

# State Corporation Commission

## 2001 Fiscal Impact Statement

**1. Bill Number** SB1420

**House of Origin**    ☐ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☒ Enrolled

**2. Patron**        Norment

**3. Committee**    Passed Both Houses

**4. Title**            Electric Utility Restructuring Act.

5. Summary/Purpose: Virginia Electric Utility Restructuring Act. Establishes a mechanism for establishing the rates for default service after the capped rate period. The State Corporation Commission shall attempt to identify default service providers through competitive bidding. If that process does not produce willing and suitable providers, it may require a distributor to provide default service. The SCC is prohibited from regulating, on a cost-of-service or other basis, the price at which generation assets or their equivalent are made available for default service; however, an incumbent utility may bid to provide default service on such basis. A distributor's default service plan must provide that the procurement of generation capacity and energy will be based on the prices in competitive regional electricity markets. If a plan is not approved, the SCC will establish rates for default services based on prices in competitive regional electricity markets. In determining whether a market is competitive and the prices for default services, the SCC will consider its liquidity and price transparency, whether competition is an effective regulator of prices in such market, the wholesale or retail nature of such markets, the reasonable accessibility of such markets to the distributor's regional transmission entity, and such other factors it finds relevant. The SCC shall also consider default service customers' need for rate stability and protection from unreasonable rate fluctuations. A cooperative's default service rates in its service territory after the capped rates period will be based its prudently incurred cost. An incumbent utility's decision to make the equivalent of its generation assets available for default service shall be subject to approval based on adequately meeting the public interest. The measure restricts the ability of an incumbent utility to make further transfers of generation assets without SCC approval. The measure also provides for competitive retail billing and metering. Beginning January 1, 2002, (i) distributors will be required to offer consolidated billing service to suppliers, aggregators, and retail customers, (ii) suppliers and aggregators will be permitted to bill customers separately for their services, and (iii) licensed providers may provide competitive metering services for large industrial and large commercial customers. Beginning January 1, 2003, (i) licensed suppliers and aggregators may offer consolidated billing service to distributors and retail customers and (ii) licensed providers may provide competitive metering services for residential and small business customers. The SCC may delay implementation of competition in these services. Distributors will be allowed to recover costs directly associated with the implementation of billing or metering competition through a tariff for all licensed suppliers, in a manner approved by the SCC. The rates for any non-competitive services provided by a distributor will be adjusted to ensure that they do not

reflect costs properly allocable to competitive metering or billing service. Municipal electric utilities and electric cooperatives are exempt from the competitive metering and billing requirements unless they offer competitive electric energy supply to retail customers in the service territory of an incumbent electric utility. Other changes (i) require the SCC to establish minimum periods, if any, that customers must receive service from their incumbent electric utilities or from default service providers after having obtained service from other suppliers; (ii) amend tax provisions to the address that billing services may be provided by competitive providers other than the person delivering electricity to consumers; (iii) authorize the SCC to establish competition phase-in plans on a utility-by-utility basis; (iv) establish that the provisions of the Act will be applied to any municipal electric utility that is made subject to the Act to the same extent that such provisions apply to incumbent utilities; (v) provide that rates for new services applied for after January 1, 2001, will be treated as capped rates; (vi) clarify that default service is to be made available after consumer choice is available to all customers in Virginia; (vii) require the SCC to consider the goals of advancement of competition and economic development in all relevant proceedings; and (viii) require the SCC to report annually on the status of competition in the Commonwealth, the status of the development of regional competitive markets, and its recommendations to facilitate effective competition in the Commonwealth as soon as practical.

6. No Fiscal Impact on the State Corporation Commission

7. Budget amendment necessary: None

8. Fiscal implications: None

9. Specific agency or political subdivisions affected: State Corporation Commission

10. Technical amendment necessary: None

11. Other comments: None

**Date:** 03/06/01

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cc: Secretary of Commerce and Trade

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