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SENATE BILL NO. 834

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Finance and Appropriations on February 5, 2026)

(Patron Prior to Substitute—Senator Jones)

A BILL to amend the Code of Virginia by adding in Chapter 19 of Title 45.2 an article numbered 4, consisting of sections numbered 45.2-1918 through 45.2-1922, relating to Virginia Solar Energy and Battery Energy Storage Systems Grant Program.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 19 of Title 45.2 an article numbered 4, consisting of sections numbered 45.2-1918 through 45.2-1922, as follows:

Article 4.

Virginia Solar Energy and Battery Energy Storage Systems Grant Program.

§ 45.2-1918. Definitions.

As used in this article, unless the context requires a different meaning:

"Eligible project costs" means (i) for residential projects, costs incurred for the construction, installation, or purchase of qualifying solar energy equipment or qualifying energy storage resources, including labor costs incurred for installation and electrical integration and costs incurred for permitting, inspection, engineering, and system design services necessary for such project; (ii) for commercial and industrial projects, costs incurred for such project that would otherwise be eligible for residential projects, feasibility studies and resources assessments, environmental review and mitigation measures, interconnection studies and utility interconnection application fees, project-specific legal and financial services, site preparation, purchase or lease of land solely dedicated to project operation, onsite electrical upgrades, switchgear, and transformer installation necessary for grid compliance; and (iii) for utility-scale projects, costs incurred for such project that would otherwise be eligible for commercial and industrial projects and high-voltage interconnection and substation construction, transmission-level engineering, permitting, and inertie infrastructure, long-term site development, roadwork, and land lease or purchase strictly for operational footprint. "Eligible project costs" includes only costs directly associated with energy generation, storage, and grid integration. "Eligible project costs" does not include land acquisition unrelated to system operation, or, where the project is not completed, general property improvements, renovations, or unrelated construction; transmission upgrades not directly attributable to project interconnection; costs associated with speculative land banking or site prospecting without approved interconnection plans; legal fees, lobbying, or administrative costs unrelated to project execution; backup generators, fossil fuel systems, or hybrid diesel-photovoltaic integrations; energy efficiency upgrades such as insulation or lighting; heating, ventilation, and air conditioning (HVAC) unless integrated with a solar and storage project and separately itemized; or any leased residential systems.

"Qualified commercial and industrial project" means a short duration battery energy storage project added to an existing facility or a new standalone short duration battery energy storage project (i) approved by the Department pursuant to § 45.2-1920; (ii) that began construction on or after July 1, 2026; and (iii) used for commercial or industrial use as determined by the customer rate class used to determine billing related to such project.

"Qualified project" means a qualified commercial and industrial project, qualified residential project, or a qualified utility-scale project.

"Qualified residential project" means a new solar energy and short duration battery energy storage project or a new standalone short duration battery energy storage project (i) approved by the Department pursuant to § 45.2-1919; (ii) in service on or after July 1, 2026; and (iii) used for residential purposes as determined by the customer rate class used to determine billing related to such project.

"Qualified utility-scale project" means a short duration battery energy storage project added to an existing solar facility or a new standalone short duration battery energy storage project (i) approved by the Department pursuant to § 45.2-1920; (ii) that began construction on or after July 1, 2026; and (iii) used for utility-scale use as determined by the customer rate class used to determine billing related to such project.

"Short duration battery energy storage project" means the installation of battery energy storage equipment and technology that is capable of absorbing energy, storing such energy for less than 10 hours, and redelivering such energy after it has been stored. "Solar energy project" means the installation of a system of components designed to convert solar radiation into useable thermal or electrical energy.

§ 45.2-1919. Qualified residential project requirements.

A. The Department shall evaluate and approve solar energy and short duration battery energy storage projects as qualified residential projects for the purposes of a grant award pursuant to § 45.2-1922. The Department shall evaluate the applicant's willingness to opt into demand response or virtual power plant

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60 programs. To receive approval as a qualified residential project, the following conditions shall be met:
61 1. The project is fully operational and installed in the Commonwealth by the time specified in subdivision
62 2;

63 2. The project is in service on or after July 1, 2026 and construction is certified to be completed within
64 five years of the date on which construction began; and

65 3. The energy storage portion of the project provides a minimum storage duration of up to two hours.

66 B. No solar energy and short duration battery energy storage project shall receive a grant award
67 pursuant to § 45.2-1922 without approval by the Department pursuant to this section.

