

# PERFORMANCE BASED REGULATION (PBR)

## STAKEHOLDER WORKGROUP MEETING #1

### VIRGINIA DEPARTMENT OF ENERGY

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# ABOUT PERFORMANCE BASED REGULATION (PBR)

## Definition

An approach to utility regulation designed to strengthen utility incentives to improve performance and align utility priorities with those of customers and public policy. (NCSL)



# AGENDA

## Meeting #1

9 am – Welcome

9.10 am – Introductions

9.30 am – Overview of Performance-Based Regulation

*Tom Wiehl, Connecticut Office of Consumer Counsel*

10.15 am – Current framework for performance evaluation

*Brian Pratt & Mike Cizenski, State Corporation Commission*

10.45 am – Overview of Resolution & Discussion on Stakeholder Process

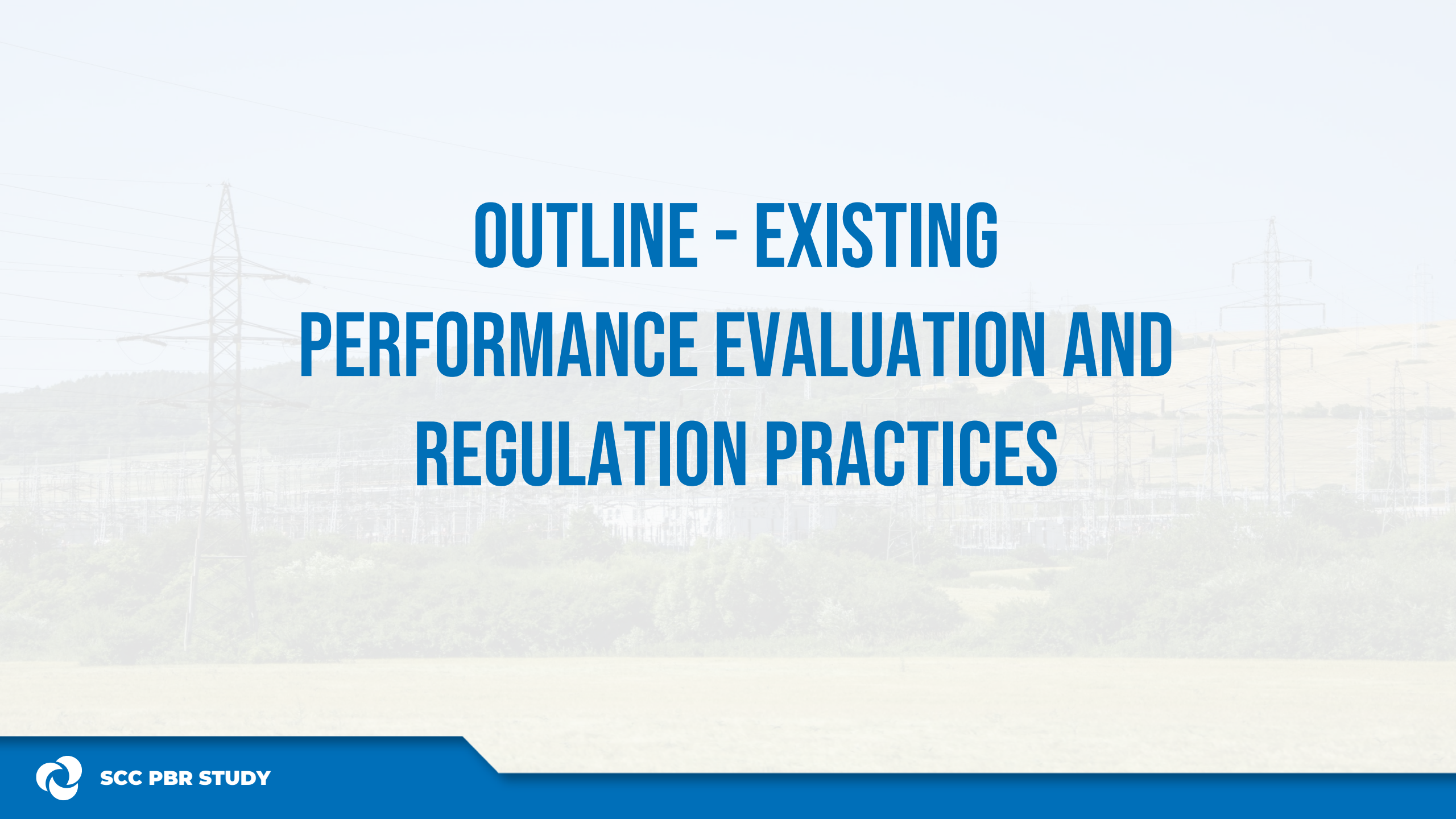
11.25 am – Next Steps & Close





# OVERVIEW OF PERFORMANCE - BASED REGULATION





# **OUTLINE - EXISTING PERFORMANCE EVALUATION AND REGULATION PRACTICES**





# REVIEW OF ENABLING RESOLUTION

## Goals outlined in HJ30/SJ47 :

- i. Evaluate the potential of performance-based regulatory tools and alternative regulatory tools to modernize the legal or regulatory framework and
- ii. Consider the long-term financial stability of investor-owned utilities and balance the interests of all stakeholders for the benefit of the Commonwealth.

