



## **OBJECTIVE 1 - Driving Regulatory Reform**

# **Guiding Principles for a Consumer-Driven Electric Power System**

### **The Issue**

The imperfect quality of electricity service today robs thousands of dollars a year from each American household, wastes immense quantities of energy in the process and is the largest contributor to man-made carbon emissions. These unnecessary costs are largely buried in the prices of all purchased goods and services; in lost jobs and competitiveness, where they go unrecognized by most consumers and voters; and in environmental impacts.

Today's policy structure severely limits improvement, innovation, consumer participation and choice, and private investment in the electric power system, thereby increasing modernization costs and limiting consumer value. To sustain and maximize the benefits of the smart grid projects provided for in the American Reinvestment and Recovery Act, a new policy structure is called for that fosters innovation, leverages local capital and resources, and will allow consumers to work in concert with utilities to transform today's grid in a cost-effective manner. If done right, a new policy structure could guide grid modernization in a way that would produce consumer savings that exceed costs by four to five times. It will also enable states to compete in today's digital economy by attracting the best people and businesses. If new policies are not implemented, smart grid costs will far exceed the consumer benefits.

### **The Process**

In 2008, a diverse group of stakeholders met to discuss the barriers and benefits associated with modernizing the electric power system in Illinois. As is the case in many states, Illinois is facing a "perfect storm" of economic, energy, environmental and productivity threats that jeopardizes local economies. An unreliable, inefficient power system is at the heart of the problem. Local mayors, who must address a host of safety, security, health and financial issues every time the power goes out, were particularly engaged in the process, and in early 2009 formed a team of leaders who, together with the Galvin Electricity Initiative, developed the following set of Principles for a consumer-driven power system, and then approved them in the form of a resolution. The Principles serve as a "Bill of Rights" that can represent citizens and communities in any state and are designed to hold the electric utility industry — and the policies that regulate it — accountable to the needs and wants of 21<sup>st</sup> century consumers, first and foremost.

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## **The Electricity Consumer Principles**

The following Principles should guide the development or revision of the rules, rates and policies that govern the electric power system:

1. **All electricity consumers have the right to receive dynamic electricity pricing**, and the means and incentives to use this information to their best advantage.
2. **All electricity consumers have the right to buy their retail electricity services from any source they choose** in open, competitive markets.
3. **All electricity consumers have the right to electricity service system reliability and quality** that protects life and safety under all conditions, and meets the needs of today's digital society.
4. **All electricity consumers have the right to access, at all times, the fully transparent performance metrics** of their electricity service system.
5. **All communities have the right to improve their electricity distribution system**, with the full cooperation of their utility, in order to best serve the needs of their citizens.

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The Galvin Electricity Initiative, launched by former Motorola CEO Robert W. Galvin, has brought together many of the nation's leading electricity experts to reinvent our electric power system into one that is fundamentally more affordable, reliable and energy-efficient. The Initiative has created innovative business and technology blueprints for the ultimate smart grid — the Perfect Power System. The system is a smart microgrid that meets the needs of 21<sup>st</sup> century consumers and provides reliable, secure electricity regardless of nature's wrath or security threats. To pave the way for Perfect Power and system transformation as a whole, the Initiative is advocating for new policies that reflect a set of guiding Principles — the electricity consumer's Bill of Rights — in Illinois and other key states. For more information, visit [www.galvinpower.org](http://www.galvinpower.org).