

<p style="text-align: center;">Outline of Senate Bill 688 Issues raised by Stakeholders and Interested Parties</p>
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Article 1—General Provisions

§ 56-576. Short title.

No response required.

§ 56-577. Definitions.

No response requested at this time.

§ 56-578. Applicability; municipalities.

Basic issue: The treatment of municipally-owned and operated electric utilities under a comprehensive restructuring act.

Representative issues:

- Retail choice by current customers of municipal power suppliers.
- Retail electric power sales by municipal power suppliers to customers outside their municipal distribution systems.

Article 2--Phased Transition to Retail Competition.

§ 56-579. Schedule for transition to retail competition; Commission authority.

Basic issue: The timeline and structure of transition to retail competition, including timelines, SCC oversight, rate cases, linkages to ISO/RPX formation,

Representative Issues:

- Commencement of competition; phase-in (e.g., PA), or concurrent commencement for all customer classes (e.g., CA).

- Relationship between commencement of retail competition and completion of ISOs and RPXs.
- Relationship between commencement of retail competition in Virginia and similar commencement in other states served by ISOs serving Virginia.
- Authority, if any, of Virginia State Corporation Commission to vary time schedule.
- “Baseline” rate cases.
- Rate freezes in mitigation of stranded costs.
- Preliminary wholesale competition.
- Unbundling
- Pilot programs.

§ 56-580. Nondiscriminatory access to transmission and distribution systems.

Basic Issue: Access by electricity suppliers to transmission and distribution systems currently owned and operated by incumbent electric utilities.

Representative issues:

- Delineation of jurisdictional limitations of both SCC and FERC.
- Transmission import constraints, and impact on market power.
- Regulation of transmission rates where transmission constrained until constraint relieved.

§ 56-581. Independent system operator.

Basic issue: The role of regional independent system operators (ISOs) in furnishing generation dispatch coordination.

Representative issues:

- ISO governance; board membership composition.
- Conformity of ISOs to a Virginia “public interest” standard, or to any other Virginia-specific standards.

- Extent of Virginia oversight of ISO following formation and approval of electricity dispatch in Virginia through ISO; ceding oversight to FERC.
- Determining ISO responsibility for coordinating with load serving entities, voltage stability, generation reserves and overall generation and transmission upgrades & reliability.
- Identification and obligations of must-run generation units.
- Minimum size requirements.
- Eminent domain and rights of condemnation.
- Dispatch of must-run units.

§ 56-582. Regional power exchange.

Basic issue: The role of regional power exchanges in providing electricity pricing mechanisms.

Representative issues:

- Conformity of RPXs to a Virginia “public interest” standard.
- Opportunities for bilateral contracts between suppliers and customers.
- Determination of whether all sales must be made through RPX.
- Relationship to electric cooperatives and municipal power suppliers.
- Pricing of generation from must-run units.

Article 3--Regulation of Electricity Generation, Transmission and Distribution.

§ 56-583. Transmission and distribution of electric energy.

Basic issue: The regulatory and structural framework for electricity’s transmission and distribution.

Representative issues:

- Equality of treatment between incumbent utilities and new market entrants.
- Continuation of eminent domain authority under SCC oversight.
- Siting of merchant plants and any other new generation; role for SCC.
- Preservation of current IOU, cooperative and municipal power supply systems’ distribution service territories.

§ 56-584. Regulation of rates subject to the Commission's jurisdiction.

Basic issue: Transitional and ultimate rate regulation for bundled and unbundled electric service.

Representative issues:

- Determination of services subject to rate regulation, and those subject to competition.

§ 56-585. Licensure of suppliers of retail electric energy; license suspension or revocation; penalties.

Basic issue: Licensing, financial responsibility and customer service requirements imposed on all suppliers of electricity within the Commonwealth.

§ 56-586. Suppliers of last resort [and default suppliers].

Basic Issue: Determining the generation suppliers of electricity customers who (i) are unable to obtain generation supply services, or (ii) do not affirmatively choose generation suppliers.

Representative issues:

- Backstop providers where contract suppliers fail to delivery generation supply.

§ 56-587. Voluntary aggregation permitted.

Basic Issue: The framework within which individual electricity customers may aggregate demand in negotiating for generation supply.

§ 56-588. Metering, billing and other related distribution services.

Basic Issue: How billing, metering and related services will be handled and regulated.

Representative issues:

- Determining whether any of these or any other distribution services should be provided on a competitive basis.

§ 56-589. Consumer protections and customer services; penalties.

Basic issue: Maintenance of customer service functions during and after transition to retail competition, plus consumer information and disclosures during transition.

Representative issues: [No response requested at this time; issue is before the Consumer and Environmental Education and Protection Task Force].

- Antitrust consideration.
- Runaway prices.

§ 56-590. Public purpose programs.

Basic issue: The establishment or continuation of public benefit programs, including universal service, energy efficiency and conservation, etc.

[No response requested at this time; issue is before the Consumer and Environmental Education and Protection Task Force].

Article 4--Additional Provisions.

§ 56-591. Transition costs and benefits.

Basic issue: Allowance for and calculation of stranded costs and benefits—an issue currently before the task force assigned this topic.

Representative issues: *No response requested at this time since this issue is currently pending before the Stranded Costs Task Force*

§ 56-592. Nonbypassable wires charges.

Basic issue: The extent to which and the methods by which retail customers could be assessed pro rata surcharges for stranded cost recovery, the cost of establishing ISOs and RPXs, the cost of public purpose programs, etc.

§ 56-593. Divestiture not required; functional separation [and other corporate relationships].

Basic issue: Treatment of incumbent utilities' current vertically integrated structure.

Representative issues:

- Divestiture to sufficient numbers of entities to create a competitive market.
- Separation of generation and distribution.
- Relationships between suppliers or distributors and their affiliates.
- Mergers and acquisitions.

§ 56-594. Legislative transition task force established.

Basic issue: The role of the General Assembly during phase-in to retail competition.

Market Power.

Basic issue: Striking a competitive balance between incumbent utilities and new market entrants.

Representative issues:

- Mitigating market power associated with existing generation.
 - Market power impact of existing generation sites as candidates for new, incremental generation.
 - Competitive advantages associated with ownership of SO₂ allowances and the ability to generate NO_x offsets necessary to build generation in non-attainment areas.
 - Competition for default service.
 - Implications of long-term contracts between incumbent utilities and existing customers prior to commencement of retail competition.
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