



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: Rollout of Funding Initiatives to Support Grid Investment

During the last quarter, several key funding programs available under the U.S. Infrastructure Investment and Jobs Act reached the decision stage. Record levels of funding were announced either to individual applicants or to states, tribes, and territories to support infrastructure investment, including clean energy initiatives, grid modernization, and initiatives to prevent outages and improve grid resilience. In addition, where required, many states launched their own processes to target the provision of funding to where it is most needed. This is not the end of the process. For many of the mechanisms, the funding announced this quarter concludes the first round of funding, with subsequent rounds expected over the next few years.

The U.S. is not alone in focusing federal funding on the grid. The European Union Green Deal and Powering Australia plans mobilize significant investments in the grid over the next decade. Taken together, this represents a clear recognition of the importance of grid investment to support the present and future energy needs of customers.

## United States

**Federal**—The U.S. Department of Energy announced the provision of \$3.5 billion in federal funding to 58 projects across 44 states to strengthen electric grid reliability and resilience. The investment is the result of a competition for funding under the Grid Resilience and Innovation Partnership (GRIP) program, which began with the submission of concept papers in January 2023. Successful projects focus on a range of areas related to modernizing electric grids, investment in smart grid technologies, and other innovative approaches to enhance grid resilience. A focus on investment in disadvantaged communities was particularly important, with the Grid Deployment Office confirming all successful projects had Justice40 commitments, meaning an “equity” focus was essential to secure funding.

In total, the GRIP program will make available \$10.5 billion over several rounds of funding out to 2026. The application process for the second round of funding covering fiscal years 2024 and 2025 was launched on November 14, 2023. Under this round, an additional \$3.9 billion will be available to eligible applicants. The process and application requirements closely follow those for Round 1. In the first stage, interested parties will be required to submit a short concept paper outlining details of the proposed project by January 12, 2024.

There was also significant activity under the Grid Resilience Formula Grant Program, with an additional \$293 million allocated to 20 states, 25 tribal nations, and two territories in the last quarter. In total, this now means \$750 million of a possible \$920 million has been allocated to a range of initiatives to support modernization of grid infrastructure, improve weatherization, and promote grid equity.

The process closed for applicants seeking funding under the Powering Affordable Clean Energy and New Empowering Rural America programs. Both mechanisms were established under the Inflation Reduction Act and offer a combined \$10.7 billion in grants and loans. The first stage required applicants to submit a letter of interest, and early feedback suggested many had been submitted. The USDA Rural Utilities Service will now assess the letters of interest and confirm which parties can submit full applications.



**Massachusetts**—A bill was introduced that requires the state’s Department of Public Utilities to establish procedures requiring each utility to file a grid-modernization plan by October 31, 2025. In addition, Senate Bill S2166 requires the department to establish metrics and performance incentives to evaluate each utility’s progress toward creating a planning system that uses local energy resources to meet customer demand.

**Michigan**—House Bill 5216 was introduced in October. The bill builds on the work of the MI Power Grid Initiative and would require the Michigan Public Utility Commission to commence a study of multi-year rate plan methodologies by no later than January 1, 2024. Alongside this, the commission would be required to establish incentives and penalties for electric distribution reliability performance by January 1, 2025, and to provide an annual written report to the legislature on electric distribution reliability and progress toward targeted performance.

**Minnesota**—The Minnesota Public Utilities Commission issued an order requiring utilities to maximize the benefits of the Inflation Reduction Act. The order requires utilities to identify how they plan to maximize benefits from the act in their filings, including those relating to petitions for cost recovery, integrated distribution plans, and resource plans.

**New Mexico**—At a meeting of the state’s Water and Natural Resources Committee in October 2023, a panel of energy experts highlighted the critical role of grid investment in delivering the energy transition. One program highlighted involved Public Service Company of New Mexico plans to invest \$344 million in grid modernization. Such plans were identified as important, given a shift away from the transitional model of generation connecting at transmission voltages and thus the need to upgrade distribution assets to support new renewable generation sources.

