

# 2026 SESSION

INTRODUCED

26101501D

1 **HOUSE BILL NO. 1255**

2 Offered January 14, 2026

3 Prefiled January 14, 2026

4 *A BILL to amend and reenact § 56-594 of the Code of Virginia, relating to net energy metering; standby*  
5 *charge; facility capacity.*

6 Patron—Shin

7 \_\_\_\_\_  
8 Committee Referral Pending  
9

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

11 **1. That § 56-594 of the Code of Virginia is amended and reenacted as follows:**

12 **§ 56-594. Net energy metering provisions.**

13 A. The Commission shall establish by regulation a program that affords eligible customer-generators the  
14 opportunity to participate in net energy metering, and a program, to begin no later than July 1, 2014, for  
15 customers of investor-owned utilities and to begin no later than July 1, 2015, and to end July 1, 2019, for  
16 customers of electric cooperatives as provided in subsection G, to afford eligible agricultural  
17 customer-generators the opportunity to participate in net energy metering. The regulations may include, but  
18 need not be limited to, requirements for (i) retail sellers; (ii) owners or operators of distribution or  
19 transmission facilities; (iii) providers of default service; (iv) eligible customer-generators; (v) eligible  
20 agricultural customer-generators; or (vi) any combination of the foregoing, as the Commission determines  
21 will facilitate the provision of net energy metering, provided that the Commission determines that such  
22 requirements do not adversely affect the public interest. On and after July 1, 2017, small agricultural  
23 generators or eligible agricultural customer-generators may elect to interconnect pursuant to the provisions of  
24 this section or as small agricultural generators pursuant to § 56-594.2, but not both. Existing eligible  
25 agricultural customer-generators may elect to become small agricultural generators, but may not revert to  
26 being eligible agricultural customer-generators after such election. On and after July 1, 2019, interconnection  
27 of eligible agricultural customer-generators shall cease for electric cooperatives only, and such facilities shall  
28 interconnect solely as small agricultural generators. For electric cooperatives, eligible agricultural  
29 customer-generators whose renewable energy generating facilities were interconnected before July 1, 2019,  
30 may continue to participate in net energy metering pursuant to this section for a period not to exceed 25 years  
31 from the date of their renewable energy generating facility's original interconnection.

32 B. For the purpose of this section:

33 "Eligible agricultural customer-generator" means a customer that operates a renewable energy generating  
34 facility as part of an agricultural business, which generating facility (i) uses as its sole energy source solar  
35 power, wind power, or aerobic or anaerobic digester gas, (ii) does not have an aggregate generation capacity  
36 of more than 500 kilowatts, (iii) is located on land owned or controlled by the agricultural business, (iv) is  
37 connected to the customer's wiring on the customer's side of its interconnection with the distributor; (v) is  
38 interconnected and operated in parallel with an electric company's transmission and distribution facilities, and  
39 (vi) is used primarily to provide energy to metered accounts of the agricultural business. An eligible  
40 agricultural customer-generator may be served by multiple meters serving the eligible agricultural customer-  
41 generator that are located at the same or adjacent sites, such that the eligible agricultural customer-generator  
42 may aggregate in a single account the electricity consumption and generation measured by the meters,  
43 provided that the same utility serves all such meters. The aggregated load shall be served under the  
44 appropriate tariff.

45 "Eligible customer-generator" means a customer that owns and operates, or contracts with other persons  
46 to own, operate, or both, an electrical generating facility, including any additions or enhancements such as  
47 battery storage or a smart inverter, that (i) has a capacity of not more than 25 kilowatts for residential  
48 customers and not more than three megawatts for nonresidential customers; (ii) uses as its total source of fuel  
49 renewable energy, as defined in § 56-576; (iii) is located on land owned or leased by the customer and is  
50 connected to the customer's wiring on the customer's side of its interconnection with the distributor; (iv) is  
51 interconnected and operated in parallel with an electric company's transmission and distribution facilities; and  
52 (v) is intended primarily to offset all or part of the customer's own electricity requirements. No contract,  
53 lease, or arrangement by which a third party owns, maintains, or operates an electrical generating facility on  
54 an eligible customer-generator's property shall constitute the sale of electricity or cause the  
55 customer-generator or the third party to be considered an electric utility by virtue of participating in net  
56 energy metering. In addition to the electrical generating facility size limitations in clause (i), the capacity of  
57 any generating facility installed under this section between July 1, 2015, and July 1, 2020, shall not exceed  
58 the expected annual energy consumption based on the previous 12 months of billing history or an annualized

INTRODUCED

HB1255

59 calculation of billing history if 12 months of billing history is not available. In addition to the electrical  
60 generating facility size limitation in clause (i), in the certificated service territory of a Phase I Utility, the  
61 capacity of any generating facility installed under this section after July 1, 2020, shall not exceed 100 percent  
62 of the expected annual energy consumption based on the previous 12 months of billing history or an  
63 annualized calculation of billing history if 12 months of billing history is not available, and in the certificated  
64 service territory of a Phase II Utility, the capacity of any generating facility installed under this section after  
65 July 1, 2020, shall not exceed 150 percent of the expected annual energy consumption based on the previous  
66 12 months of billing history or an annualized calculation of billing history if 12 months of billing history is  
67 not available.

