SENATE BILL NO. _____ HOUSE BILL NO. _____

A BILL to direct the State Corporation Commission to convene a work group to evaluate and assess electric load flexibility protocols for high electric demand customers; report.

Be it enacted by the General Assembly of Virginia:

1. § 1. The State Corporation Commission (the Commission) shall convene a work group to evaluate and assess the opportunities, benefits, barriers, and regulatory frameworks for implementing electric load flexibility protocols for high electric demand customers. The work group shall include State Corporation Commission staff, Commission on Electric Utility Regulation staff, and representatives from the Office of the Attorney General, the Department of Energy, the Department of Environmental Quality, electric utilities, including electric cooperatives, high electric demand customers, clean or advanced energy business associations, environmental advocacy groups, environmental justice organizations, and consumer advocates, as well as any other stakeholders as determined by the Commission. For the purposes of this act, "high electric demand customer" means any customer within an electric utility's existing or proposed classification of service for high electric demand customers and any other retail or industrial electric service customer with an average electric demand of greater than 50 megawatts.

The work group shall complete an evaluation of regulatory frameworks and develop recommendations that can be implemented under the Commission's existing regulatory authority, legislative and policy recommendations, and improvements for current or proposed electric load flexibility protocols, such as electric load curtailment policies, and demand response management programs by electric utilities to improve efficiency, functionality, and participation by high electric demand customers. Recommendations of the work group related to electric load curtailment policies shall be implemented in any applicable evaluation of an electric load curtailment policy conducted by the Commission and in any related regulations promulgated by the Commission until 2030.

In evaluating regulatory frameworks, the work group shall consider grid reliability, mitigating the risk of stranded assets, ensuring fairness and reasonableness for current and future retail electric service customers, and supporting the Commonwealth's clean and renewable energy goals. The work group shall

provide an analysis of the current regulatory frameworks in the Commonwealth regarding high electric demand customers, including any incentives and penalties for such customers associated with participation in electric load flexibility protocols, such as electric load curtailment policies, and utilize existing demand response management programs by electric utilities, including electric cooperatives, or the regional transmission entity. The work group shall also evaluate regulatory frameworks and examples of implementation in other states and jurisdictions of electric load flexibility protocols designed to accommodate electric service to high electric demand customers, which may include procurement or development of new clean energy generating resources and energy storage resources.

In developing recommendations, the work group shall assess (i) participation requirements for existing demand response management programs, including parameters such as minimum and maximums on percentage of time or the number of hours per year of electric load reduction, the duration and frequency of such load reduction periods, notification procedures, and any applicable penalties for noncompliance; (ii) the feasibility of physical and digital technologies, including energy storage resources and backup generation resources, to assist with load flexibility and demand response management, as well as any regulatory measures recommended to incentivize the use of such technologies, ensure reliability and security of the electric grid, and mitigate any impacts of such technologies on public health; (iii) the necessary scope for demand response management programs to appropriately respond to stress and emergency events of the electric grid, including the efficacy of mandatory versus voluntary demand response management programs in achieving demand response management targets; (iv) the feasibility of participation for different types of high electric demand customers, including data centers, as defined in subdivision A 43 of § 58.1-3506 of the Code of Virginia; (v) opportunities for beneficial use of waste heat from data centers; (vi) environmental considerations such as impacts on air quality, water quality and usage, and noise and the application of such considerations in incentivizing load flexibility and demand response management; (vii) any applicable incentives and compensation methods for high electric demand customers that participate in load flexibility protocols or demand response management programs based on such customers' level of participation in such protocols or programs and evaluations of impacts on the electric grid based on such customers' geographic locations; (viii) options for high electric demand

customers to fund or construct infrastructure upgrades for transmission and distribution assets that serve such customers; and (ix) the feasibility and structure of financial investments from data centers directed toward the development of load flexibility protocols, including virtual power plants, and demand response management programs designed to benefit communities that neighbor data centers and low-income residential households.

The work group shall submit a report of its evaluation and recommendations to the State Corporation Commission, Commission on Electric Utility Regulation, House Committee on Labor and Commerce, and Senate Committee on Commerce and Labor by November 1, 2026.

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