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**HOUSE BILL NO. 284**

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Labor and Commerce

on ________________)

(Patron Prior to Substitute—Delegate Feggans)

*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; reports.*

**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; reporting requirements.***

*A. As used in this section:*

*"Cooperative" means a utility consumer services cooperative organized under Article 1 (§ 56.231.15 et seq.) of Chapter 9.1.*

*"Demand flexibility" means lowering electric grid system load requirements or shifting such requirements from time periods of peak system demand to time periods of lower system demand, including through programs by which high energy demand customers temporarily reduce or interrupt their electricity usage or through programs by which high energy demand customers secure measurable and verifiable 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, 2027, each Phase I and Phase II Utility shall file a petition with the Commission for a voluntary demand flexibility program that applies to high energy demand customers in the respective service territory of each such utility and that is designed to maximize electric grid system savings and improve reliability for retail electric service customers in the respective service territory of each such utility. The Commission shall issue a final order on such petitions no later than December 31, 2027. For each demand flexibility program established under this subsection, the Commission shall determine an appropriate demand flexibility standard, which each utility shall, working with its high energy demand customers, make best, reasonable efforts to meet or exceed annually. The Commission may establish separate standards for high energy demand customers beginning service before and after July 1, 2026. In reviewing such petitions, the Commission shall consider relevant provisions of other proceedings related to demand flexibility and may make any necessary modifications to such other proceedings to effectuate the provisions of this section.*

*2. In approving each such program to be established by a Phase I Utility or Phase II Utility, 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. Such capacity reduction credits may be achieved through collaboration with jurisdictional customers, nonjurisdictional customers, incumbent utilities, or third-party providers to deploy weatherization efforts, grid enhancing technologies, energy efficiency upgrades, electric resistance heat to electric heat pump conversion, demand response programs, customer-sited energy storage resources, virtual power plants, or other efforts the Commission deems appropriate to achieve the goals of reducing total peak system demand, provided that such efforts produce measurable and verifiable results. In designing each such program, the Commission shall also (i) identify time periods of peak system demand; (ii) seek to minimize 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) to the extent necessary, establish any standards for measuring and verifying savings achieved under this section.*

*C. 1. By January 1, 2029, each cooperative that serves one or more high energy demand customers shall establish a voluntary demand flexibility program that applies to high energy demand customers in the respective service territory of each such cooperative and that is designed to maximize electric grid system savings and improve reliability for retail electric service customers in the respective service territory of each such cooperative. For each demand flexibility program established under this subsection, the cooperative shall, subject to Commission approval consistent with this subsection, propose an appropriate demand flexibility standard that each cooperative with an approved program shall make best, reasonable efforts to* *meet. Such proposal may include separate standards for high energy demand customers beginning service before and after July 1, 2026.*

*2. To assist in developing such programs, each cooperative that serves one or more high energy demand customers shall convene a technical work group, or one or more consolidated technical work groups, and shall invite organizations and experts to represent the interests of high energy demand customers, other cooperative customers, and the environment. The work group shall (i) gather information and develop program proposals; (ii) consider all forms of demand flexibility, including geographic or spatial shifting, dynamic voltage and frequency scaling, the use of energy storage resources, and methods by which customers with high electric demand may be eligible to participate without directly curtailing their electricity use, such as by funding, supporting, or purchasing capacity reduction credits from other retail electric service customers; and (iii) consider whether any existing programs, rates, or tariffs offered by such cooperative, or offered by any generation and transmission cooperative to which such cooperative belongs, satisfy the provisions of this section. The work group shall evaluate ways system savings may be derived from such programs, including through weatherization efforts, grid enhancing technologies, energy efficiency upgrades, electric resistance heat to electric heat pump conversion, demand response programs, customer-sited energy storage resources, virtual power plants, or other efforts the work group deems appropriate to achieve the goals of reducing total peak system demand, provided that such efforts produce measurable and verifiable results. Any proposals recommended by the work group shall (a) identify time periods of peak system demand; (b) seek to minimize emissions and environmental and public health impacts; (c) prohibit a high energy demand customer from meeting demand flexibility standards using carbon-emitting generation resources; and (d) to the extent necessary, establish any standards for measuring and verifying system savings achieved under this section. The work group shall submit a report of its findings and recommendations to the Commission no later than September 30, 2027, after which the Commission shall solicit public comment on the report. If, after full consideration of the record, including public comment, the Commission finds that the report and recommendations satisfy the provisions of this section, the Commission shall issue an order to such effect without conducting any additional proceedings. If the Commission finds that the report and recommendations do not satisfy the provisions of this section, the Commission may order supplemental proceedings as it deems appropriate. Notwithstanding any other provision of law, upon receiving a finding of sufficiency from the Commission, a cooperative that serves one or more high energy demand customers shall propose, establish, and implement one or more demand flexibility programs. Such proposal and the establishment and implementation of such programs shall be without additional Commission approval upon an affirmative resolution of the board of directors of the cooperative and without requiring any other filing than as required under this subsection.*

*D. If a demand flexibility program established under this section includes incentives for participation by high energy demand customers, the Commission or cooperative shall design such incentives to encourage participation by high energy demand customers without unreasonably shifting or imposing any costs of program participation or administration onto other retail electric service customers of the utility. Such incentives may also include open and transparent procedures for accelerated interconnection to service by participating high energy demand customers, to the extent not already established by the Commission in a separate proceeding. Any such incentives shall be contingent upon the measurement and verification of a participating high energy demand customer's reductions in peak demand or electric load reductions secured from other retail electric service customers.*

*E. Three years after the initial program approval and every three years thereafter, each Phase I and Phase II Utility with a demand flexibility program established under this section shall file a status report on such program with the Commission. Such report shall detail the program's performance and include any proposed changes or other recommendations to improve the program's implementation consistent with the provisions of this section. The Commission shall have the discretion to determine what, if any, other proceedings are necessitated by the status report.*

*F. By September 1, 2028, and annually thereafter, as part of the report required under subsection B of § 56-596, the Commission shall submit information summarizing the status and performance of any programs established under this section.*