

SENATE BILL NO. 458

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Commerce and Labor

on _____)

(Patron Prior to Substitute—Senator DeSteph)

A BILL to amend and reenact § 56-577 of the Code of Virginia, relating to electric utilities; regional energy market.

Be it enacted by the General Assembly of Virginia:**1. That § 56-577 of the Code of Virginia is amended and reenacted as follows:****§ 56-577. Schedule for transition to retail competition; Commission authority; exemptions; pilot programs.**

A. Retail competition for the purchase and sale of electric energy shall be subject to the following provisions:

1. Each incumbent electric utility owning, operating, controlling, or having an entitlement to transmission capacity *may join a regional energy market and* shall join or establish a regional transmission entity, which entity may be an independent system operator, to which such utility shall transfer the management and control of its transmission system, subject to the provisions of § 56-579.

2. The generation of electric energy shall be subject to regulation as specified in this chapter.

3. Subject to the provisions of subdivisions 4 and 5, only individual retail customers of electric energy within the Commonwealth, regardless of customer class, whose demand during the most recent calendar year exceeded five megawatts but did not exceed one percent of the customer's incumbent electric utility's peak load during the most recent calendar year unless such customer had noncoincident peak demand in excess of 90 megawatts in calendar year 2006 or any year thereafter, shall be permitted to purchase electric energy from any supplier of electric energy licensed to sell retail electric energy within the Commonwealth, except for any incumbent electric utility other than the incumbent electric utility serving the exclusive service territory in which such a customer is located, subject to the following conditions:

a. If such customer does not purchase electric energy from licensed suppliers, such customer shall purchase electric energy from its incumbent electric utility.

b. Except as provided in subdivision 4, the demands of individual retail customers may not be aggregated or combined for the purpose of meeting the demand limitations of this provision, any other provision of this

chapter to the contrary notwithstanding. For the purposes of this section, each noncontiguous site will nevertheless constitute an individual retail customer even though one or more such sites may be under common ownership of a single person.

c. If such customer does purchase electric energy from licensed suppliers after the expiration or termination of capped rates, it shall not thereafter be entitled to purchase electric energy from the incumbent electric utility without giving five years' advance written notice of such intention to such utility, except where such customer demonstrates to the Commission, after notice and opportunity for hearing, through clear and convincing evidence that its supplier has failed to perform, or has anticipatorily breached its duty to perform, or otherwise is about to fail to perform, through no fault of the customer, and that such customer is unable to obtain service at reasonable rates from an alternative supplier. If, as a result of such proceeding, the Commission finds it in the public interest to grant an exemption from the five-year notice requirement, such customer may thereafter purchase electric energy at the costs of such utility, as determined by the Commission pursuant to subdivision 3 d hereof, for the remainder of the five-year notice period, after which point the customer may purchase electric energy from the utility under rates, terms and conditions determined pursuant to § 56-585.1. However, such customer shall be allowed to individually purchase electric energy from the utility under rates, terms, and conditions determined pursuant to § 56-585.1 if, upon application by such customer, the Commission finds that neither such customer's incumbent electric utility nor retail customers of such utility that do not choose to obtain electric energy from alternate suppliers will be adversely affected in a manner contrary to the public interest by granting such petition. In making such determination, the Commission shall take into consideration, without limitation, the impact and effect of any and all other previously approved petitions of like type with respect to such incumbent electric utility. Any customer that returns to purchase electric energy from its incumbent electric utility, before or after expiration of the five-year notice period, shall be subject to minimum stay periods equal to those prescribed by the Commission pursuant to subdivision C 1.

d. The costs of serving a customer that has received an exemption from the five-year notice requirement under subdivision 3 c hereof shall be the market-based costs of the utility, including (i) the actual expenses of procuring such electric energy from the market, (ii) additional administrative and transaction costs associated with procuring such energy, including, but not limited to, costs of transmission, transmission line losses, and ancillary services, and (iii) a reasonable margin as determined pursuant to the provisions of subdivision A 2 of § 56-585.1. The methodology established by the Commission for determining such costs shall ensure that neither utilities nor other retail customers are adversely affected in a manner contrary to the public interest.

