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*

|  |  |
| --- | --- |
| 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**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **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 | +/- | |  |  |
| Backward-looking (w/ earnings adjustments) | +/- | |  |  |
| **ROE Determinations** |  | +/- | |  |  |
| **Rate Adjustment Clauses (i.e., trackers)** | RACs overall (general assessment of the use of RACs) | +/- | |  |  |
| Fuel Cost Recovery | +/- | |  |  |
| Purchased power | +/- | |  |  |
| Demand response program costs | +/- | |  |  |
| RPS compliance costs | +/- | |  |  |
| Broadband capacity extension | 0 | |  |  |
| Low-income programs (lost revenue recovery) | 0 | |  |  |
| 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) |  | 0 | |  |  |
|  | 0 | |  |  |
| **Transmission cost recovery (FERC formula rates)** | Transmission costs as allocated in FERC formula rates, recovered from customers via trackers (RACs) and/or base rates | 0 | |  |  |
| **Performance adjustments and measurement** | ROE adjustment mechanisms | +/- | |  |  |
| Energy efficiency savings target (ROE adder applied to DSN operating expenses) | +/- | |  |  |
| Performance mechanisms (e.g., metrics, scorecards, PIMS), including Case No. PUR-2023-00210 (Separate SCC PBR Case) | +/- | |  |  |
| **Other ratemaking and regulatory features** | IRPs | +/- | |  |  |
| Certificates of Public Need and Necessity (CPCN) | 0 | |  |  |
| Rate design (including universal service fee) | +/- | |  |  |
| Pilot programs | +/- | |  |  |

Overall Assessment

|  |  |  |
| --- | --- | --- |
| **Overall, does the existing regulatory framework support achievement of the identified outcome?** | | **Discussion** |
| **+ (YES)** incents achievement |  |  |
| **0 (NO IMPACT)** |  | Emissions-Intensive, Trade-Exposed (“EITE”) industries face unique challenges regarding emissions reductions and carbon leakage risks. The EITE manufacturing sector relies on high levels of energy input, and any increase in energy or regulatory costs have a significant impact on the sector’s ability to compete in interstate and regional markets.  Carbon leakage occurs when businesses in jurisdictions with stringent environmental regulations are forced to move production to regions with less stringent rules due to compliance costs, resulting in little to no net reduction in overall emissions. The threat of carbon leakage is particularly concerning for manufacturers operating in energy-intensive sectors that are vulnerable to competition from companies in neighboring states with less ambitious climate policies. If the cost of complying with state-level carbon regulations increases significantly in the Commonwealth, its manufacturers will be forced to relocate operations to states with lower carbon costs, undermining the effectiveness of the state’s clean energy regulations and harming local economies and jobs in the Commonwealth.  Utilities’ pursuit of decarbonization in the form of energy efficiency and increased renewable generation ultimately disincentivizes decarbonization as it drives up energy costs and results in carbon leakage from the manufacturing sector. This increase in energy costs uniquely harms the EITE sector which relies on high and stable energy consumption to sustain its production processes and has limited ability to reduce its energy demands. The increase in costs due to current electricity decarbonization regulations results in job losses, reduced economic activity, and loss of key industries in the Commonwealth, and undermine the Commonwealth’s environmental goals, as emissions are not reduced but simply moved elsewhere.  As energy prices continue to rise, it is paramount to the Commonwealth that its EITE industries have access to reliable and affordable energy. To incentivize affordable decarbonization, the Commission should integrate cost-control requirements into PBR metrics to encourage utility economic efficiency. Performance incentives that encourage utilities to identify cost savings through technology, better management practices, and targeted investments should also be considered. |
| **- (NO)** disincentivizes achievement |  |  |