

## **Of This I Am Certain**

Years back, when I worked for a private non-utility energy company, I was engaged in a chat with my CEO that led him to say this: "You often hear CEOs say that they welcome competition because it is healthy for growing the market and expanding everyone's business. Don't believe it, Dan, because what every CEO really wants, with a few exceptions in a few situations, is a monopoly. I said "if that can't be had, is competition second-best?" He said "no....the next best thing is certainty.

There are few "I just need" words that you hear more from business leaders in the electricity sector than "certainty". This has always been understandable. I look at the utility industry as the most highly and tightly regulated industry area of any when it comes to its basic business model and its operations. As a result, any testimony or public remarks by a utility CEO over the years has likely included

some phrase like "if we had regulatory certainty". Other business areas in the electricity sector also incorporate regulations, legislation and codes in what they do, and therefore desire certainty.

What we have at present, however, is a period during which there is more uncertainty than ever in the electricity sector. This can be divided into two areas - industry transformation, and that thing I wrote about in my last column.

I use industry transformation as a term because I think that is what is happening before our eyes and that is what most of you are participating in. I used to use the term industry evolution but it is more than that. It is more like a big bang that is creating some new electricity life forms.

Among the big uncertainties that I suspect are keeping some of you up at night are: "I am a utility - where is my revenue going to come from?" "I am a utility, will I be allowed to do this or that thing, or

ruled out from participating in that area?" "I am a new technology company, is policy going to change fast enough to accommodate the technology that I have developed and am ready to provide?".

I could go on with that construct, and talk about net metering, value of solar, data access, privacy, cybersecurity, and other topics and issues. There are a lot of moving parts in the world of electricity right now. Some days it may feel like a complex slot machine where you are waiting for each of the wheels to stop spinning and get locked into images so you can see whether you are a winner or not.

More than ever before, the faster that that some sort of certainty on some things can be established, the easier the big electricity transformation will be.

Moreover, the more certainty there is, the faster it will happen. That means that policymakers should probably work harder

than ever before to do what they can as providers of certainty.

Now to turn to that other thing.....

Earlier this week, there was the biggest infusion yet of uncertainty for the electricity industry from the new Administration. I refer to the steps taken to repeal the Clean Power Plan. Although reviled by some, and legally opposed by others, the CPP provided some needed certainty on what was going to be required by government relative to reductions of greenhouse gas emissions. CEOs in the energy industry know that climate change has to be addressed, and something is going to happen in the way of government rules to ensure that it happens. So I would argue that the CPP was not a bad thing in terms of eliminating uncertainty.

Now, uncertainty has been introduced. Will the CPP really be repealed, given that it has to go through a serious

governmental process to accomplish that? When will we know that? What if it doesn't get repealed? Will I have lost time getting ready for it? Will my international operations be adversely impacted by the U.S. being shunned in some way for pulling back on its commitment to address GHG reductions?

But that is not the only new uncertainty in this area. The White House Budget has proposed significant funding reductions in agencies that the electricity industry cares about (even if at times it is via a love-hate relationship). Under that budget, USAID and the Commerce Department may not be helping U.S. companies anymore. EPA's Energy Star would be gone and support to states for doing energy policy (and thus creating certainty) would be eliminated. Support for energy trade with other countries would be reduced.

Of course, as with the CPP, the White House Budget is officially a Budget "Request". Congress gets to decide what

the ultimate budget is for agencies, and to a major extent what they spend that money on. But the bottom line is that anyone who cares about something that an agency does (and there may be some things you like that you don't even know that they do) is now faced with a certain degree of uncertainty as to how the federal budget is going to turn out.

Then there is the issue of fuel. Is the White House going to somehow show actionable preference for a certain fossil-based segment, or else try to take some specific action against the clean energy sector?

So right now, it's possible that the electricity sector could be in a spot with greater uncertainty that it has had for some time - or maybe ever.

So what is an electricity sector player (you) to do? One easy answer is to not wait for certainty to be handed to you. Participate in the policy process, and

maybe even push for it to get started, especially at the state level. Don't look the other way and think that something like GHG emissions might go away as an issue and you will never have to deal with it. Don't try to delay while you get ready for technology change, because if others are ready they will work to create the "new" certainty that is inevitable due to that kind of change. Do what you can to help create the certainty that you need.

Greenhouse emissions will have to be reduced. You can't stop clean energy and IT technology. Let's all work to create certainty, instead of uncertainty, where it is needed. Let's all get on with things that are inevitable.

Dan