62 4. Two or more individual nonresidential retail customers of electric energy within the Commonwealth,
63 whose individual demand during the most recent calendar year did not exceed five megawatts, may petition
64 the Commission for permission to aggregate or combine their demands, for the purpose of meeting the
65 demand limitations of subdivision 3, so as to become qualified to purchase electric energy from any supplier
66 of electric energy licensed to sell retail electric energy within the Commonwealth under the conditions
67 specified in subdivision 3. The Commission may, after notice and opportunity for hearing, approve such
68 petition if it finds that:

69 a. Neither such customers' incumbent electric utility nor retail customers of such utility that do not choose
70 to obtain electric energy from alternate suppliers will be adversely affected in a manner contrary to the public
71 interest by granting such petition. In making such determination, the Commission shall take into
72 consideration, without limitation, the impact and effect of any and all other previously approved petitions of
73 like type with respect to such incumbent electric utility; and

74 b. Approval of such petition is consistent with the public interest.

75 If such petition is approved, all customers whose load has been aggregated or combined shall thereafter be
76 subject in all respects to the provisions of subdivision 3 and shall be treated as a single, individual customer
77 for the purposes of said subdivision. In addition, the Commission shall impose reasonable periodic
78 monitoring and reporting obligations on such customers to demonstrate that they continue, as a group, to
79 meet the demand limitations of subdivision 3. If the Commission finds, after notice and opportunity for
80 hearing, that such group of customers no longer meets the above demand limitations, the Commission may
81 revoke its previous approval of the petition, or take such other actions as may be consistent with the public
82 interest.

83 5. Individual retail customers of electric energy within the Commonwealth, regardless of customer class,
84 shall be permitted:

85 a. To purchase electric energy provided 100 percent from renewable energy from any supplier of electric
86 energy licensed to sell retail electric energy within the Commonwealth, other than any incumbent electric
87 utility that is not the incumbent electric utility serving the exclusive service territory in which such a
88 customer is located, if the incumbent electric utility serving the exclusive service territory does not offer an
89 approved tariff for electric energy provided 100 percent from renewable energy; and

90 b. To continue purchasing renewable energy pursuant to the terms of a power purchase agreement in

91 effect on the date there is filed with the Commission a tariff for the incumbent electric utility that serves the
92 exclusive service territory in which the customer is located to offer electric energy provided 100 percent from
93 renewable energy, for the duration of such agreement.

94 6. To the extent that an incumbent electric utility has elected as of February 1, 2019, the Fixed Resource
95 Requirement alternative as a Load Serving Entity in the PJM Region and continues to make such election and
96 is therefore required to obtain capacity for all load and expected load growth in its service area, any customer
97 of a utility subject to that requirement that purchases energy pursuant to subdivision 3 or 4 from a supplier
98 licensed to sell retail electric energy within the Commonwealth shall continue to pay its incumbent electric
99 utility for the non-fuel generation capacity and transmission related costs incurred by the incumbent electric
100 utility in order to meet the customer's capacity obligations, pursuant to the incumbent electric utility's
101 standard tariff that has been approved by and is on file with the Commission. In the case of such customer,
102 the advance written notice period established in subdivisions 3 c and d shall be three years. This subdivision
103 shall not apply to the customers of licensed suppliers that (i) had an agreement with a licensed supplier
104 entered into before February 1, 2019, or (ii) had aggregation petitions pending before the Commission prior
105 to January 1, 2019, unless and until any customer referenced in clause (i) or (ii) has returned to purchase
106 electric energy from its incumbent electric utility, pursuant to the provisions of subdivision 3 or 4, and is
107 receiving electric energy from such incumbent electric utility.

