Virginia Energy Reform Coalition Platform

Our current regulatory structure for Virginia's electric grid stifles innovation, keeps energy bills high, and incentivizes utilities to invest in costly new infrastructure whether it actually benefits customers or not. Policy reforms are needed to create a modern, 21st century grid that lowers prices, increases choices for ratepayers, and improves the environment, all while maintaining reliability. Advanced technologies have already created an opportunity to modernize the electric power grid, but our laws remain rooted in the 20th century. The Virginia Energy Reform Coalition (VERC) is a group of stakeholders representing a broad spectrum of interests who are now calling for reforms that would address these issues.

Here are VERC's policy goals in making a 21st century grid in Virginia a reality:

- **Establish a well-designed, competitive retail electricity market.** Competitive retail electricity markets have been established in several states, leading to greater consumer choice, reduced energy bills, and higher levels of innovation. One of the most successful markets has been in the Electric Reliability Council of Texas (ERCOT) region, which covers most of the state. The principal reason for this success is that Texas decided to "quarantine" the utility monopolies—limiting them to owning and operating the wires (the transmission and distribution grid). The grid is the only part of the electric system that can arguably be considered a natural monopoly. Virginia should enact a similar quarantine of the monopoly. Such a limitation would open up Virginia's electricity market to a wide range of retail energy service companies, including those that aggregate customers hosting distributed energy resources (DERs) like solar and storage.

- **Establish an independent grid operator.** To eliminate conflicts of interest, an independent grid operator with no financial stake in the grid infrastructure or the competitive markets should operate the electric distribution system. An independent grid operator, PJM, already runs the regional high-voltage transmission grid that includes Virginia and all or part of thirteen other states.

- **Establish streamlined and uniform interconnection standards.** In Virginia today, utilities impose inappropriate restrictions on DERs, including facility- and system-wide size limitations and punitive interconnection charges. These restrictions should be removed. The independent distribution grid operator would adopt uniform interconnection standards to streamline the deployment of DERs.

- **Implement performance-based regulation**. Virginia's monopoly electric utilities are currently allowed to charge captive customers for the costs of providing service plus a guaranteed profit. This gives utilities an incentive to spend more money to earn higher profits, even when it is not in their customers' interest. Virginia should correct this broken regulatory framework by switching to performance-based regulation (PBR), which ties the amount utilities can charge customers to the achievement of key outcomes such as reliability, cost, customer satisfaction, and others.

- **Establish a low-income bill assistance and weatherization program.** Low-income customers cannot escape spending a far higher percentage of their income on energy bills than the average customer. With the introduction of a competitive retail electricity market, low-income customers should be provided with a better safety net. Ohio's Percentage of Income Payment Plan (PIPP) is an excellent model that Virginia should emulate. The program ensures that customers with a household income at or below 150 percent of the federal poverty guidelines have access to federal weatherization funds as well as ratepayer-funded bill assistance. Qualifying customers' bills are limited to 6 percent of household income if they heat with gas and 10 percent if they heat with electricity.

- **Implement an "all-cost-effective" energy efficiency standard.** The cheapest energy resource is energy efficiency, but competitive markets may not deploy energy efficiency resources optimally. The independent distribution grid operator would implement an all-cost-effective energy efficiency resource standard by (1) assessing whether all of the cost-effective energy efficiency resources are being deployed across its system, and (2) soliciting private sector bids to remedy any significant discrepancy.

- **Ensure additional consumer protections and education.** A competitive retail electricity market will require additional built-in consumer protections. To ensure reliability, the independent distribution grid operator would facilitate the transfer of a customer account to a predetermined "provider of last resort" if a customer's retail provider can no longer provide service. The operator would also implement consumer protections against unfair or deceptive practices in the retail market. Further, as 21st century technology deploys, customers will own the data associated with their electricity service. Customers should determine if and how that data is shared. Finally, consumer education programs are needed to ensure consumers understand how the new system works and what products and rates are available.

- **Fully integrate grids, markets, and operations.** The independent distribution grid operator should enable the transmission and distribution systems to operate seamlessly, rather than separately. The two principal goals are integrated system operations between the wholesale and retail levels and seamless pricing. Integrated operations could enable the grid to become more modular (i.e., with multiple ways to generate and distribute to consumers), allowing DERs to proliferate. Seamless pricing means that wholesale electricity prices could be transmitted down to the distribution level, sending more accurate price signals and allowing for more informed customer decision-making and energy savings.

- **Phase out wholesale capacity markets.** Wholesale capacity markets are intended to ensure there is more than adequate electricity supply to match predicted future demand. However, capacity markets are no longer necessary in the 21st century, given the availability of more flexible and distributed energy resources, as well as the information technology that allows customers to respond to prices easily and nearly automatically.