VIRGINIA ACTS OF ASSEMBLY — CHAPTER

An Act to amend the Code of Virginia by adding a section numbered 56-585.1:17, relating to electric utilities; virtual power plant pilot program; Phase I Utilities.

[H 1467]

Approved

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 pilot program; Phase I Utilities.

A. As used in this section:

"Aggregator" means an individual or entity, other than the electric utility, that enrolls customers in the pilot program and coordinates the operation of enrolled energy resources. An aggregator shall not be considered an electric utility by virtue of participating in the pilot program but shall be given nondiscriminatory access to necessary customer and grid data from the utility to participate in the pilot 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 utility" means a Phase I Utility as described in subdivision A 1 of § 56-585.1.

"Eligible technology" means a distributed energy resource that meets the requirements for participation in the pilot 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 utility 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 utility or indirectly through an aggregator, that are operated in coordination to provide one or more grid services.

B. No later than July 1, 2027, each Phase I Utility shall petition the State Corporation Commission (the Commission) for approval to conduct a pilot program to evaluate methods to optimize demand through various technology applications including the establishment of virtual power plants. Such pilot program shall evaluate electric grid capacity needs and the ability of such virtual power plants to provide grid services, including peak-shaving, during times of peak electric demand. Such pilot program shall consist of aggregations of distributed energy resources totaling up to 150 megawatts for a Phase I Utility and shall include distributed energy resources located in multiple geographic regions of the Commonwealth. An electric utility may utilize any existing or proposed distributed energy programs as part of the pilot program and to further the development of virtual power plants in the Commonwealth. An electric utility that petitions the Commission for such pilot program shall demonstrate that the utility has evaluated funding opportunities from the federal government. In furthering the goals of such pilot program, the electric utility shall propose programs of at least 5 megawatts incentivizing residential customers to purchase battery storage devices.

C. In conducting such pilot program, the electric utility shall evaluate methods to holistically optimize demand, including (i) a stakeholder process to receive feedback on 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 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 enroll their eligible technologies in the pilot program; (b) provide a mechanism to incorporate existing programs, including smart thermostat demand response, electric vehicle charging programs, and battery storage programs, into such tariff; (c) specify compensable grid services for each eligible technology, including peak demand reduction, voltage support, and emergency services; and (d) specify pay-for-performance compensation mechanisms for such grid services.

D. No later than June 15, 2028, the electric utility shall petition the Commission for a program tariff or variations of a tariff structure through which residential and commercial and industrial customers may

enroll, either directly or through an aggregator.

E. Each pilot program shall conclude its initial phase by February 1, 2030, at which time the Commission shall undertake a review of the data and results of the pilot programs and shall evaluate the effectiveness of the pilot programs in providing grid services during times of peak demand. In addition, the Commission shall consider lessons learned from the programs in relation to the implementation of Federal Energy Regulatory Commission Order No. 2222 by PJM Interconnection and the complementary role of virtual power plants in the retail electricity market in the Commonwealth. As part of its evaluation, the Commission shall initiate a proceeding to establish a permanent program for the electric utility, which shall include procurement targets applicable to the electric utility for each such permanent program with corresponding performance metrics associated with either achievement of such targets or failure to achieve such targets.