

Department of Planning and Budget

2015 Fiscal Impact Statement

1. Bill Number: HB2155

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Sickles

3. Committee: Commerce and Labor

4. Title: Energy diversification requirement.

5. Summary: Establishes a schedule by which Virginia's two largest investor-owned electric utilities are required to achieve certain percentages of quantified energy diversification (QED). QED consists of energy generated at new zero-emitting energy facilities and energy savings achieved through demand-side efficiency. The required amounts of QED start at 0.25 percent of a utility's retail sales in calendar year 2016 and ramp up in ensuing years to 35 percent of its retail sales in 2030 and thereafter. The measure requires that not less than 40 percent of the required amount of QED that a utility is required to achieve be from demand-side efficiency, which consists of distributed generation, demand response, and energy efficiency programs. If a utility fails to meet the required percentage of sales in a calendar year from these sources, it is required to make a noncompliance payment of \$200 per megawatt hour short of the requirement. The measure provides for the issuance of certain credits by the Department of Mines, Minerals and Energy or its appointee. A utility establishes that it has met a requirement by submitting credits that evidence compliance. Noncompliance payments will be deposited in the Deployment Investment Fund created by the bill. A utility is entitled to recover its costs of compliance with the requirements, including noncompliance payments if they are less than the cost of available credits, through a rate adjustment clause.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary. See item 8 below.

8. Fiscal Implications: The fiscal impact of this bill is indeterminate.

The bill directs the Department of Mines, Minerals, and Energy (DMME) to establish and administer a program to issue, certify, report, track, and retire quantified energy diversification credits. DMME is required to develop protocols for the determination of generation facilities to qualify for the program. The bill allows DMME to appoint an administrator of the program who will be responsible for issuing, certifying, reporting, tracking, and retiring credits. The agency or administrator will be responsible for receiving and reviewing applications for energy diversification credits from power producers in the Commonwealth and issuing one credit for each qualifying megawatt-hour of energy produced or saved.

The bill also requires DMME or its appointee to develop a publically available registry of information regarding all available quantified energy diversification credits. DMME will be required to develop protocols for and operate a market-based trading system for quantified energy diversification credits. This system would allow energy companies to buy and sell credits to comply with the annual requirements of the bill. The bill authorizes DMME to develop and maintain a website for the online tracking of credits for both compliance verification and trading purposes.

This bill would also require DMME to report to the Governor and General Assembly annually on the status of compliance suppliers; costs of renewable energy credits on a per-kilowatt-hour basis for all zero-emitting energy facilities, resources, and technologies; costs associated with the credits program, including the number and amount of noncompliance payments; the status of the credits registry within the Commonwealth; and recommendations for program improvements.

At this point in time, the fiscal impact to DMME is indeterminate. The development, establishment, and continued administration of an energy diversification credit program, publically available registry, and market-based trading system could present a significant increase in workload for the agency. While the agency is authorized to appoint an outside administrator, DMME would retain the responsibility for the establishment of a number of protocols and reports, as well as monitoring any appointed administrator. Further, it is likely that any appointment of an outside administrator would require the Department to reimburse the administrator for costs associated with the program. Additionally, the bill does not explicitly authorize the administrator or Department to generate revenue from the market-based credit trading system in the form of transaction fees to offset the costs of maintaining the system, so it is anticipated that any expenditure impact would be to the general fund.

The bill provides that if a utility fails to meet the required percentage of sales in a calendar year from qualified sources, it is required to make a noncompliance payment of \$200 per megawatt hour short of the requirement. Noncompliance payments will be deposited in the Deployment Investment Fund created by the bill. Monies in the Fund would be used for grants to support projects that will increase the amount of energy generated from zero-emission energy resources and technologies and implementation of cost-effective energy efficiency programs. At this time, it is not possible to determine the extent to which utilities will be able to comply with the requirements of this bill. As a result, it is not possible to determine an estimate for the amount of noncompliance payments that would be deposited to the Fund.

The bill would require DMME to work with the State Corporation Commission (SCC) to monitor the performance of this program. It is not anticipated that this will have a fiscal impact on the SCC.

- 9. Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals, and Energy, State Corporation Commission, courts

10. Technical Amendment Necessary: No.

11. Other Comments: None.