**Pennsylvania**—The state’s Department of Environmental Protection launched a process for sub-allocating \$16 million in funding provided to Pennsylvania under the Grid Resilience Formula Grants. The department has requested applications for innovative projects to support more reliable and resilient electricity grids and highlighted the importance of projects that provide positive outcomes for disadvantaged communities. The opportunity is open for entities that own or operate electric power system infrastructure.



**Texas**—The Public Utilities Commission of Texas has opened a docket to determine rules required following the approval of HB2555, which provides a route for utilities to file a resilience investment plan and be able to recover the costs of implementing that plan. The rules will include the assessment criteria for reviewing plans, types of costs that would be eligible for recovery, and any reporting metrics. The commission has launched a stakeholder engagement process to determine the rules, which must be finalized by early 2024.

**Wisconsin**—In September, the Wisconsin Public Service Commission published an order establishing details for allocating funding under the Grid Resilience Formula Grant Program components of the Infrastructure Investment and Jobs Act. The grant provided \$10.2 million to Wisconsin in the inaugural period. The bill identified a subset of eligible activities for funding, including weatherization technologies and equipment, monitoring and control technologies, and construction of distributed energy resources for enhancing system adaptive capacity. It also identified that a minimum of 75 percent of the subrecipient funding would be for projects from small utilities, which total more than 100 in the state.

## Australia

### Regulator publishes report on market performance

—In October, the Australian Energy Regulator published its annual [“State of the energy market 2023” report](#). The wide-ranging report covered developments in all areas of the Australian electricity and gas markets. A key component of the report was a focus on protecting vulnerable customers, with the importance of “equity” highlighted. In terms of key trends, network service providers invested AU\$5.1 billion in the electricity grids in 2022, an 11% reduction from the previous year and ending a successive four-year period of increases. Generally, there was also a trend toward expenditure away from replacement and toward investment to support the grid growth.

With respect to reliability, the average customer experienced 1.55 interruptions to supply, a new record low. However, the duration of interruptions increased, with the average customer experiencing 350.6 minutes of supply interruption, an increase of 10% from the previous year. Asset failure was the most frequently reported reason for unplanned outages, accounting for 25% of all unplanned outages and 16% of all unplanned minutes of supply interruption across the NEM.



## Canada

### Regulator seeks to develop a benefit-cost analysis framework for addressing electricity system needs

The Ontario Energy Board has launched a [consultation](#) on how benefit-cost analysis (BCA) can be used for weighing energy system benefits against solution costs. The aim is to have a standardized template for BCA to support utilities to identify the full energy system benefits and costs of distributed energy resource integration. The work will proceed in two phases, with the first phase considering the development of guidance, methodologies, and tools for distribution impacts. The second phase will consider broader energy system impacts.



## Great Britain

### Ofgem decision on future systems and network regulation

British energy regulator Ofgem issued a decision on the design of the future rate-case framework to be applied to electricity transmission and gas networks. While Ofgem is not deciding on the framework for electricity distribution at this stage, it likely will use the same approach.

For ongoing costs, there will be an incentive-based approach like the present framework—RIIO-2 (Revenue = Incentives + Innovation + Outputs Round 2)—but with simplification to reflect lessons learned. There will also be a new “major projects”

program, which will consider investments as they arise from strategic planning. The process is aimed at ensuring speed of investment, quality, and low costs are delivered for customers.

This new framework will be called RIIO-3. Ofgem intends to streamline the suite of outputs and incentives by removing duplication and raising the bar for utility proposals. Customer and stakeholder engagement will continue to be at the heart of the framework.

## Europe

### Agreement reached on future F-gas regulations for switchgear

In October, the Council of the European Union announced final text on the future regulation of fluorinated greenhouse gases. This includes arrangements prohibiting the use of sulfur hexafluoride (SF<sub>6</sub>) in electricity switchgear. The new arrangements will be phased in between January 1, 2026, and January 1, 2032, starting with medium-voltage switchgear up to 24 kV. Exemptions are permitted where either no bids or only bids from one switchgear manufacturer are provided for switchgear not using fluorinated gases.

