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**HOUSE BILL NO. 978**

Offered January 10, 2018

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*A BILL to amend and reenact § 56-594 of the Code of Virginia, relating to electric utilities; net energy metering; standby charges.*

Patron—Guzman

Referred to Committee on Commerce and Labor

**Be it enacted by the General Assembly of Virginia:****1. That § 56-594 of the Code of Virginia is amended and reenacted as follows:****§ 56-594. Net energy metering provisions.**

A. The Commission shall establish by regulation a program that affords eligible customer-generators the opportunity to participate in net energy metering, and a program, to begin no later than July 1, 2014, for customers of investor-owned utilities and no later than July 1, 2015, for customers of electric cooperatives, to afford eligible agricultural customer-generators the opportunity to participate in net energy metering. The regulations may include, but need not be limited to, requirements for (i) retail sellers; (ii) owners or operators of distribution or transmission facilities; (iii) providers of default service; (iv) eligible customer-generators; (v) eligible agricultural customer-generators; or (vi) any combination of the foregoing, as the Commission determines will facilitate the provision of net energy metering, provided that the Commission determines that such requirements do not adversely affect the public interest. On and after July 1, 2017, small agricultural generators or eligible agricultural customer-generators may elect to interconnect pursuant to the provisions of this section or as small agricultural generators pursuant to § 56-594.2, but not both. Existing eligible agricultural customer-generators may elect to become small agricultural generators, but may not revert to being eligible agricultural customer-generators after such election. On and after July 1, 2019, interconnection of eligible agricultural customer-generators shall cease for electric cooperatives only, and such facilities shall interconnect solely as small agricultural generators. For electric cooperatives, eligible agricultural customer-generators whose renewable energy generating facilities were interconnected before July 1, 2019, may continue to participate in net energy metering pursuant to this section for a period not to exceed 25 years from the date of their renewable energy generating facility's original interconnection.

**B. For the purpose of this section:**

"Eligible agricultural customer-generator" means a customer that operates a renewable energy generating facility as part of an agricultural business, which generating facility (i) uses as its sole energy source solar power, wind power, or aerobic or anaerobic digester gas, (ii) does not have an aggregate generation capacity of more than 500 kilowatts, (iii) is located on land owned or controlled by the agricultural business, (iv) is connected to the customer's wiring on the customer's side of its interconnection with the distributor; (v) is interconnected and operated in parallel with an electric company's transmission and distribution facilities, and (vi) is used primarily to provide energy to metered accounts of the agricultural business. An eligible agricultural customer-generator may be served by multiple meters that are located at separate but contiguous sites, such that the eligible agricultural customer-generator may aggregate in a single account the electricity consumption and generation measured by the meters, provided that the same utility serves all such meters. The aggregated load shall be served under the appropriate tariff.

"Eligible customer-generator" means a customer that owns and operates, or contracts with other persons to own, operate, or both, an electrical generating facility that (i) has a capacity of not more than 20 kilowatts for residential customers and not more than one megawatt for nonresidential customers on an electrical generating facility placed in service after July 1, 2015; (ii) uses as its total source of fuel renewable energy, as defined in § 56-576; (iii) is located on the customer's premises and is connected to the customer's wiring on the customer's side of its interconnection with the distributor; (iv) is interconnected and operated in parallel with an electric company's transmission and distribution facilities; and (v) is intended primarily to offset all or part of the customer's own electricity requirements. In addition to the electrical generating facility size limitations in clause (i), the capacity of any generating facility installed under this section after July 1, 2015, shall not exceed the expected annual energy consumption based on the previous 12 months of billing history or an annualized calculation of billing history if 12 months of billing history is not available.

"Net energy metering" means measuring the difference, over the net metering period, between (i) electricity supplied to an eligible customer-generator or eligible agricultural customer-generator from the

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59 electric grid and (ii) the electricity generated and fed back to the electric grid by the eligible  
60 customer-generator or eligible agricultural customer-generator.

61 "Net metering period" means the 12-month period following the date of final interconnection of the  
62 eligible customer-generator's or eligible agricultural customer-generator's system with an electric service  
63 provider, and each 12-month period thereafter.

64 "Small agricultural generator" has the same meaning that is ascribed to that term in § 56-594.2.

65 C. The Commission's regulations shall ensure that (i) the metering equipment installed for net  
66 metering shall be capable of measuring the flow of electricity in two directions and (ii) any eligible  
67 customer-generator seeking to participate in net energy metering shall notify its supplier and receive  
68 approval to interconnect prior to installation of an electrical generating facility. The electric distribution  
69 company shall have 30 days from the date of notification for residential facilities, and 60 days from the  
70 date of notification for nonresidential facilities, to determine whether the interconnection requirements  
71 have been met. Such regulations shall allocate fairly the cost of such equipment and any necessary  
72 interconnection. An eligible customer-generator's electrical generating system, and each electrical  
73 generating system of an eligible agricultural customer-generator, shall meet all applicable safety and  
74 performance standards established by the National Electrical Code, the Institute of Electrical and  
75 Electronics Engineers, and accredited testing laboratories such as Underwriters Laboratories. Beyond the  
76 requirements set forth in this section and to ensure public safety, power quality, and reliability of the  
77 supplier's electric distribution system, an eligible customer-generator or eligible agricultural  
78 customer-generator whose electrical generating system meets those standards and rules shall bear all  
79 reasonable costs of equipment required for the interconnection to the supplier's electric distribution  
80 system, including costs, if any, to (a) install additional controls, (b) perform or pay for additional tests,  
81 and (c) purchase additional liability insurance.

