
National Capital Area Chapter

United States Association for

Energy Economics

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news

“Key Issues in Pricing the Smart Grid”

Speaker:

Mark B. Lively
Utility Economic Engineer
Gaithersburg, MD

WHEN: 12:00 PM, February 20, 2009
WHERE: Chinatown Garden
618 H St NW
Washington DC 20001
Gallery Place-Chinatown Metro Stop

NCAC Treasurer and long-time leader Mark B. Lively will speak about the Smart Grid concept, which promises to provide supervisory control and data acquisition in much greater detail for most power transmission and distribution systems. Mark will discuss what is meant by the Smart Grid, reasons to implement the concept, and implications of the Smart Grid on the way the industry sets prices. Re the latter issue, Mark will review the kinds of time-location pricing incentives that are needed to ensure efficient electricity flows between and among utilities, including flows of reactive power. Mark’s practice as consulting engineer specializes on the pricing of electricity and natural gas, generally in traditional regulatory proceedings. He has developed WOLF pricing, a method to price electricity or natural gas on a competitive basis based entirely upon the participants’ reactions to the market, similar to a Walrasian Auction. His work on WOLF has led to invitations to lead programs on electricity restructuring for IEEE/University of Simon Bolivar in Caracas, Venezuela; Sultan Qaboos University in Muscat, Oman; and, the Association of Electricity Engineers in Auckland, New Zealand. Mark holds an SB in Electrical Engineering from MIT and an SM in Management from MIT’s Sloan School.

As the Obama Administration and Congress focus on ways to deploy a range of renewable resources and energy efficient equipment in the electricity marketplace, this talk is especially timely. Please join us on Friday, February 20 at 12 noon at the Chinatown Garden restaurant. We'll begin networking at noon, with the lunch served promptly at 12:30 and the presentation beginning at 1 pm. The meeting will end at 2 pm. Cost is \$20.00 for members and their guests (\$5.00 for student members) and \$25.00 for non-members and their guests. Make checks payable to NCAC-USAAE.

PLEASE RSVP: By COB Monday, February 16 to Mark Lively, Chapter Treasurer, by phone at (301) 428-3618 or e-mail at mbelively@aol.com.

LOOKING AHEAD...

- **2009 MEMBERSHIP RENEWAL/REGISTRATION:** The attached sheet provides a registration form for new members for 2009 or a renewal form for existing members. Please fill out and send (with a check for \$20) to Mark Lively, Chapter Treasurer, or bring it with you to the February 20 luncheon.
- **REGISTER NOW FOR THE 32nd IAEE International Conference – Energy, Economy, Environment – The Global View, June 21-24, 2009, at the Grand Hyatt in San Francisco.** International energy and climate issues are critical as trading infrastructure development for all energy forms continues, and fuel prices, although temporarily eased, remain of principal concern. This year's IAEE International Conference will bring together leading economists from around the nation and the world – don't miss a chance to be there! Visit <http://www.usaee.org/USAEE2009/> to view program details, and sign up!

STUDENTS!

- **NOW NCAC'S STUDENT DISCOUNT EXTENDS TO HOSTING MEMBERS TOO!** Any Chapter member bringing a student attending for the first time pays only the student rate – \$5 instead of the regular \$20.
- **ALSO FOR DC AREA STUDENTS - \$750 GRANTS AVAILABLE!** Once again this year, the NCAC is considering offering \$750 stipends to up to three DC area students to attend the IAEE International Conference in San Francisco, June 21-24 (see above). For more information on the NCAC scholarships, please contact NCAC Council Member Glen Sweetnam at glen.sweetnam@eia.doe.gov.
- **PIZZA AFTERNOONS:** For more information about holding a career pizza discussion at your school or university, please contact Sheila Moynihan at sheila.moynihan@gmail.com.

AUTHOR VIJAY VAITHEESWARAN OF THE ECONOMIST SPEAKS AT THE NCAC'S ANNUAL WINTER DINNER AT THE CITY CLUB FEBRUARY 4TH

The NCAC-USAAEE held its annual dinner on February 4, at the City Club of Washington at Franklin Square. The event was especially well attended, 88 people in all, including 10 student members and 17 guests enjoying the reception, dinner, and Mr. Vaitheeswaran's lively speech.

Vijay Vaitheeswaran, a correspondent with *The Economist* who recently co-authored a book entitled "ZOOM: The Global Race to Fuel the Car of the Future" spoke on the topic of "Energy and the Innovation Imperative".

