

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH10241-MCa-66A

Short Title: Storm Resiliency Study. (Public)

Sponsors: Representative Strickland.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO DIRECT THE POLICY COLLABORATORY AT THE UNIVERSITY OF NORTH CAROLINA TO CONDUCT A STUDY OF NORTH CAROLINA ELECTRICITY MARKET REFORMS AND ISSUE A REPORT TO THE GENERAL ASSEMBLY REGARDING ANY PROPOSED REFORMS AND PUBLIC BENEFITS ASSOCIATED THEREWITH.

Whereas, the weather events of December 2022 in North Carolina led to widespread power outages and rolling blackouts for over 500,000 customers, and North Carolina must be prepared for future weather events; and

Whereas, much of the electric service provided in North Carolina is currently provided by vertically integrated providers of electric distribution and transmission services; and

Whereas, the State has adopted legislation, including Session Law 2007-397 and Session Law 2017-192, to diversify the resources used to reliably meet the energy needs of consumers and provide economic benefits to the State; and

Whereas, electricity sector regulatory framework changes to the wholesale electricity market may require changes to State law as well as federal authorization; and

Whereas, the South Carolina legislature authorized a study to be completed on November 1, 2021, to examine the benefits of various restructuring options for electricity markets associated with electricity generators, transmitters, and distributors in South Carolina; and

Whereas, regional and interstate arrangements may require changes to laws in states other than North Carolina; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1.(a) The Collaboratory shall conduct a study to evaluate reform of the regulatory wholesale electricity market in North Carolina. The study shall include all of the following:

- (1) An evaluation of proposed market structures, including all of the following:
 - a. Establishing a regional transmission organization (RTO) within the geographical boundaries of North Carolina and South Carolina or a larger area such as the southeast United States.
 - b. Establishing an energy imbalance market within the geographical boundaries of North Carolina and South Carolina or a larger area such as the southeast United States.
 - c. Participation in the Southeastern Energy Exchange Market.
- (2) An examination of any other market reforms the Collaboratory determines appropriate, including (i) joining an existing RTO, (ii) developing joint dispatch agreements beyond the current Duke Energy Carolinas and Duke



1 Energy Progress agreement to include additional utilities in neighboring states
2 and regionally, and (iii) developing a customer choice program that allows
3 large customers, either at a single site or as an aggregate of multiple sites, to
4 choose an independent electricity provider over their existing provider.

5 (3) An examination of all of the following matters:

6 a. The costs, benefits, and risks to State and local government, utilities,
7 independent power producers, businesses, and customers of all classes
8 regarding the following aspects of the State's current electricity system
9 and potential market reforms on (i) electricity generation and capacity
10 adequacy and diversity, (ii) transmission systems, (iii) customer
11 service and rates, (iv) environmental quality, (v) economic
12 opportunity, and (vi) State regulation of electricity systems.

13 b. The legal and procedural requirements in North Carolina, at the
14 Federal Energy Regulatory Commission, or in other states associated
15 with adoption of any electricity market reform measures evaluated,
16 including identification of existing laws, regulations, and policies that
17 may need to be amended in order to implement the electricity market
18 reform measures.

19 c. The impact to existing interstate and interregional arrangements from
20 electricity market reform measures.

21 d. Existing nuclear power plant units, in operation and located in this
22 State or in the balancing authority of electrical utilities or public power
23 agencies operating in this State, which provide an emissions-free
24 source of power while also providing significant employment and
25 economic benefits. This sub-subdivision expresses no legislative
26 intent regarding divestiture of ownership or cessation of the operation
27 of these nuclear power plants.

28 e. The potential impacts, including costs and benefits, of electricity
29 market reform measures on disadvantaged or vulnerable populations
30 or communities or both.

31 (4) An examination of the costs and benefits of a regional partnership between
32 North Carolina and South Carolina regarding any market reforms
33 recommended by the study, as well as the costs and benefits of a cost-sharing
34 agreement between North Carolina and South Carolina utility service
35 territories for costs associated with S.L. 2021-165.

36 **SECTION 1.(b)** The Collaboratory shall initiate the study required by this section
37 within 90 days after the date this act becomes law with an independent expert consultant with
38 experience and expertise in evaluating wholesale electricity market reforms in North Carolina
39 and South Carolina. By that date, the Collaboratory shall also establish an advisory board to
40 ensure the broad concerns of North Carolina are considered. The advisory board, at a minimum,
41 shall include all of the following:

42 (1) The State Energy Director of the Department of Environmental Quality.

