

State Corporation Commission 2009 Fiscal Impact Statement

1. Bill Number: SB1348

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Wagner

3. Committee: Commerce and Labor

4. Title: Electricity; demand response programs.

5. Summary: Establishes a goal of reducing each electric utility's peak demand by 2015 to an amount that is 5.4 percent less than the utility's peak demand during 2010, and by 2020 to an amount that is 10.8 percent less than the utility's peak demand during 2010 through the implementation, by the utility or curtailment service providers, of programs that induce users to curtail electricity usage as a result of congestion and higher prices in the electrical grid. Electric utilities are required to submit plans for meeting the goal and reports on efforts to meet the goal. Each electric utility is required to implement a demand response tariff. Electric utilities are authorized to earn an enhanced rate of return on the reasonable costs of designing and operating demand response programs. The measure authorizes any member of an Independent System Operator (ISO) to deliver, to retail customers, products and services directly related to the implementation of an ISO program in accordance with the ISO's policies and procedures. The workgroup convened by the SCC in its 2007 proceeding on energy efficiency and conservation is continued as the Virginia Energy Collaborative. The SCC is directed to establish a procedure for the certification of clean demand response, in order that it may count towards the goals of the voluntary renewable energy portfolio standard program. The Air Pollution Control Board is directed to amend its existing regulations governing the issuance of general permits for the use of back-up generation to authorize the construction, installation, reconstruction, modification, and operation of emergency generation sources during ISO-declared emergencies. The SCC is directed to conduct a proceeding to evaluate the cost effectiveness of demand response and energy efficiency programs offered by electric utilities to retail customers, and to study the deployment of smart meter technologies.

6. Fiscal Impact Estimates: Not available, see Item 8.

7. Budget Amendment Necessary: None

8. Fiscal Implications: This legislation establishes a goal to reduce electricity peak demand through demand response programs including real-time pricing tariffs and smart meter technologies. If properly implemented such programs may reduce demand during critical times, but the cost to implement may exceed the amount of savings and could potentially increase electric utility rates. Utility recovery of investment costs plus an enhanced rate of return on the cost of designing and operating such programs would likely be passed on to customers through increased electricity rates.

The bill requires the SCC to establish the real-time pricing signals and tariffs for demand response programs, to determine the effectiveness of utilities to meet the targets through their biennial IRP, to determine any contribution of clean demand response to the voluntary RPS programs, to annually report to the Governor and General Assembly on the progress, and study the merits to deploy smart meter technologies. In combination with passage of other pending legislation, additional SCC staff could be required.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission;
Department of Environmental Quality

10. Technical Amendment Necessary: None

11. Other Comments: No

Date: 1/30/03 David Eichenlaub
Cc: Secretary of Commerce and Trade