He began by stating that we are currently at a historical crossroads, with China and India poised to rise in the world stage, as the mood in the U.S. often seems to be one of doom and gloom. However, Vaitheeswaran believes the dim prospects for the U.S. are overstated, and he reminded the audience of the similarities between today and the rise in Japan in the 70's and 80's, which also created some pessimism in the U.S.

There are, however, serious issues regarding natural resources, greenhouse gases, and other concerns that must be addressed if we are to get past this "doom and gloom." In particular, there are arguments about the causes of our problems and how to solve them. Some argue, as Paul Ehrlich did in the 1970s, that overpopulation is the problem, with a world of 10 billion people on the horizon. Others foresee coming resource wars as countries vie to maintain access to energy resources, clean water, etc. Still others offer mainly conservation as the solution, i.e., simply having to do without.

Instead, Vaitheeswaran argued that none of these scenarios will happen because the issues will be resolved by innovative solutions to the coming challenges. For example, the once-feared "population bomb" was defused by innovation in agriculture, health, and education. Indeed, as some under-developed countries have grown, people became a resource, e.g., the enormous contribution of women who were allowed to pursue education added to the economy while reducing population growth.

The resource base is not fixed, but dynamic. As demand grows, economic signals lead to innovation and the definition of a resource base changes over time. And innovation can also lead to conservation, but not the definition of conservation that means making do with a lower standard of living, but instead, maintaining the same or a better level of comfort with the same resources.

So what is innovation? Vaitheeswaran's view is that it's not really invention per se, which gives new things but it is how those inventions are applied in ways that create value. Innovation gives us solutions and marches on because of greed, i.e., it creates wealth so individuals continue to pursue ways to be innovative.

Globalization and "Google-ization" have changed the world economy in the past 10-years in ways that no one could have foreseen. Ideas and new business models move around the world at ever faster speeds. Now and in the future, successful companies will be those who can move

with agility to take advantage of the latest ideas. Companies need to be more open to letting ideas move freely among trusted partners and even users. But this explosion in information and freely traded ideas will lead to ever faster innovation, and those companies willing to take risks in the way they do business and adapt to the new environment will be able to capitalize on this new wave of innovation.

These changes in the speed and origin of innovation will present problems to organization such as Government that are not especially good at taking and assessing risks, and are inherently unwilling to kill projects that prove to be unsuccessful or obsolete. In this environment the Government's role should be to try to stay agile and provide the right kinds of regulation and incentives to spur innovation while maintaining a level playing field.

Vaitheeswaran's hope for our future lies in a world of democratic innovation that allows six billion people to bloom like flowers of ideas – those ideas come from everywhere, spurring new thinking and innovation.

Following his remarks, Vaitheeswaran fielded questions, including these:

Q: Given the current situation, what needs to be fixed?

A: Don't let the pendulum swing too far, from too little regulation, which contributed to some of the current problems, to so much regulation that it will hamper innovation. An example: in recent years U.S. energy regulations produced unwanted results because of too much faith in free markets. Now, however, too much regulation could also produce unwanted results. The U.S. should look to British experience with incentive regulation as an excellent model in the energy sphere.

Q: How do you implement a smart grid?

A: Incentivize properly so that private industry is willing to invest.

Q: If renewables continue to grow, there could be a significant impact on tax revenues due to the incentives governments give to this industry. What are your thoughts on this?

A: This is a political issue, not an energy or economic one. Politicians and the public needs to look at this issue so the proper decision are made, and the pain from lost revenue is minimized.

Q: Will the current economic and energy situation lead to a dialog between OPEC and the consuming countries on how to best manage energy for the future?

A: No. The cartel is a clumsy organization that generally looks out for the interests of a few of its bigger producers.

2009 MEMBERSHIP RENEWAL/REGISTRATION FORM
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U.S. Association for Energy Economics

Please check here for membership renewal.

Please check here for new membership registration.

Membership registration/renewal for the NCAC-USAE is expected by the end of the preceding calendar year.

Please return your registration form and check to **Mark Lively** — NCAC-USAE Treasurer at: **Utility Economic Engineers, 19012 High Point Dr., Gaithersburg, MD 20879**. Phone: 301-428-3618. Email: MbeLively@comcast.net

Full membership dues for 2009 are \$20.00 (students \$10.00). Please make checks payable to NCAC-USAE.

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Please list topics or speakers you would be interested in:

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