82 D. The Commission shall establish minimum requirements for contracts to be entered into by the  
83 parties to net metering arrangements. Such requirements shall protect the eligible customer-generator or  
84 eligible agricultural customer-generator against discrimination by virtue of its status as an eligible  
85 customer-generator or eligible agricultural customer-generator, and permit customers that are served on  
86 time-of-use tariffs that have electricity supply demand charges contained within the electricity supply  
87 portion of the time-of-use tariffs to participate as an eligible customer-generator or eligible agricultural  
88 customer-generator. Notwithstanding the cost allocation provisions of subsection C, eligible  
89 customer-generators or eligible agricultural customer-generators served on demand charge-based  
90 time-of-use tariffs shall bear the incremental metering costs required to net meter such customers.

91 E. If electricity generated by an eligible customer-generator or eligible agricultural customer-generator  
92 over the net metering period exceeds the electricity consumed by the eligible customer-generator or  
93 eligible agricultural customer-generator, the customer-generator or eligible agricultural  
94 customer-generator shall be compensated for the excess electricity if the entity contracting to receive  
95 such electric energy and the eligible customer-generator or eligible agricultural customer-generator enter  
96 into a power purchase agreement for such excess electricity. Upon the written request of the eligible  
97 customer-generator or eligible agricultural customer-generator, the supplier that serves the eligible  
98 customer-generator or eligible agricultural customer-generator shall enter into a power purchase  
99 agreement with the requesting eligible customer-generator or eligible agricultural customer-generator that  
100 is consistent with the minimum requirements for contracts established by the Commission pursuant to  
101 subsection D. The power purchase agreement shall obligate the supplier to purchase such excess  
102 electricity at the rate that is provided for such purchases in a net metering standard contract or tariff  
103 approved by the Commission, unless the parties agree to a higher rate. The eligible customer-generator  
104 or eligible agricultural customer-generator owns any renewable energy certificates associated with its  
105 electrical generating facility; however, at the time that the eligible customer-generator or eligible  
106 agricultural customer-generator enters into a power purchase agreement with its supplier, the eligible  
107 customer-generator or eligible agricultural customer-generator shall have a one-time option to sell the  
108 renewable energy certificates associated with such electrical generating facility to its supplier and be  
109 compensated at an amount that is established by the Commission to reflect the value of such renewable  
110 energy certificates. Nothing in this section shall prevent the eligible customer-generator or eligible  
111 agricultural customer-generator and the supplier from voluntarily entering into an agreement for the sale  
112 and purchase of excess electricity or renewable energy certificates at mutually-agreed upon prices if the  
113 eligible customer-generator or eligible agricultural customer-generator does not exercise its option to sell  
114 its renewable energy certificates to its supplier at Commission-approved prices at the time that the  
115 eligible customer-generator or eligible agricultural customer-generator enters into a power purchase  
116 agreement with its supplier. All costs incurred by the supplier to purchase excess electricity and  
117 renewable energy certificates from eligible customer-generators or eligible agricultural  
118 customer-generators shall be recoverable through its Renewable Energy Portfolio Standard (RPS) rate  
119 adjustment clause, if the supplier has a Commission-approved RPS plan. If not, then all costs shall be  
120 recoverable through the supplier's fuel adjustment clause. For purposes of this section, "all costs" shall

be defined as the rates paid to the eligible customer-generator or eligible agricultural customer-generator for the purchase of excess electricity and renewable energy certificates and any administrative costs incurred to manage the eligible customer-generator's or eligible agricultural customer-generator's power purchase arrangements. The net metering standard contract or tariff shall be available to eligible customer-generators or eligible agricultural customer-generators on a first-come, first-served basis in each electric distribution company's Virginia service area until the rated generating capacity owned and operated by eligible customer-generators, eligible agricultural customer-generators, and small agricultural generators in the state reaches one percent of each electric distribution company's adjusted Virginia peak-load forecast for the previous year, and shall require the supplier to pay the eligible customer-generator or eligible agricultural customer-generator for such excess electricity in a timely manner at a rate to be established by the Commission.

F. Any residential eligible customer-generator or eligible agricultural customer-generator who owns and operates, or contracts with other persons to own, operate, or both, an electrical generating facility with a capacity that exceeds 10 kilowatts shall pay to its supplier, in addition to any other charges authorized by law, a monthly standby charge. The amount of the standby charge and the terms and conditions under which it is assessed shall be in accordance with a methodology developed by the supplier and approved by the Commission. The Commission shall approve a supplier's proposed standby charge methodology if it finds that (i) the standby charges collected from all such eligible customer-generators and eligible agricultural customer-generators allow the supplier to recover only the portion of the supplier's infrastructure costs that are properly associated with serving such eligible customer-generators or eligible agricultural customer-generators and (ii) *the results of a value of solar analysis of the facility, if the facility generates electricity from solar power, performed by the supplier in compliance with standards approved by the Commission, demonstrate that the standby charges reflect the supplier's net costs or benefits properly associated with serving such eligible customer-generators or eligible agricultural customer-generators. A value of solar analysis shall determine the supplier's net costs or benefits properly associated with serving such eligible customer-generators or eligible agricultural customer-generators, which net costs or benefits shall be calculated by subtracting (a) the value of all benefits provided to the supplier or the electric grid as a result of the installation and operation of the eligible customer-generator's or eligible agricultural customer-generator's generating facility, including reductions in transmission line losses, savings associated with providing electricity to neighboring or nearby customers on the same or adjacent distribution lines, the need to make wholesale electricity purchases, fuel costs, risks to the electric system that result from diversification of the supplier's generation portfolio, and the need to perform upgrades to the electric transmission system, from (b) the portion of the supplier's infrastructure costs that are properly associated with serving such customers.* Such an eligible customer-generator or eligible agricultural customer-generator shall not be liable for a standby charge until the date specified in an order of the Commission approving its supplier's methodology.