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HOUSE BILL NO. 1255

House Amendments in [] - February 10, 2026

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

Patron Prior to Engrossment—Delegate Shin

Referred to Committee on Labor and Commerce

Be it enacted by the General Assembly of Virginia:**1. That § 56-594 of the Code of Virginia is amended and reenacted as follows:****§ 56-594. Net energy metering provisions.**

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

B. For the purpose of this section:

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

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

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

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

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

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

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

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

102 E. If electricity generated by an eligible customer-generator or eligible agricultural customer-generator
103 over the net metering period exceeds the electricity consumed by the eligible customer-generator or eligible
104 agricultural customer-generator, the customer-generator or eligible agricultural customer-generator shall be
105 compensated for the excess electricity if the entity contracting to receive such electric energy and the eligible
106 customer-generator or eligible agricultural customer-generator enter into a power purchase agreement for
107 such excess electricity. Upon the written request of the eligible customer-generator or eligible agricultural
108 customer-generator, the supplier that serves the eligible customer-generator or eligible agricultural customer-
109 generator shall enter into a power purchase agreement with the requesting eligible customer-generator or
110 eligible agricultural customer-generator that is consistent with the minimum requirements for contracts
111 established by the Commission pursuant to subsection D. The power purchase agreement shall obligate the
112 supplier to purchase such excess electricity at the rate that is provided for such purchases in a net metering
113 standard contract or tariff approved by the Commission, unless the parties agree to a higher rate. The eligible
114 customer-generator or eligible agricultural customer-generator owns any renewable energy certificates
115 associated with its electrical generating facility; however, at the time that the eligible customer-generator or
116 eligible agricultural customer-generator enters into a power purchase agreement with its supplier, the eligible
117 customer-generator or eligible agricultural customer-generator shall have a one-time option to sell the
118 renewable energy certificates associated with such electrical generating facility to its supplier and be
119 compensated at an amount that is established by the Commission to reflect the value of such renewable
120 energy certificates. Nothing in this section shall prevent the eligible customer-generator or eligible

121 agricultural customer-generator and the supplier from voluntarily entering into an agreement for the sale and
 122 purchase of excess electricity or renewable energy certificates at mutually-agreed upon prices if the eligible
 123 customer-generator or eligible agricultural customer-generator does not exercise its option to sell its
 124 renewable energy certificates to its supplier at Commission-approved prices at the time that the eligible
 125 customer-generator or eligible agricultural customer-generator enters into a power purchase agreement with
 126 its supplier. All costs incurred by the supplier to purchase excess electricity and renewable energy certificates
 127 from eligible customer-generators or eligible agricultural customer-generators shall be recoverable through its
 128 Renewable Energy Portfolio Standard (RPS) rate adjustment clause, if the supplier has a Commission-
 129 approved RPS plan. If not, then all costs shall be recoverable through the supplier's fuel adjustment clause.
 130 For purposes of this section, "all costs" shall be defined as the rates paid to the eligible customer-generator or
 131 eligible agricultural customer-generator for the purchase of excess electricity and renewable energy
 132 certificates and any administrative costs incurred to manage the eligible customer-generator's or eligible
 133 agricultural customer-generator's power purchase arrangements. The net metering standard contract or tariff
 134 shall be available to eligible customer-generators or eligible agricultural customer-generators on a first-come,
 135 first-served basis in each electric distribution company's Virginia service area until the rated generating
 136 capacity owned and operated by eligible customer-generators, eligible agricultural customer-generators, and
 137 small agricultural generators in the Commonwealth reaches six percent, in the aggregate, five percent of
 138 which is available to all customers and one percent of which is available only to low-income utility customers
 139 of each electric distribution company's adjusted Virginia peak-load forecast for the previous year, and shall
 140 require the supplier to pay the eligible customer-generator or eligible agricultural customer-generator for such
 141 excess electricity in a timely manner at a rate to be established by the Commission.

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

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

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

179 G. On and after the later of July 1, 2019, or the effective date of regulations that the Commission is
 180 required to adopt pursuant to § 56-594.01, (i) net energy metering in the service territory of each electric
 181 cooperative shall be conducted as provided in a program implemented pursuant to § 56-594.01 and (ii) the
 182 provisions of this section shall not apply to net energy metering in the service territory of an electric

183 cooperative except as provided in § 56-594.01.

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

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

187 1. Investigate and determine the costs and benefits of the current net energy metering program;

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

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

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

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

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

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

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

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

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

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