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**HOUSE BILL NO. 2547**

Offered January 13, 2025

Prefiled January 10, 2025

*A BILL to amend and reenact §§ 56-577 and 56-577.1 of the Code of Virginia, relating to electric utilities; retail competition; aggregation of load.*

Patrons—Rasoul and Cherry

Referred to Committee on Labor and Commerce

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 56-577 and 56-577.1 of the Code of Virginia are amended and reenacted as follows:**

**§ 56-577. Schedule for transition to retail competition; Commission authority; exemptions; pilot programs.**

A. Retail competition for the purchase and sale of electric energy shall be subject to the following provisions:

1. Each incumbent electric utility owning, operating, controlling, or having an entitlement to transmission capacity shall join or establish a regional transmission entity, which entity may be an independent system operator, to which such utility shall transfer the management and control of its transmission system, subject to the provisions of § 56-579.

2. The generation of electric energy shall be subject to regulation as specified in this chapter.

3. Subject to the provisions of subdivisions 4 and 5, only individual retail customers of electric energy within the Commonwealth, regardless of customer class, whose demand during the most recent calendar year exceeded five megawatts but did not exceed one percent of the customer's incumbent electric utility's peak load during the most recent calendar year unless such customer had noncoincident peak demand in excess of 90 megawatts in calendar year 2006 or any year thereafter, shall be permitted to purchase electric energy from any supplier of electric energy licensed to sell retail electric energy within the Commonwealth, except for any incumbent electric utility other than the incumbent electric utility serving the exclusive service territory in which such a customer is located, subject to the following conditions:

a. If such customer does not purchase electric energy from licensed suppliers, such customer shall purchase electric energy from its incumbent electric utility.

b. Except as provided in subdivision 4, the demands of individual retail customers may not be aggregated or combined for the purpose of meeting the demand limitations of this provision, any other provision of this chapter to the contrary notwithstanding. For the purposes of this section, each noncontiguous site will nevertheless constitute an individual retail customer even though one or more such sites may be under common ownership of a single person.

c. If such customer does purchase electric energy from licensed suppliers after the expiration or termination of capped rates, it shall not thereafter be entitled to purchase electric energy from the incumbent electric utility without giving five years' advance written notice of such intention to such utility, except where such customer demonstrates to the Commission, after notice and opportunity for hearing, through clear and convincing evidence that its supplier has failed to perform, or has anticipatorily breached its duty to perform, or otherwise is about to fail to perform, through no fault of the customer, and that such customer is unable to obtain service at reasonable rates from an alternative supplier. If, as a result of such proceeding, the Commission finds it in the public interest to grant an exemption from the five-year notice requirement, such customer may thereafter purchase electric energy at the costs of such utility, as determined by the Commission pursuant to subdivision 3 d hereof, for the remainder of the five-year notice period, after which point the customer may purchase electric energy from the utility under rates, terms and conditions determined pursuant to § 56-585.1. However, such customer shall be allowed to individually purchase electric energy from the utility under rates, terms, and conditions determined pursuant to § 56-585.1 if, upon application by such customer, the Commission finds that neither such customer's incumbent electric utility nor retail customers of such utility that do not choose to obtain electric energy from alternate suppliers will be adversely affected in a manner contrary to the public interest by granting such petition. In making such determination, the Commission shall take into consideration, without limitation, the impact and effect of any and all other previously approved petitions of like type with respect to such incumbent electric utility. Any customer that returns to purchase electric energy from its incumbent electric utility, before or after expiration of the five-year notice period, shall be subject to minimum stay periods equal to those prescribed by the Commission pursuant to subdivision C 1.

d. The costs of serving a customer that has received an exemption from the five-year notice requirement under subdivision 3 c hereof shall be the market-based costs of the utility, including (i) the actual expenses of

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59 procuring such electric energy from the market, (ii) additional administrative and transaction costs associated  
60 with procuring such energy, including, but not limited to, costs of transmission, transmission line losses, and  
61 ancillary services, and (iii) a reasonable margin as determined pursuant to the provisions of subdivision A 2  
62 of § 56-585.1. The methodology established by the Commission for determining such costs shall ensure that  
63 neither utilities nor other retail customers are adversely affected in a manner contrary to the public interest.

64 4. Two or more individual nonresidential retail customers of electric energy within the Commonwealth,  
65 whose individual demand during the most recent calendar year did not exceed five megawatts, may petition  
66 the Commission for permission to aggregate or combine their demands, for the purpose of meeting the  
67 demand limitations of subdivision 3, so as to become qualified to purchase electric energy from any supplier  
68 of electric energy licensed to sell retail electric energy within the Commonwealth under the conditions  
69 specified in subdivision 3. The Commission may, after notice and opportunity for hearing, approve such  
70 petition if it finds that:

71 a. Neither such customers' incumbent electric utility nor retail customers of such utility that do not choose  
72 to obtain electric energy from alternate suppliers will be adversely affected in a manner contrary to the public  
73 interest by granting such petition. In making such determination, the Commission shall take into  
74 consideration, without limitation, the impact and effect of any and all other previously approved petitions of  
75 like type with respect to such incumbent electric utility; and

76 b. Approval of such petition is consistent with the public interest.

