Virginia Regulatory Assessment Template

**Instructions:**

* Select one (1) “performance area” or outcome from the following set to evaluate how existing regulatory mechanisms in Virginia support (incentivize) the achievement of that outcome or disincentivize the achievement of the outcome. Consider this question for each regulatory mechanism identified in the template, and for the overall performance of Virginia’s utility regulatory structure to support (or hinder) that outcome (performance area).
* Each stakeholder should complete worksheets for at least two performance areas of their choosing. Additional (more than two) performance areas can be evaluated in additional worksheets, at your discretion.

**Reference Key:** Performance Areas from *House Joint Resolution No. 30 / Senate Joint Resolution No. 47*

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| --- | --- |
| Reliability and resiliency | Affordability for customers |
| Emergency response and safety | Cost-efficient utility investments and operations |
| Peak demand reductions | Maximization of available federal funding |
| Cyber and physical security of the grid | Savings maximization from energy efficiency and exceedance of statutorily required savings levels |
| 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 | DER integration and speed of interconnection |
| Customer service | Beneficial electrification |
| Environmental justice and equity | Electricity decarbonization |

**Regulatory Assessment**

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| **Outcome** | What regulatory *outcome* or *performance area* does this assessment consider? | **Electricity Decarbonization** |
| **Do the existing regulatory mechanisms and programs sufficiently support the outcome?** |
| **Key** |  |
| **+** | **Yes** | The mechanism or program **incents achievement** of this outcome. |
| **0** | **No Impact** | The mechanism or program **does not seem to impact the achievement** of this outcome. |
| **-** | **No** | The mechanism or program **disincentivizes the achievement** of this outcome. |
| **Existing Regulatory Mechanisms and Programs** | **Description** | **Mechanism or Program’s Effect on Outcome** | **Issues for Attention** |
| **Score (+/0/-)** | **Discussion** |
| **Rate Reviews (typically biennial)** | Forward-looking | 0 | Developing a robust time of use/time of day rate scheme and implementing it on a going forward basis could help shift load in a manner that optimizes zero carbon resources on the grid and could help to minimize unnecessary investments driven by load growth by minimizing peak load as much as possible.  | Currently, forward looking rate reviews aren’t focused on load shifting and optimizing existing resources. With increased attention on data center driven load growth, this may be an area of opportunity to better evaluate cost of service based rates and if and how they should change based on established clean energy policies. |
| Backward-looking (w/ earnings adjustments)  | 0 | If these reviews were tied with appropriate metrics to measure progress toward policy directives, this could potentially be an effective mechanism to incent decarbonization. | If perhaps there was some incentive associated with earnings adjustment that related to procurement of as much low cost clean energy as possible (or to meet and exceed DER allotments, or to develop virtual power plants with existing resources, or any number of resource specific incentives designed to better value the ancillary services associated with zero carbon technologies), backward looking earnings adjustments might incent decarbonization. Even so, identifying a “material” enough incentive to move the utility would be necessary to bring effect to such an incentive. |
| **ROE Determinations** |  | 0 | Generally, a lower ROE, would likely tend toward disincentivizing the pursuit of company-owned projects and could potentially make arrangements like PPAs more attractive. | At present the law favors more company-owned projects for new clean energy builds, so even if the ROE were lowered, it might not have the desired result of incentivizing more clean projects through PPAs (on which the utility does not earn a ROE) unless there were other legal changes related to clean energy procurement.  |
| **Rate Adjustment Clauses (i.e., trackers)** | RACs overall (general assessment of the use of RACs) | 0/- | The RAC framework allows the utility an “out” in that it affords the utility opportunities to recover costs that could otherwise be rate based. This tends toward obscuring the true cost of providing service.Understanding the full economic impact of a decarbonized electricity grid is important to appropriately evaluate a utility’s operations and associated costs. | Evaluating the impact of heavy RAC utilization and the true costs of providing service seems an important step generally, and also specifically for decarbonizing electricity (i.e., truly integrating these technologies as opposed to adhoc or piecemeal consideration of clean technologies for the purposes of meeting a statutory number instead of planning more holistically for optimization). |
| Fuel Cost Recovery |  |  |  |
| Purchased power |  |  |  |