# REVIEW OF ENABLING RESOLUTION

## Evaluate potential for PBR to assist in:

- Tracking and achieving improved performance in affordability, reliability, customer service, and resiliency
- Enhancing cost-containment incentives;
- Streamlining planning and resource procurement to secure competitive prices for energy infrastructure
- Harmonizing financial incentives created through regulation with the commonwealth's energy policy goals
- Eliminating disincentives for utilities to deploy third-party and customer-owned generation, energy efficiency savings, and peak-load reduction
- Making progress toward the commonwealth's decarbonization goals





# REVIEW OF ENABLING RESOLUTION

## Action items for the study:

- Analysis of the current regulatory framework and financial incentives such framework creates for investor-owned electric utilities and competitive service providers in the Commonwealth
- Identification of misalignments between current incentives for investor-owned utilities and competitive service providers and the Commonwealth's energy policy goals
- Analysis of performance-based and alternative regulatory tools used in other jurisdictions to correct such misalignments
- Review of varying obligations on investor-owned utilities and competitive service providers
- Analysis of the potential impact of competitive service providers to all customers in the Commonwealth
- Proposing reforms to the current regulatory framework
- Identification of reforms that could be implemented under the current authority vested in the Commission, as well as reforms requiring additional enabling legislation
- Analysis of whether and how these tools assist in preventing carbon leakage from the manufacturing sector.





# REVIEW OF ENABLING RESOLUTION

## Tools to be considered:

- Reporting metrics
- Scorecards
- Performance-incentive mechanisms
- Decoupling of electricity sales from utility revenues
- Multiyear rate plans
- Fuel cost-sharing mechanisms
- Best practices for all-source competitive procurement
- Strategies to equalize financial incentives to deploy capital expenditures and operating expenses
- Any other deemed relevant or helpful by the Commission in its review.





# REVIEW OF ENABLING RESOLUTION

## Performance areas to consider in the study

- Reliability and resiliency
- Affordability for customers
- Emergency response and safety
- Cost-efficient utility investments and operations
- Customer service
- Savings maximization from energy efficiency and exceedance of statutorily required savings levels
- Peak-demand reductions
- Integration of distributed energy resources, including the quality and timeliness of interconnection of customer-owned and third-party-owned resources
- Environmental justice and equity
- Beneficial electrification, including in the transportation and buildings sectors
- Maximization of available federal funding
- Decarbonization of the commonwealth's electricity sector
- Cyber and physical security of the grid
- Annual and monthly generation and resource needs in addition to hourly generation and resource needs on the 10 hottest and coldest days of the year
- Other topics deemed relevant and useful to the commission in its review of performance areas





# REVIEW OF ENABLING RESOLUTION

## Engage Stakeholders to:

- Study alternative regulatory tools
- Study other jurisdictions' experiences, successes, and failures in implementing such tools
- Develop and propose potential reforms to the current regulatory framework that shall inform the Commission's final report

## Stakeholder activities include:

- (A) Facilitated workshops and presentations on alternative regulatory tools,
- (B) Opportunities for open dialogue and meaningful input,
- (C) Access to the information and other resources necessary for robust engagement, and
- (D) The opportunity to respond to proposals, as appropriate.

# STUDY TIMELINE

## Timeline :

- DOE will submit a summary of the Stakeholder Process's conclusions and recommendations concerning PBR and alternative regulatory tools to SCC - February 7, 2025
- SCC will report its findings and recommendations concerning the PBR Study to the Governor and the General Assembly - October 15, 2025
- SCC and DOE present their findings and recommendations in a public meeting to the Commission on Electric Utility Regulation - November 15, 2025
- Complete report due to General Assembly - First day of 2026 General Assembly Session



# STAKEHOLDER WORKGROUP PROCESS

- Participants
- Subject-areas to address
- Meeting formats
- Timeline



# PROCESS - PARTICIPANTS

## Named Stakeholder Groups :

- Electric utilities in the Commonwealth
- Competitive service suppliers in the Commonwealth
- Representatives of all customer classes
- Commission staff
- The Office of the Attorney General's
- Environmental organizations
- Consumer protection groups
- Local communities



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# NEXT STEPS