68 "Net energy metering" means measuring the difference, over the net metering period, between (i)  
69 electricity supplied to an eligible customer-generator or eligible agricultural customer-generator from the  
70 electric grid and (ii) the electricity generated and fed back to the electric grid by the eligible customer-  
71 generator or eligible agricultural customer-generator.

72 "Net metering period" means the 12-month period following the date of final interconnection of the  
73 eligible customer-generator's or eligible agricultural customer-generator's system with an electric service  
74 provider, and each 12-month period thereafter.

75 "Small agricultural generator" has the same meaning that is ascribed to that term in § 56-594.2.

76 C. The Commission's regulations shall ensure that (i) the metering equipment installed for net metering  
77 shall be capable of measuring the flow of electricity in two directions and (ii) any eligible customer-generator  
78 seeking to participate in net energy metering shall notify its supplier and receive approval to interconnect  
79 prior to installation of an electrical generating facility. The electric distribution company shall have 30 days  
80 from the date of notification for residential facilities, and 60 days from the date of notification for  
81 nonresidential facilities, to determine whether the interconnection requirements have been met. Such  
82 regulations shall allocate fairly the cost of such equipment and any necessary interconnection. An eligible  
83 customer-generator's electrical generating system, and each electrical generating system of an eligible  
84 agricultural customer-generator, shall meet all applicable safety and performance standards established by the  
85 National Electrical Code, the Institute of Electrical and Electronics Engineers, and accredited testing  
86 laboratories such as Underwriters Laboratories. Beyond the requirements set forth in this section and to  
87 ensure public safety, power quality, and reliability of the supplier's electric distribution system, an eligible  
88 customer-generator or eligible agricultural customer-generator whose electrical generating system meets  
89 those standards and rules shall bear all reasonable costs of equipment required for the interconnection to the  
90 supplier's electric distribution system, including costs, if any, to (a) install additional controls and (b) perform  
91 or pay for additional tests. No eligible customer-generator or eligible agricultural customer-generator shall be  
92 required to provide proof of liability insurance or to purchase additional liability insurance as a condition of  
93 interconnection.

94 D. The Commission shall establish minimum requirements for contracts to be entered into by the parties  
95 to net metering arrangements. Such requirements shall protect the eligible customer-generator or eligible  
96 agricultural customer-generator against discrimination by virtue of its status as an eligible customer-generator  
97 or eligible agricultural customer-generator, and permit customers that are served on time-of-use tariffs that  
98 have electricity supply demand charges contained within the electricity supply portion of the time-of-use  
99 tariffs to participate as an eligible customer-generator or eligible agricultural customer-generator.  
100 Notwithstanding the cost allocation provisions of subsection C, eligible customer-generators or eligible  
101 agricultural customer-generators served on demand charge-based time-of-use tariffs shall bear the  
102 incremental metering costs required to net meter such customers.

103 E. If electricity generated by an eligible customer-generator or eligible agricultural customer-generator  
104 over the net metering period exceeds the electricity consumed by the eligible customer-generator or eligible  
105 agricultural customer-generator, the customer-generator or eligible agricultural customer-generator shall be  
106 compensated for the excess electricity if the entity contracting to receive such electric energy and the eligible  
107 customer-generator or eligible agricultural customer-generator enter into a power purchase agreement for  
108 such excess electricity. Upon the written request of the eligible customer-generator or eligible agricultural  
109 customer-generator, the supplier that serves the eligible customer-generator or eligible agricultural customer-  
110 generator shall enter into a power purchase agreement with the requesting eligible customer-generator or  
111 eligible agricultural customer-generator that is consistent with the minimum requirements for contracts  
112 established by the Commission pursuant to subsection D. The power purchase agreement shall obligate the  
113 supplier to purchase such excess electricity at the rate that is provided for such purchases in a net metering  
114 standard contract or tariff approved by the Commission, unless the parties agree to a higher rate. The eligible  
115 customer-generator or eligible agricultural customer-generator owns any renewable energy certificates  
116 associated with its electrical generating facility; however, at the time that the eligible customer-generator or  
117 eligible agricultural customer-generator enters into a power purchase agreement with its supplier, the eligible  
118 customer-generator or eligible agricultural customer-generator shall have a one-time option to sell the  
119 renewable energy certificates associated with such electrical generating facility to its supplier and be  
120 compensated at an amount that is established by the Commission to reflect the value of such renewable

