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HOUSE BILL NO. 889

House Amendments in [] - February 10, 2020

A BILL to amend and reenact § 56-577 of the Code of Virginia, relating to electric utility regulation; retail competition.

Patron Prior to Engrossment—Delegate Mullin

Referred to Committee on Labor and Commerce

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 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; *however, to the extent that such single person purchases electric energy from a licensed supplier and such electric energy is composed of a percentage of renewable energy equal to or greater than [the percentages of the renewable energy portfolio standard program (RPS) goals set out in subsection D of § 56-585.2 as of January 1, 2020, and no less than] the percentage of renewable energy that the licensed supplier is required to provide pursuant to any renewable energy portfolio standard [that is subsequently] established in this chapter, such single person shall constitute a single retail customer, notwithstanding that service is provided to noncontiguous sites.*

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~~ *three* 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~~ *three-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~~ *three-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

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59 adversely affected in a manner contrary to the public interest by granting such petition. In making such
60 determination, the Commission shall take into consideration, without limitation, the impact and effect of
61 any and all other previously approved petitions of like type with respect to such incumbent electric
62 utility. Any customer that returns to purchase electric energy from its incumbent electric utility, before
63 or after expiration of the ~~five-year~~ *three-year* notice period, shall be subject to minimum stay periods
64 equal to those prescribed by the Commission pursuant to subdivision C 1.

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

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

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

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

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

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

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

102 ~~b. To continue purchasing renewable energy pursuant to the terms of a power purchase agreement in~~
103 ~~effect on the date there is filed with the Commission a tariff for the incumbent electric utility that serves~~
104 ~~the exclusive service territory in which the customer is located to offer electric energy provided 100~~
105 ~~percent from renewable energy, for the duration of such agreement.~~

106 6. To the extent that an incumbent electric utility has elected as of February 1, 2019, the Fixed
107 Resource Requirement alternative as a Load Serving Entity in the PJM Region and continues to make
108 such election and is therefore required to obtain capacity for all load and expected load growth in its
109 service area, any customer of a utility subject to that requirement that purchases energy pursuant to
110 subdivision 3 or 4 from a supplier licensed to sell retail electric energy within the Commonwealth shall
111 continue to pay its incumbent electric utility for the non-fuel generation capacity and transmission
112 related costs incurred by the incumbent electric utility in order to meet the customer's capacity
113 obligations, pursuant to the incumbent electric utility's standard tariff that has been approved by and is
114 on file with the Commission. In the case of such customer, the advance written notice period established
115 in subdivisions 3 c and d shall be three years. This subdivision shall not apply to the customers of
116 licensed suppliers that (i) had an agreement with a licensed supplier entered into before February 1,
117 2019, or (ii) had aggregation petitions pending before the Commission prior to January 1, 2019, unless
118 and until any customer referenced in clause (i) or (ii) has returned to purchase electric energy from its
119 incumbent electric utility, pursuant to the provisions of subdivision 3 or 4, and is receiving electric
120 energy from such incumbent electric utility.

121 7. Notwithstanding anything to the contrary in this section, cooperative customers that are eligible to
122 purchase from licensed suppliers shall be subject to the following additional conditions:

123 a. A tariff for one or more classes of residential customers filed with the Commission for approval
124 by a cooperative on or after July 1, 2010, shall be deemed to offer a tariff for electric energy provided
125 100 percent from renewable energy if it provides undifferentiated electric energy and the cooperative
126 retires a quantity of renewable energy certificates equal to 100 percent of the electric energy provided
127 pursuant to such tariff. A tariff for one or more classes of nonresidential customers filed with the
128 Commission for approval by a cooperative on or after July 1, 2012, shall be deemed to offer a tariff for
129 electric energy provided 100 percent from renewable energy if it provides undifferentiated electric
130 energy and the cooperative retires a quantity of renewable energy certificates equal to 100 percent of the
131 electric energy provided pursuant to such tariff. For purposes of this section, "renewable energy
132 certificate" means, with respect to cooperatives, a tradable commodity or instrument issued by a regional
133 transmission entity or affiliate or successor thereof in the United States that validates the generation of
134 electricity from renewable energy sources or that is certified under a generally recognized renewable
135 energy certificate standard. One renewable energy certificate equals 1,000 kWh or one MWh of
136 electricity generated from renewable energy. A cooperative offering electric energy provided 100 percent
137 from renewable energy pursuant to this subdivision that involves the retirement of renewable energy
138 certificates shall disclose to its retail customers who express an interest in purchasing energy pursuant to
139 such tariff (i) that the renewable energy is comprised of the retirement of renewable energy certificates,
140 (ii) the identity of the entity providing the renewable energy certificates, and (iii) the sources of
141 renewable energy being offered. A cooperative customer eligible to take service under a tariff for
142 electric energy provided 100 percent from renewable energy shall not purchase electric energy provided
143 100 percent from renewable energy from a licensed supplier pursuant to subdivision 5, except such
144 customer may continue purchasing renewable energy pursuant to the terms of a power purchase
145 agreement in effect on the date the cooperative serving it filed with the Commission such tariff for
146 electric energy provided 100 percent from renewable energy, as set forth in this subdivision, for the
147 duration of such agreement; and

148 b. If a cooperative customer takes service from a licensed supplier pursuant to subdivision 3, (i) the
149 advance written notice period established in subdivisions 3 c and 3 d shall be five years; (ii)
150 notwithstanding the provisions of subdivision 3 b, each noncontiguous site shall nevertheless constitute
151 an individual retail customer even though one or more such sites may be under common ownership of a
152 single person; and (iii) no aggregation of demand shall be permitted except as provided in subdivision
153 4.

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

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

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

178 3. Notwithstanding the provisions of subsection D of § 56-582 and subsection C of § 56-585,
179 however, any such customers exempted from any applicable minimum stay periods as provided in
180 subdivision 2 shall not be entitled to purchase retail electric energy thereafter from their incumbent
181 electric utilities, or from any distributor required to provide default service under subsection B of

182 § 56-585, at the capped rates established under § 56-582, unless such customers agree to satisfy any
183 minimum stay period then applicable while obtaining retail electric energy at capped rates.

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

187 **2. That the State Corporation Commission (the Commission) shall update its consumer protection**
188 **regulations relating to the availability of service through licensed suppliers pursuant to § 56-577 of**
189 **the Code of Virginia, as amended by this act, by implementing one or more of the following: (i)**
190 **developing a consumer education website funded through an assessment on licensed suppliers and**
191 **through the use of Commission's regulatory tax revenues, (ii) issuing a quarterly report in the**
192 **form of a customer satisfaction scorecard based on the number of complaints received regarding**
193 **competitive service providers per 1,000 customers, and (iii) supplementing existing rules with an**
194 **additional enforcement mechanism to enable the Commission to take timely action in the event**
195 **that a licensed supplier engages in unscrupulous activity in making sales to retail customers. [The**
196 **regulations enacted under this act shall not apply to a licensed supplier that only serves one or**
197 **more retail customers who are an affiliate, a subsidiary, or under the same corporate parent as**
198 **the licensed supplier.] The Commission shall commence such update by October 1, 2020.**