77 If such petition is approved, all customers whose load has been aggregated or combined shall thereafter be  
78 subject in all respects to the provisions of subdivision 3 and shall be treated as a single, individual customer  
79 for the purposes of said subdivision. *Such retail customers shall be able to modify existing site accounts*  
80 *outlined in the petition, including the individual demand amount or the meter number, without penalty or risk*  
81 *of revocation of petition approval, provided the petition continues to adhere to the requirements of this*  
82 *section. Such retail customers shall be permitted to add new accounts to their approved site list without*  
83 *penalty or risk of revocation of petition approval, provided the petition continues to adhere to the*  
84 *requirements of this section, does not threaten reliability of the electric grid, is not contrary to public*  
85 *interest, and is subject to review and approval by the Commission.* In addition, the Commission shall impose  
86 reasonable periodic monitoring and reporting obligations on such customers to demonstrate that they  
87 continue, as a group, to meet the demand limitations of subdivision 3. If the Commission finds, after notice  
88 and opportunity for hearing, that such group of customers no longer meets the above demand limitations, the  
89 Commission may revoke its previous approval of the petition, or take such other actions as may be consistent  
90 with the public interest.

91 5. Individual retail customers of electric energy within the Commonwealth, regardless of customer class,  
92 shall be permitted:

93 a. To purchase electric energy provided 100 percent from renewable energy from any supplier of electric  
94 energy licensed to sell retail electric energy within the Commonwealth, other than any incumbent electric  
95 utility that is not the incumbent electric utility serving the exclusive service territory in which such a  
96 customer is located, if the incumbent electric utility serving the exclusive service territory does not offer an  
97 approved tariff for electric energy provided 100 percent from renewable energy; and

98 b. To continue purchasing renewable energy pursuant to the terms of a power purchase agreement in  
99 effect on the date there is filed with the Commission a tariff for the incumbent electric utility that serves the  
100 exclusive service territory in which the customer is located to offer electric energy provided 100 percent from  
101 renewable energy, for the duration of such agreement.

102 6. To the extent that an incumbent electric utility has elected as of February 1, 2019, the Fixed Resource  
103 Requirement alternative as a Load Serving Entity in the PJM Region and continues to make such election and  
104 is therefore required to obtain capacity for all load and expected load growth in its service area, any customer  
105 of a utility subject to that requirement that purchases energy pursuant to subdivision 3 or 4 from a supplier  
106 licensed to sell retail electric energy within the Commonwealth shall continue to pay its incumbent electric  
107 utility for the non-fuel generation capacity and transmission related costs incurred by the incumbent electric  
108 utility in order to meet the customer's capacity obligations, pursuant to the incumbent electric utility's  
109 standard tariff that has been approved by and is on file with the Commission. In the case of such customer,  
110 the advance written notice period established in subdivisions 3 c and d shall be three years. This subdivision  
111 shall not apply to the customers of licensed suppliers that (i) had an agreement with a licensed supplier  
112 entered into before February 1, 2019, or (ii) had aggregation petitions pending before the Commission prior  
113 to January 1, 2019, unless and until any customer referenced in clause (i) or (ii) has returned to purchase  
114 electric energy from its incumbent electric utility, pursuant to the provisions of subdivision 3 or 4, and is  
115 receiving electric energy from such incumbent electric utility.

116 7. A tariff for one or more classes of residential customers filed with the Commission for approval by a  
117 cooperative on or after July 1, 2010, shall be deemed to offer a tariff for electric energy provided 100 percent  
118 from renewable energy if it provides undifferentiated electric energy and the cooperative retires a quantity of  
119 renewable energy certificates equal to 100 percent of the electric energy provided pursuant to such tariff. A

120 tariff for one or more classes of nonresidential customers filed with the Commission for approval by a  
 121 cooperative on or after July 1, 2012, shall be deemed to offer a tariff for electric energy provided 100 percent  
 122 from renewable energy if it provides undifferentiated electric energy and the cooperative retires a quantity of  
 123 renewable energy certificates equal to 100 percent of the electric energy provided pursuant to such tariff. For  
 124 purposes of this section, "renewable energy certificate" means, with respect to cooperatives, a tradable  
 125 commodity or instrument issued by a regional transmission entity or affiliate or successor thereof in the  
 126 United States that validates the generation of electricity from renewable energy sources or that is certified  
 127 under a generally recognized renewable energy certificate standard. One renewable energy certificate equals  
 128 1,000 kWh or one MWh of electricity generated from renewable energy. A cooperative offering electric  
 129 energy provided 100 percent from renewable energy pursuant to this subdivision that involves the retirement  
 130 of renewable energy certificates shall disclose to its retail customers who express an interest in purchasing  
 131 energy pursuant to such tariff (i) that the renewable energy is comprised of the retirement of renewable  
 132 energy certificates, (ii) the identity of the entity providing the renewable energy certificates, and (iii) the  
 133 sources of renewable energy being offered.