121 energy certificates. Nothing in this section shall prevent the eligible customer-generator or eligible  
 122 agricultural customer-generator and the supplier from voluntarily entering into an agreement for the sale and  
 123 purchase of excess electricity or renewable energy certificates at mutually-agreed upon prices if the eligible  
 124 customer-generator or eligible agricultural customer-generator does not exercise its option to sell its  
 125 renewable energy certificates to its supplier at Commission-approved prices at the time that the eligible  
 126 customer-generator or eligible agricultural customer-generator enters into a power purchase agreement with  
 127 its supplier. All costs incurred by the supplier to purchase excess electricity and renewable energy certificates  
 128 from eligible customer-generators or eligible agricultural customer-generators shall be recoverable through its  
 129 Renewable Energy Portfolio Standard (RPS) rate adjustment clause, if the supplier has a Commission-  
 130 approved RPS plan. If not, then all costs shall be recoverable through the supplier's fuel adjustment clause.  
 131 For purposes of this section, "all costs" shall be defined as the rates paid to the eligible customer-generator or  
 132 eligible agricultural customer-generator for the purchase of excess electricity and renewable energy  
 133 certificates and any administrative costs incurred to manage the eligible customer-generator's or eligible  
 134 agricultural customer-generator's power purchase arrangements. The net metering standard contract or tariff  
 135 shall be available to eligible customer-generators or eligible agricultural customer-generators on a first-come,  
 136 first-served basis in each electric distribution company's Virginia service area until the rated generating  
 137 capacity owned and operated by eligible customer-generators, eligible agricultural customer-generators, and  
 138 small agricultural generators in the Commonwealth reaches six percent, in the aggregate, five percent of  
 139 which is available to all customers and one percent of which is available only to low-income utility customers  
 140 of each electric distribution company's adjusted Virginia peak-load forecast for the previous year, and shall  
 141 require the supplier to pay the eligible customer-generator or eligible agricultural customer-generator for such  
 142 excess electricity in a timely manner at a rate to be established by the Commission.

143 On and after the earlier of (i) 2024 for a Phase I Utility or 2025 for a Phase II Utility or (ii) when the  
 144 aggregate rated generating capacity owned and operated by eligible customer-generators, eligible agricultural  
 145 customer-generators, and small agricultural generators in the Commonwealth reaches three percent of a Phase  
 146 I or Phase II Utility's adjusted Virginia peak-load forecast for the previous year, the Commission shall  
 147 conduct a net energy metering proceeding.

148 In any net energy metering proceeding, the Commission shall, after notice and opportunity for hearing,  
 149 evaluate and establish (a) an amount customers shall pay on their utility bills each month for the costs of  
 150 using the utility's infrastructure; (b) an amount the utility shall pay to appropriately compensate the customer,  
 151 as determined by the Commission, for the total benefits such facilities provide; (c) the direct and indirect  
 152 economic impact of net metering to the Commonwealth; and (d) any other information the Commission  
 153 deems relevant. The Commission shall establish an appropriate rate structure related thereto, which shall  
 154 govern compensation related to all eligible customer-generators, eligible agricultural customer-generators,  
 155 and small agricultural generators, except low-income utility customers, that interconnect after the effective  
 156 date established in the Commission's final order. Nothing in the Commission's final order shall affect any  
 157 eligible customer-generators, eligible agricultural customer-generators, and small agricultural generators who  
 158 interconnect before the effective date of such final order. As part of the net energy metering proceeding, the  
 159 Commission shall evaluate the six percent aggregate net metering cap and may, if appropriate, raise or  
 160 remove such cap. The Commission shall enter its final order in such a proceeding no later than 12 months  
 161 after it commences such proceeding, and such final order shall establish a date by which the new terms and  
 162 conditions shall apply for interconnection and shall also provide that, if the terms and conditions of  
 163 compensation in the final order differ from the terms and conditions available to customers before the  
 164 proceeding, low-income utility customers may interconnect under whichever terms are most favorable to  
 165 them.

