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HOUSE BILL NO. 562
FLOOR AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by Senator McPike
on February 26, 2026)

(Patron Prior to Substitute—Delegate Reid)

A *BILL* to amend the Code of Virginia by adding a section numbered 56-585.1:17, relating to electric cooperatives; virtual power plant program.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered 56-585.1:17 as follows:

§ 56-585.1:17. Virtual power plant program; electric cooperatives.

A. As used in this section:

"Aggregator" means an individual or entity, other than the electric cooperative, that enrolls customers in a virtual power plant program and coordinates the operation of enrolled energy resources. An aggregator shall not be considered an electric utility by virtue of participating in a virtual power plant program but shall, as part of its agreement with a participating cooperative, receive participating customer and grid data from the cooperative to participate in such program.

"Distributed energy resource" means a resource of up to five megawatts that is located on the customer's premises or is interconnected with the distribution system and produces or stores electricity or modifies the timing or amount of a customer's electricity consumption.

"Electric cooperative" or "cooperative" means a utility formed under or subject to Article 1 of Chapter 9.1 (§ 56-231.15 et seq.).

"Eligible technology" means a distributed energy resource that meets the requirements for participation in a virtual power plant program and does not emit carbon dioxide as a byproduct of combusting fuel or manufacturing fuel for combustion to generate electricity.

"Grid event" means a grid condition for which the electric cooperative schedules or remotely dispatches enrolled devices to respond.

"Grid service" means a capacity, energy, or ancillary service that supports grid operations.

"Historically economically disadvantaged community" has the same meaning as provided in § 56-576.

"Virtual power plant" means an aggregation of distributed energy resources, enrolled either directly with an electric cooperative or indirectly through an aggregator, that are operated in coordination to provide one or more grid services.

B. On or after January 1, 2027, notwithstanding any other provision of law, an electric cooperative may, without Commission approval, upon an affirmative resolution of its board of directors and without the requirement of any filing other than as required by this section, propose, establish, and implement a virtual power plant program, provided that such program adheres to the requirements of this section. This regulated, tariffed program shall be reviewable by the Commission at the electric cooperative's next general rate proceeding. An electric cooperative shall recover the costs of such virtual power plant program through a new rate schedule established by this section or otherwise through its rates. An electric cooperative establishing such a program shall file a copy of any such new rate schedule with the Commission for informational purposes.

C. Any such virtual power plant program shall consist of aggregations of distributed energy resources. An electric cooperative may utilize any existing or proposed distributed energy programs to further the development of virtual power plants in the Commonwealth. An electric cooperative that establishes a virtual power plant program shall demonstrate in the informational filing required by subsection B that the cooperative has evaluated funding opportunities from the federal government. In furthering the goals of such program, the electric cooperative may offer incentives to residential customers to purchase battery storage devices, and if the cooperative does offer such incentives, it shall conduct a competitive solicitation for the provision of such battery storage devices that is open to cooperative-owned and non-cooperative-owned resources.

D. In conducting such virtual power plant program, the electric cooperative shall evaluate methods to holistically optimize demand, including (i) a stakeholder process to receive feedback on virtual power plant program design; (ii) a review of reasonable enrollment and performance incentives for participating customers; (iii) potential incentives for the purchase of a battery storage device, including increased incentives for customers in historically economically disadvantaged communities; (iv) operational parameters for grid services, including the annual maximum number of grid events, the maximum duration of such grid events, and conditions under which a participating customer may opt out of a grid event; (v) reasonable mechanisms to disenroll customers for nonperformance; and (vi) preliminary development of a virtual power plant program tariff that is designed to (a) allow customers with technologies, including battery storage, non-battery storage, smart thermostat, or managed electric vehicle charging technologies, to

60 *enroll their eligible technologies in such program; (b) provide a mechanism to incorporate existing*
61 *programs, including smart thermostat demand response programs, electric vehicle charging programs, and*
62 *battery storage programs, into such tariff; (c) specify compensable grid services for each eligible technology,*
63 *including peak demand reduction, voltage support, and emergency services; and (d) specify pay-for-*
64 *performance compensation mechanisms for such grid services.*