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**HOUSE BILL NO. 2319**

House Amendments in [ ] — February 3, 2003

*A BILL to amend and reenact §§ 56-577 and 56-589 of the Code of Virginia, relating to electric restructuring; municipal aggregation; pilot programs.*

Patron Prior to Engrossment—Delegate Plum

Referred to Committee on Commerce and Labor

**Be it enacted by the General Assembly of Virginia:****1. That §§ 56-577 and 56-589 of the Code of Virginia are amended and reenacted as follows:**

§ 56-577. Schedule for transition to retail competition; Commission authority.

A. The transition to retail competition for the purchase and sale of electric energy shall be implemented as follows:

1. On or before January 1, 2001, 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. On and after January 1, 2002, retail customers of electric energy within the Commonwealth shall be permitted to purchase energy from any supplier of electric energy licensed to sell retail electric energy within the Commonwealth during and after the period of transition to retail competition, subject to the following:

a. The Commission shall separately establish for each utility a phase-in schedule for customers by class, and by percentages of class, to ensure that by January 1, 2004, all retail customers of each utility are permitted to purchase electric energy from any supplier of electric energy licensed to sell retail electric energy within the Commonwealth.

b. The Commission shall also ensure that residential and small business retail customers are permitted to select suppliers in proportions at least equal to that of other customer classes permitted to select suppliers during the period of transition to retail competition.

3. On and after January 1, 2002, the generation of electric energy shall no longer be subject to regulation under this title, except as specified in this chapter.

4. On and after January 1, 2004, all retail customers of electric energy within the Commonwealth, regardless of customer class, shall be permitted to purchase electric energy from any supplier of electric energy licensed to sell retail electric energy within the Commonwealth.

B. The Commission may delay or accelerate the implementation of any of the provisions of this section, subject to the following:

1. Any such delay or acceleration shall be based on considerations of reliability, safety, communications or market power; and

2. Any such delay shall be limited to the period of time required to resolve the issues necessitating the delay, but in no event shall any such delay extend the implementation of customer choice for all customers beyond January 1, 2005.

The Commission shall, within a reasonable time, report to the General Assembly, or any legislative entity monitoring the restructuring of Virginia's electric industry, any such delays and the reasons therefor.

C. Except as may be otherwise provided in this chapter, prior to and during the period of transition to retail competition, the Commission may conduct pilot programs encompassing retail customer choice of electric energy suppliers, consistent with its authority otherwise provided in this title and the provisions of this chapter. *The Commission shall develop models for conducting pilot programs for municipal aggregation, including opt-in, opt-out, and any other model the Commission deems to be in the public interest. The Commission shall report such models to the Legislative Transition Task Force no later than November 1, 2003.*

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

E. 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.

§ 56-589. Municipal and state aggregation.

ENGROSSED

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59 A. Counties, cities and towns (hereafter municipalities) and other political subdivisions of the  
60 Commonwealth may, at their election and upon authorization by majority votes of their governing  
61 bodies, aggregate electrical energy and demand requirements for the purpose of negotiating the purchase  
62 of electrical energy requirements from any licensed supplier within this Commonwealth, as follows:

63 1. Any municipality or other political subdivision of the Commonwealth may aggregate the electric  
64 energy load of residential, commercial and industrial retail customers within its boundaries on a  
65 voluntary, opt-in basis in which each such customer must affirmatively select such municipality or other  
66 political subdivision as its aggregator. The municipality or other political subdivision may not earn a  
67 profit but must recover the actual costs incurred in such aggregation.

68 2. Any municipality or other political subdivision of the Commonwealth may aggregate the electric  
69 energy load of its governmental buildings, facilities and any other governmental operations requiring the  
70 consumption of electric energy. Aggregation pursuant to this subdivision shall not require licensure  
71 pursuant to § 56-588.

72 3. Two or more municipalities or other political subdivisions within this Commonwealth may  
73 aggregate the electric energy load of their governmental buildings, facilities and any other governmental  
74 operations requiring the consumption of electric energy. Aggregation pursuant to this subdivision shall  
75 not require licensure pursuant to § 56-588 when such municipalities or other political subdivisions are  
76 acting jointly to negotiate or arrange for themselves agreements for their energy needs directly with  
77 licensed suppliers or aggregators.

78 *Nothing in this subsection shall prohibit the Commission's development and implementation of pilot*  
79 *programs for opt-in, opt-out or any other type of municipal aggregation, as provided in § 56-577.*

80 B. The Commonwealth, at its election, may aggregate the electric energy load of its governmental  
81 buildings, facilities, and any other government operations requiring the consumption of electric energy  
82 for the purpose of negotiating the purchase of electricity from any licensed supplier within this  
83 Commonwealth. Aggregation pursuant to this subsection shall not require licensure pursuant to § 56-588.

84 **[ 2. That the State Corporation Commission shall develop models for conducting pilot programs**  
85 **for municipal aggregation of natural gas customers, including opt-in, opt-out, and any other model**  
86 **the Commission deems to be in the public interest. The Commission shall report such models to**  
87 **the Legislative Transition Task Force no later than November 1, 2003. ]**