108 7. A tariff for one or more classes of residential customers filed with the Commission for approval by a
109 cooperative on or after July 1, 2010, shall be deemed to offer a tariff for electric energy provided 100 percent
110 from renewable energy if it provides undifferentiated electric energy and the cooperative retires a quantity of
111 renewable energy certificates equal to 100 percent of the electric energy provided pursuant to such tariff. A
112 tariff for one or more classes of nonresidential customers filed with the Commission for approval by a
113 cooperative on or after July 1, 2012, shall be deemed to offer a tariff for electric energy provided 100 percent
114 from renewable energy if it provides undifferentiated electric energy and the cooperative retires a quantity of
115 renewable energy certificates equal to 100 percent of the electric energy provided pursuant to such tariff. For
116 purposes of this section, "renewable energy certificate" means, with respect to cooperatives, a tradable
117 commodity or instrument issued by a regional transmission entity or affiliate or successor thereof in the
118 United States that validates the generation of electricity from renewable energy sources or that is certified
119 under a generally recognized renewable energy certificate standard. One renewable energy certificate equals

1,000 kWh or one MWh of electricity generated from renewable energy. A cooperative offering electric energy provided 100 percent from renewable energy pursuant to this subdivision that involves the retirement of renewable energy certificates shall disclose to its retail customers who express an interest in purchasing energy pursuant to such tariff (i) that the renewable energy is comprised of the retirement of renewable energy certificates, (ii) the identity of the entity providing the renewable energy certificates, and (iii) the sources of renewable energy being offered.

B. The Commission shall promulgate such rules and regulations as may be necessary to implement the provisions of this section.

C. 1. By January 1, 2002, the Commission shall promulgate regulations establishing whether and, if so, for what minimum periods, customers who request service from an incumbent electric utility pursuant to subsection D of § 56-582 or a default service provider, after a period of receiving service from other suppliers of electric energy, shall be required to use such service from such incumbent electric utility or default service provider, as determined to be in the public interest by the Commission.

2. Subject to (i) the availability of capped rate service under § 56-582, and (ii) the transfer of the management and control of an incumbent electric utility's transmission assets to a regional transmission entity after approval of such transfer by the Commission under § 56-579, retail customers of such utility (a) purchasing such energy from licensed suppliers and (b) otherwise subject to minimum stay periods prescribed by the Commission pursuant to subdivision 1, shall nevertheless be exempt from any such minimum stay obligations by agreeing to purchase electric energy at the market-based costs of such utility or default providers after a period of obtaining electric energy from another supplier. Such costs shall include (i) the actual expenses of procuring such electric energy from the market, (ii) additional administrative and transaction costs associated with procuring such energy, including, but not limited to, costs of transmission, transmission line losses, and ancillary services, and (iii) a reasonable margin. The methodology of ascertaining such costs shall be determined and approved by the Commission after notice and opportunity for hearing and after review of any plan filed by such utility to procure electric energy to serve such customers. The methodology established by the Commission for determining such costs shall be consistent with the goals of (a) promoting the development of effective competition and economic development within the Commonwealth as provided in subsection A of § 56-596, and (b) ensuring that neither incumbent utilities nor retail customers that do not choose to obtain electric energy from alternate suppliers are adversely affected.

3. Notwithstanding the provisions of subsection D of § 56-582 and subsection C of § 56-585, however, any such customers exempted from any applicable minimum stay periods as provided in subdivision 2 shall

151 not be entitled to purchase retail electric energy thereafter from their incumbent electric utilities, or from any
152 distributor required to provide default service under subsection B of § 56-585, at the capped rates established
153 under § 56-582, unless such customers agree to satisfy any minimum stay period then applicable while
154 obtaining retail electric energy at capped rates.

155 4. The Commission shall promulgate such rules and regulations as may be necessary to implement the
156 provisions of this subsection, which rules and regulations shall include provisions specifying the
157 commencement date of such minimum stay exemption program.