68 **§ 45.2-1920. Qualified commercial, industrial, and utility-scale project requirements.**

69 A. The Department shall evaluate and approve short duration battery energy storage projects as qualified
70 commercial and industrial projects for the purposes of a grant award pursuant to § 45.2-1922. The
71 Department shall evaluate the applicant's willingness to opt into demand response or virtual power plant
72 programs. To receive approval as a qualified commercial and industrial project, the following conditions
73 shall be met:

74 1. The project is fully operational and have begun construction in the Commonwealth by the time
75 specified in subdivision 2;

76 2. The project has begun construction on or after July 1, 2026 and construction is certified to be
77 completed within five years of the date on which construction began; and

78 3. The energy storage portion of the project provides a minimum storage duration of up to four hours. The
79 Department shall also evaluate and approve such qualified commercial and industrial projects pursuant to
80 this subsection based upon the applicant's willingness to opt into the State Corporation Commission's virtual
81 power plant pilot program established in § 56-585.1:16.

82 B. The Department shall evaluate and approve short duration battery energy storage projects as qualified
83 utility-scale projects for the purposes of the grant program established by § 45.2-1922. To receive approval
84 as a qualified utility-scale project, the conditions listed in subdivisions A 1, 2, and 3 shall be met. The
85 Department shall evaluate the applicant's ability to reduce electric utility costs for ratepayers or the
86 applicant's willingness to opt into demand response or virtual power plant programs.

87 C. No solar energy and short duration battery energy storage project shall receive a grant award
88 pursuant to § 45.2-1922 without approval by the Department pursuant to this section.

89 **§ 45.2-1921. Regional uptake dashboard for approved solar energy and short duration battery energy
90 storage projects; reports.**

91 A. The Department shall monitor allocation of the grant awards in § 45.2-1922 and publish quarterly
92 transparency reports summarizing such allocation.

93 B. The Department shall maintain a public dashboard displaying regional uptake, demographic
94 distribution such as low-to-moderate income and non-low-to-moderate income data, and sectoral progress
95 toward allocated targets.

96 **§ 45.2-1922. Virginia Solar Energy and Battery Energy Storage Systems Grant Program.**

97 A. Subject to appropriation by the General Assembly, the Department shall establish the Virginia Solar
98 Energy and Battery Energy Storage Systems Grant Program (the Program) for the purposes of (i)
99 coordinating and supporting the development of solar energy and short duration battery energy storage
100 industries and projects by public or private entities; (ii) evaluating and approving solar energy and short
101 duration battery energy storage projects as qualified projects for the purposes of the Program; and (iii)
102 determining which items and services are considered eligible project costs for a given qualified project. The
103 Department may consult with research institutions, businesses, nonprofit organizations, and stakeholders as
104 the Department deems appropriate.

105 B. The Department shall award applicants a grant in an amount equal to:

106 1. For a residential qualified project, 35 percent of eligible project costs, not to exceed \$6,000.

107 2. For a commercial and industrial qualified project, 35 percent of eligible project costs.

108 3. For a utility-scale qualified project, 35 percent of eligible project costs.

109 C. The Department shall prioritize awarding grants to applicants that did not receive an award pursuant
110 to the Program in the previous fiscal year. No applicant shall receive more than one grant per fiscal year. In
111 order to apply for a grant, an applicant shall submit an application to the Department that shall include any
112 invoices or purchase receipts for eligible project costs and (ii) a description of the projects for which eligible
113 costs were incurred.

114 D. The aggregate amount of grants allowed under this section shall not exceed the amount appropriated
115 by the General Assembly for the Program during the applicable budget cycle, with 25 percent allocated for
116 qualified residential projects and 75 percent allocated for qualified commercial and industrial projects and
117 qualified utility-scale projects. Grants shall be allocated subject to the availability of funds within each
118 category and tranche, upon submission of a complete application as determined by the Department. If, after
119 nine months from the start of the taxable year, the Department determines that the amounts reserved for a
120 given qualified project are unlikely to be fully allocated, the Department may reallocate any unreserved or
121 uncommitted amounts, provided that such reallocation does not exceed the amount appropriated by the

122 *General Assembly for the Program.*

123 *E. To qualify for a grant under this section, a project shall be installed in compliance with this article.*

124 *1. Once the applicant has satisfied all the requirements to the satisfaction of the Department, the*
125 *Department shall provide the applicant with a certificate of approval for a qualified project, identifying*
126 *whether the project qualifies as residential, commercial and industrial, or utility-scale. Such certificate shall*
127 *include the amount of eligible costs incurred and the fiscal year in which such costs were incurred for which*
128 *the applicant may apply for a grant pursuant to this section.*

129 *2. The applicant shall retain all proof of cost documentation, including invoices and scope of work, and*
130 *any certificate of approval for a qualified project received pursuant to subdivision 1 for at least five years*
131 *from the receipt of such certificate.*

132 *F. The Department shall develop guidelines for the administration of the Program, including establishing*
133 *application procedures, reservation requirements, tranche schedules, and reallocation criteria consistent*
134 *with this section. Such guidelines shall be exempt from the provisions of the Administrative Process Act*
135 *(§ 2.2-4000 et seq.).*