134 B. The Commission shall promulgate such rules and regulations as may be necessary to implement the  
 135 provisions of this section.

136 C. 1. By January 1, 2002, the Commission shall promulgate regulations establishing whether and, if so,  
 137 for what minimum periods, customers who request service from an incumbent electric utility pursuant to  
 138 subsection D of § 56-582 or a default service provider, after a period of receiving service from other suppliers  
 139 of electric energy, shall be required to use such service from such incumbent electric utility or default service  
 140 provider, as determined to be in the public interest by the Commission.

141 2. Subject to (i) the availability of capped rate service under § 56-582, and (ii) the transfer of the  
 142 management and control of an incumbent electric utility's transmission assets to a regional transmission entity  
 143 after approval of such transfer by the Commission under § 56-579, retail customers of such utility (a)  
 144 purchasing such energy from licensed suppliers and (b) otherwise subject to minimum stay periods prescribed  
 145 by the Commission pursuant to subdivision 1, shall nevertheless be exempt from any such minimum stay  
 146 obligations by agreeing to purchase electric energy at the market-based costs of such utility or default  
 147 providers after a period of obtaining electric energy from another supplier. Such costs shall include (i) the  
 148 actual expenses of procuring such electric energy from the market, (ii) additional administrative and  
 149 transaction costs associated with procuring such energy, including, but not limited to, costs of transmission,  
 150 transmission line losses, and ancillary services, and (iii) a reasonable margin. The methodology of  
 151 ascertaining such costs shall be determined and approved by the Commission after notice and opportunity for  
 152 hearing and after review of any plan filed by such utility to procure electric energy to serve such customers.  
 153 The methodology established by the Commission for determining such costs shall be consistent with the  
 154 goals of (a) promoting the development of effective competition and economic development within the  
 155 Commonwealth as provided in subsection A of § 56-596, and (b) ensuring that neither incumbent utilities nor  
 156 retail customers that do not choose to obtain electric energy from alternate suppliers are adversely affected.

157 3. Notwithstanding the provisions of subsection D of § 56-582 and subsection C of § 56-585, however,  
 158 any such customers exempted from any applicable minimum stay periods as provided in subdivision 2 shall  
 159 not be entitled to purchase retail electric energy thereafter from their incumbent electric utilities, or from any  
 160 distributor required to provide default service under subsection B of § 56-585, at the capped rates established  
 161 under § 56-582, unless such customers agree to satisfy any minimum stay period then applicable while  
 162 obtaining retail electric energy at capped rates.

163 4. The Commission shall promulgate such rules and regulations as may be necessary to implement the  
 164 provisions of this subsection, which rules and regulations shall include provisions specifying the  
 165 commencement date of such minimum stay exemption program.

166 **§ 56-577.1. Electric utilities; retail competition; pilot program.**

167 A. The Commission shall conduct a pilot program under which two or more nonresidential customers that,  
 168 as of February 25, 2019, had filed applications seeking to aggregate their load pursuant to subdivision A 4 of  
 169 § 56-577 within the service territory of a Phase II Utility, as that term is defined in subsection A of §  
 170 56-585.1, shall be permitted to purchase electric energy from any supplier of electric energy licensed to sell  
 171 electric energy within the Commonwealth, subject to the following terms, conditions, and restrictions:

172 1. A pilot program shall be conducted within the certified service territory of the Phase II Utility in which  
 173 such nonresidential customers are located.

174 2. The aggregated load participating in the pilot program shall not exceed 200 megawatts.

175 3. All customers participating in the pilot program shall be subject in all respects to the provisions of  
 176 subdivision A 3 of § 56-577, with participation in this pilot program being deemed to satisfy subdivision A 4  
 177 of § 56-577 and with the load set forth in each application being treated as a single, individual customer for  
 178 purposes of said subdivision, and shall submit an annual report to the Commission by March 31 each year to  
 179 demonstrate that, for the preceding calendar year, such load continued to meet the demand limitations of  
 180 subdivision A 3 of § 56-577. *Such retail customers shall be able to modify existing site accounts outlined in*

**181** *the petition, including the individual demand amount or the meter number, without penalty or risk of removal*  
**182** *from the program, provided the petition continues to adhere to program requirements. Such retail customers*  
**183** *shall be permitted to add new accounts to their approved site list without penalty or risk of removal from the*  
**184** *program, provided the petition continues to adhere to program requirements, does not threaten reliability of*  
**185** *the electric grid, is not contrary to public interest, and is subject to review and approval by the Commission.*  
**186** B. The Commission shall review the pilot program established pursuant to subsection A in 2022.