43 (2) The Executive Director of the North Carolina Public Staff, or the Executive
44 Director's designee.

45 (3) The Attorney General, or the Attorney General's designee.

46 (4) The North Carolina President of Duke Energy, or the President's designee.

47 (5) The North Carolina President of Dominion Energy, or the President's
48 designee.

49 (6) A representative set for executive leadership from municipal and cooperative
50 utilities, or their designees.

- 1 (7) The Executive Directors of the Carolina's Clean Energy Business Alliance and
2 the North Carolina Sustainable Energy Association, or their designees.
- 3 (8) A representative set of stakeholders from the North Carolina Energy
4 Regulatory Process selected by the Collaboratory, including all of the
5 following:
- 6 a. Two representatives of residential consumers of electricity.
 - 7 b. Two representatives of commercial consumers of electricity.
 - 8 c. Two representatives of industrial consumers of electricity.
 - 9 d. Two representatives of power producers.
 - 10 e. Two representatives with subject matter expertise from the academic
11 community.
 - 12 f. Two representatives of the environmental advocacy community.
 - 13 g. Two representatives of the social equity and justice community.

14 **SECTION 1.(c)** The Collaboratory shall report to the Joint Legislative Oversight
15 Committee on Agriculture and Natural and Economic Resources and the Fiscal Research
16 Division its findings and recommendations resulting from the study, including any proposals for
17 legislative action, on or before the convening of the 2025 Regular Session of the 2025 General
18 Assembly, unless the Collaboratory notifies the recipients of the report in writing of the need for
19 additional time, in which case, the report shall be submitted on or before the convening of the
20 2026 Regular Session of the 2025 General Assembly. At a minimum, the Collaboratory's
21 recommendations shall evaluate whether legislation should be enacted to reform North Carolina's
22 wholesale electricity marketplace, and, if so, the Collaboratory shall identify the specific manner
23 in which wholesale reform should be implemented. If the Collaboratory recommends legislative
24 action to reform the State's wholesale electricity marketplace, the report shall (i) include draft
25 legislation, (ii) identify applicable requirements under statute and rule, and (iii) include a
26 proposed schedule that should be established so that the recommended wholesale market reform
27 will result in net benefits without undue risk for the State, utilities, businesses, and residents.

28 **SECTION 1.(d)** For purposes of this section, all of the following definitions apply:

- 29 (1) Collaboratory. – The North Carolina Collaboratory established in
30 G.S. 116-255.
- 31 (2) Energy imbalance market. – A voluntary market for dispatching real-time
32 energy across utility service territories in which each participating utility
33 retains ownership and control of its transmission assets but opts to bid
34 generation into a centralized dispatch authority.
- 35 (3) Joint dispatch agreement. – A type of arrangement where participating utilities
36 agree to jointly dispatch generation resources to meet load requirements
37 across their footprints, and each participating utility retains ownership and
38 control of its transmission assets.
- 39 (4) Regional transmission organization or RTO. – An entity established for the
40 purpose of promoting the efficiency and reliability in the operation and
41 planning of the electric transmission grid and ensuring nondiscrimination in
42 the provision of electric transmission services, which meets the minimum
43 criteria established by the Federal Energy Regulatory Commission under 18
44 C.F.R. § 35.34.
- 45 (5) Southeastern Energy Exchange Market. – A proposed 15-minute automated
46 energy exchange market between balancing authorities in the southeastern
47 United States involving over 15 entities.

48 **SECTION 1.(e)** There is appropriated from the General Fund to the Collaboratory
49 the sum of five hundred thousand dollars (\$500,000) in nonrecurring funds for the 2023-2024
50 fiscal year to engage an independent consulting firm with experience and expertise in wholesale
51 electricity markets to assist the Collaboratory with the study required by this act. In addition, the

1 Collaboratory shall seek additional federal funding, to the extent available, for the study. To the
2 extent permitted by applicable federal provisions, the Collaboratory may delegate management
3 of any federal grant received to a State agency experienced in managing federal grant funds.

4 **SECTION 2.** This act is effective when it becomes law.