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SENATE BILL NO. 371

Offered January 14, 2026

Prefiled January 13, 2026

A BILL to amend the Code of Virginia by adding in Chapter 23 of Title 56 a section numbered 56-596.7, relating to electric utilities; high energy demand customers; State Corporation Commission to establish electric demand flexibility programs.

Patrons—McPike and Srinivasan

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 23 of Title 56 a section numbered 56-596.7 as follows:

§ 56-596.7. Electric demand flexibility programs; high energy demand customers.

A. As used in this section:

"Demand flexibility" means measures designed to lower total electric grid system load requirements from time periods of peak system demand to time periods of lower system demand by requiring or incentivizing retail electric service customers to temporarily reduce or interrupt their electricity usage or by permitting certain retail electric service customers to secure electric load reductions from other retail electric service customers during time periods of peak system demand or other events that cause strain on the electric grid in the Commonwealth.

"High energy demand customer" means a retail electric service customer with a contracted or measured electric load of 25 megawatts or greater and with an actual or expected load factor of 75 percent or greater.

"Phase I Utility" and "Phase II Utility" have the same meanings as defined in subdivision A 1 of § 56-585.1.

B. 1. By January 1, 2028, the Commission shall, after notice and hearing, establish by regulation a demand flexibility program for Phase I and Phase II Utilities that applies to high energy demand customers in the respective service territory of each such utility and is designed to maximize electric grid system savings for retail electric service customers in the respective service territory of each such utility.

2. By January 1, 2029, the Commission shall, after notice and hearing, establish by regulation a demand flexibility program for cooperatives that applies to high energy demand customers in the respective service territory of each such cooperative and is designed to maximize electric grid system savings for retail electric service customers in the respective service territory of each such cooperative.

3. The Commission shall, after notice and hearing, reassess each demand flexibility program established under this section every three years after such program becomes effective.

C. For each program established under subsection B, the Commission shall determine appropriate demand flexibility standards for each Phase I Utility, Phase II Utility, and electric cooperative with one or more high energy demand customers to meet or exceed annually. In establishing each such program, the Commission shall consider all forms of demand flexibility, including geographical or spatial shifting, dynamic voltage and frequency scaling, the use of energy storage resources, and methods by which customers with large electric demand may be eligible to participate without directly curtailing electricity use, such as by funding, supporting, or purchasing capacity reduction credits from other retail electric service customers. In designing each such program, the Commission shall also (i) identify time periods of peak system demand; (ii) seek to minimize air pollution, emissions, and environmental and public health impacts; (iii) prohibit a high energy demand customer from meeting demand flexibility standards using carbon-emitting generating resources; and (iv) mitigate the risk of using inflated or inaccurate measures of electric demand to create an appearance of demand flexibility or electric load reduction that is ineffective in providing true demand flexibility. The Commission may establish separate standards for new versus existing high energy demand customers.

D. If a demand flexibility program established by the Commission under this section includes incentives for participation by high energy demand customers, the Commission shall design such incentives to encourage participation by high energy demand customers without shifting or imposing any costs of program participation or administration onto other retail electric service customers of the utility.

2. That the State Corporation Commission (the Commission) shall initiate proceedings to establish demand flexibility programs pursuant to § 56-596.7 of the Code of Virginia, as created by this act. For Phase I and Phase II Utilities, as such terms are defined in subdivision A 1 of § 56-585.1 of the Code of Virginia, the Commission shall initiate proceedings no later than September 30, 2026, with such programs becoming effective by January 1, 2028. For cooperatives, as defined in § 56-576 of the Code

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59 of Virginia, the Commission shall initiate proceedings no later than September 30, 2027, with such
60 programs becoming effective by January 1, 2029.