| Demand response program costs |  |  |  |
| RPS compliance costs |  |  |  |
| Broadband capacity extension |  |  |  |
| Low-income programs (lost revenue recovery) |  |  |  |
| Capital projects (e.g., combined cycle gas projects, offshore wind, solar, distribution system undergrounding, distribution grid transformation, nuclear life extension, etc.) |  |  |  |
| **Other trackers** (user choice to select additional trackers used in Virginia rate making for attention) |  |  |  |  |
|  |  |  |  |
| **Transmission cost recovery (FERC formula rates)** | Transmission costs as allocated in FERC formula rates, recovered from customers via trackers (RACs) and/or base rates |  |  |  |
| **Performance adjustments and measurement** | ROE adjustment mechanisms |  |  |  |
| Energy efficiency savings target (ROE adder applied to DSN operating expenses) | 0 | The current construct does not appear to incent achievement or overachievement for all utilities in Virginia.  |  Understanding what would incent commitment here (and elsewhere) would be important to informing any adjustments made to this mechanism. |
| Performance mechanisms (e.g., metrics, scorecards, PIMS), including Case No. PUR-2023-00210 (Separate SCC PBR Case) | 0 | metrics and scorecards seem particularly critical to informing the Commission and the public on utility progress toward policy objectives. Metrics also help to better define the desired outcome.  | The interaction of the PBR Case framework on the broader discussion of PBR is still unclear as the Commission has not taken action on Staff’s March 2025 filing. |
| **Other ratemaking and regulatory features** | IRPs | - | At present the IRP framework does not require consideration of the social cost of carbon and at present only Dominion is required to file an IRP. So, consideration of what impact an IRP could have on decarbonizing electricity is limited to evaluating this in the context of Dominion.Dominion’s recent IRP included “carbon intensity” as opposed to the actual measure of carbon emissions related to its’s proposed portfolios, each of which included substantial projections of gas utilization. No social cost of carbon value was provided for each portfolio, and the portfolios did not assume Virginia’s participation in RGGI. So, the information that would tend to be meaningfully informative with regard to carbon emissions and efforts toward decarbonizing electricity weren’t immediately apparent in the most recent filing. Additionally, the modeled years only went to 2039, so the 2045 carbon-emitting resource retirement requirement was not reflected in the modeled portfolios Dominion submitted.All this to say, the IRP could be a place where much needed information related to carbon emissions and its impacts could be evaluated, but getting something more substantive this issue would require Commission guidance and or legislative directives. | The IRP proceeding presents an opportunity to evaluate the utility plans for decarbonizing electricity, but the utility has a tendency to downplay the importance of the proceeding by offering limited variations in the portfolios it offers and in the recent past, not identifying a preferred plan.At present, the IRP statutes (Va. Code § 56-597 *et seq*.) contain useful directives for what should be considered in an IRP, but if utility fails to seriously consider zero carbon solutions meaningfully and the Commission does press the utility to do so, the planning exercise is for naught with respect to incentivizing decarbonizing electricity. |
| Certificates of Public Need and Necessity (CPCN) | 0 | If the utility has not met its EERS, the Commission can only approve a new carbon emitting resource if there is a threat to reliability or electric service to customers.  | This requirement has not yet been “tested” at the Commission. The first case before the Commission, is the Chesterfield gas plant CPCN, filed March 3, 2025 by Dominion, which did not meet its EERS. |
| Rate design (including universal service fee) |  |  |  |
| Pilot programs |  |  | In theory pilot programs could incent innovation. In practice however, it is unclear whether pilot programs and testing actual solutions to problems the utility is facing and whether they are moving well-tested ideas forward or using pilots to showcase concepts that are unlikely to move beyond the testing phase.Pilot improvement might entail requiring a clear statement of the problem the pilot is seeking to solve and metrics for evaluating progress toward that goal, as well as an evaluation of what scaling up might entail if the pilot proves a concept ready to advance to full application. |

Overall Assessment

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| **Overall, does the existing regulatory framework support achievement of the identified outcome?** | **Discussion** |
| **+ (YES)** incents achievement |  |  |
| **0 (NO IMPACT)** |  |  |
| **- (NO)** disincentivizes achievement |  | Decarbonizing electricity is legal required under the VCEA, but this does not seem a sufficient motivation to incent utilities to move toward this decarbonized future with a sense of urgency. Instead, the current structure permits halting progress, or even regress (i.e., energy efficiency underachievement). |