

Three **Hot** Topics in US Regulation

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The Net Metering Battles

- Fixed electric network costs have universally been covered by per-kwh charges, so $P_{\text{retail}} > P_{\text{wholesale}}$
- DG (mainly residential solar) has been heavily subsidized and has grown rapidly
- *Net metering* = sales by DGs get P_{retail} (meters run backward), a large extra subsidy, nearly universal in the US
- Where significant DG penetration, fixed costs thus not covered; utilities and/or consumer groups scream
 - Equity: suppose sell in daytime, buy at night so no net purchases, then lots of grid use but no payment for it
- Some regulators increased fixed charges; challenged in court
 - Equity: large & small consumers make very different use of the grid
- Need simple, fair rate designs respecting cost causality...

The FCC's "Incentive" Auction

- "Empty" spectrum auctions in the US and Australia since 1994
- Broadcast TV value declining, uses lots of spectrum that could meet exploding demand for mobile broadband
- Congress 2012: Pay some UHF TV stations to go dark, re-assign others to clear spectrum, sell it to mobile operators
- About 2000 stations, 600,000 non-interference constraints; optimizing reassignment impossible; must use heuristics
- Reverse auction (descending prices based on estimated values) ran 5/31 to 6/29: 126 MHz cleared for \$86.4 billion
- If sale of cleared spectrum raises more, the auction is over; if not, FCC will re-open the reverse auction & lower its bids, then re-try the forward auction with lower supply & lower revenue needed.

The FCC's "Set-Top Box" Initiative

- Australia uses open DVB standards for cable video; US MVPDs use one of two proprietary coding standards
- US Consumers must rent *clunky* "set-top boxes" (STBs) from MVPDs: \$231/yr, \$20 billion total, cost **up** 185%/20 yrs
- Since 1996, Congress has required the FCC to enable STB competition, but prior attempts have failed
- In February, the FCC issued a proposed rule based on development of a new software interface standard
- Electronics firms loved it, cable and content providers hated it
- In mid-June, cable offered an apps-based, no box alternative; talks ongoing. **Some change seems certain!**