higher than supply. Restated, they will have the ability to shut off my appliances so that they can sell the power to someone else for more money – a reverse Robin Hood scheme that institutionalizes price gouging.

It seems reasonable enough, on the surface. If power is scarce, applying well known principles of supply and demand, they will raise the cost of power until the demand falls off as people are unwilling or unable to pay the tariff. Those who do not want to participate can “opt out.” Those wealthy enough not to care can get all the power that they want, while the poor will be bankrupt if they stay connected.

This is further justified with the argument that the utilities have to bring less efficient generators on-line, so the cost of power really is higher. True, but it is the marginal power that costs more. The baseline power costs about the same, and should be priced accordingly.

Where are all the public utility commissions? Aren't they supposed to look after the public interest? How could they swallow this line? It is fundamentally wrong that the utilities should profit from power shortage and have a disincentive to providing more resources. If they can charge, for example, 5 times the rate for 150% of the baseline power, that is 7.5 times normal revenue in \$. What is the real extra cost? Way less than 7.5 times, I expect. They can profit hugely from higher demand.

Many states have price gouging laws to prevent gas stations from charging more during a catastrophe. Why should the utilities be different?

If an average user uses X kWh of power for \$Y on an average day (baseline power), he should be able to get the same X kWh for \$Y on a hot day. If everyone took only their baseline allocation, there would be no peak demand and no reason to raise rates. So, on a hot day, I may need to turn off the ac in the den and not dry my clothes, but I should be able to run my refrigerator and cool one room, staying within my baseline allocation, without paying a premium. If I am a good citizen, and stay within my baseline allocation, I should not be penalized.

If Mr. Mega Bucks wants to cool his entire McMansion, then he should pay spot rates if he uses more than his baseline. I don't much care how high spot rates go.

(Note: the opinions stated here are that of Edward Herbert and are not endorsed by the PSMA.)

Power Sources Manufacturers Association