166 F. Any residential eligible customer-generator or eligible agricultural customer-generator, in the service  
 167 territory of a Phase II Utility who owns and operates, or contracts with other persons to own, operate, or both,  
 168 an electrical generating facility with a capacity that exceeds 15 20 kilowatts shall pay to its supplier, in  
 169 addition to any other charges authorized by law, a monthly standby charge. The amount of the standby charge  
 170 and the terms and conditions under which it is assessed shall be in accordance with a methodology developed  
 171 by the supplier and approved by the Commission. The Commission shall approve a supplier's proposed  
 172 standby charge methodology if it finds that the standby charges collected from all such eligible  
 173 customer-generators and eligible agricultural customer-generators allow the supplier to recover only the  
 174 portion of the supplier's infrastructure costs that are properly associated with serving such eligible  
 175 customer-generators or eligible agricultural customer-generators. Such an eligible customer-generator or  
 176 eligible agricultural customer-generator shall not be liable for a standby charge until the date specified in an  
 177 order of the Commission approving its supplier's methodology. For customers of all other investor-owned  
 178 utilities, on and after July 1, 2020, standby charges are prohibited for any residential eligible  
 179 customer-generator or agricultural customer-generator.

180 G. On and after the later of July 1, 2019, or the effective date of regulations that the Commission is  
 181 required to adopt pursuant to § 56-594.01, (i) net energy metering in the service territory of each electric  
 182 cooperative shall be conducted as provided in a program implemented pursuant to § 56-594.01 and (ii) the

183 provisions of this section shall not apply to net energy metering in the service territory of an electric  
184 cooperative except as provided in § 56-594.01.

185 H. The Commission may adopt such rules or establish such guidelines as may be necessary for its general  
186 administration of this section.

187 I. When the Commission conducts a net energy metering proceeding, it shall:

188 1. Investigate and determine the costs and benefits of the current net energy metering program;  
189 2. Establish an appropriate netting measurement interval for a successor tariff that is just and reasonable in  
190 light of the costs and benefits of the net metering program in aggregate, and applicable to new requests for  
191 net energy metering service;

192 3. Determine a specific avoided cost for customer-generators, the different type of customer-generator  
193 technologies where the Commission deems it appropriate, and establish the methodology for determining the  
194 compensation rate for any net excess generation determined according to the applicable net measurement  
195 interval for any new tariff; and

196 4. Make all reasonable efforts to ensure that the net energy metering program does not result in  
197 unreasonable cost-shifting to nonparticipating electric utility customers.

198 J. In evaluating the costs and benefits of the net energy metering program, the Commission shall consider:

199 1. The aggregate impact of customer-generators on the electric utility's long-run marginal costs of  
200 generation, distribution, and transmission;

201 2. The cost of service implications of customer-generators on other customers within the same class,  
202 including an evaluation of whether customer-generators provide an adequate rate of return to the electrical  
203 utility compared to the otherwise applicable rate class when, for analytical purposes only, examined as a  
204 separate class within a cost of service study;

205 3. The direct and indirect economic impact of the net energy metering program to the Commonwealth;  
206 and

207 4. Any other information it deems relevant, including environmental and resilience benefits of customer-  
208 generator facilities.

209 K. Notwithstanding the provisions of this section, § 56-585.1:8, or any other provision of law to the  
210 contrary, any locality that is a nonjurisdictional customer of a Phase II Utility, as defined in § 56-585.1:3, and  
211 is in Planning District Eight with a population greater than 1 million may (i) install solar-powered or  
212 wind-powered electric generation facilities with a rated capacity not exceeding five megawatts, whether the  
213 facilities are owned by the locality or owned and operated by a third party pursuant to a contract with the  
214 locality, on any locality-owned site within the locality and (ii) credit the electricity generated at any such  
215 facility as directed by the governing body of the locality to any one or more of the metered accounts of  
216 buildings or other facilities of the locality or the locality's public school division that are located within the  
217 locality, without regard to whether the buildings and facilities are located at the same site where the electric  
218 generation facility is located or at a site contiguous thereto. The amount of the credit for such electricity to  
219 the metered accounts of the locality or its public school division shall be identical, with respect to the rate  
220 structure, all retail rate components, and monthly charges, to the amount the locality or public school division  
221 would otherwise be charged for such amount of electricity under its contract with the public utility, without  
222 the assessment by the public utility of any distribution charges, service charges, or fees in connection with or  
223 arising out of such crediting.

224 L. Any eligible customer-generator or eligible agricultural customer-generator may participate in demand  
225 response, energy efficiency, or peak reduction from dispatch of onsite battery service, provided that the  
226 compensation received is in exchange for a distinct service that is not already compensated by net metering  
227 credits for electricity exported to the electric distribution system or compensated by any other utility program  
228 or tariff. The Commission shall review and evaluate the continuing need for the imposition of standby or  
229 other charges on eligible customer-generators or eligible agricultural customer-generators in any net energy  
230 metering proceeding conducted pursuant to subsection E.