

# **Paying for the smart grid**

Luciano De Castro, Joisa Dutra

## **Abstract**

Smart grid technologies may bring substantial advantages to society, but the required investments are sizable. This paper analyzes three main issues related to smart grids: reliability, demand response and cost recovery of investments. In particular, we show that generators will lose profits as a direct effect of demand response initiatives, and most of the benefits of smart grids cannot be easily converted into payments. Moreover, there are potential issues in the choices made by utilities for providing smart grids, and the reliability pertinent to smart grids is a kind of public good.