

119TH CONGRESS
2D SESSION

H. R. 7729

To amend the Federal Power Act to require the issuance of rules relating to shared savings frameworks for certain transmitting utilities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 26, 2026

Mr. CASTEN introduced the following bill; which was referred to the
Committee on Energy and Commerce

A BILL

To amend the Federal Power Act to require the issuance of rules relating to shared savings frameworks for certain transmitting utilities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Shared Utility Rewards for Grid Efficiency Act of 2026”
6 or the “SURGE Act of 2026”.

7 (b) TABLE OF CONTENTS.—The table of contents for
8 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Amendments to the Federal Power Act.

Sec. 3. Shared savings framework rule for transmitting utilities subject to Federal Energy Regulatory Commission jurisdiction.

Sec. 4. Guidance for electric utilities not subject to Federal Energy Regulatory Commission jurisdiction.

Sec. 5. Grant program for State regulatory authorities.

Sec. 6. Studies on effects of certain rate treatments and alternative frameworks.

Sec. 7. Definitions.

1 **SEC. 2. AMENDMENTS TO THE FEDERAL POWER ACT.**

2 Section 219 of the Federal Power Act (16 U.S.C.
3 824s) is amended—

4 (1) in subsection (a)—

5 (A) by striking “Not later than 1 year
6 after the date of enactment of this section, the
7 Commission shall establish, by rule,” and in-
8 serting “The Commission shall issue such rules
9 as may be necessary to establish”; and

10 (B) by inserting “, improving efficiency,”
11 after “ensuring reliability”;

12 (2) in subsection (b)—

13 (A) in the matter preceding paragraph (1),
14 by striking “The rule shall” and inserting “The
15 rules issued under this section shall”;

16 (B) in paragraph (1), by inserting “, and
17 operational improvements for,” after “capital
18 investment in”;

19 (C) in paragraph (2)—

20 (i) by inserting “or other incentive
21 mechanism” after “return on equity”; and

1 (ii) by inserting “or incentivizes im-
2 provements that increase the efficiency of
3 the transmission of electric energy and re-
4 duce costs for consumers” after “(includ-
5 ing related transmission technologies)”;

6 (D) in paragraph (3), by inserting “, in-
7 cluding performance-based measures,” after
8 “other measures”; and

9 (E) in paragraph (4)—

10 (i) in subparagraph (A), by striking “;
11 and” and inserting a semicolon;

12 (ii) in subparagraph (B), by striking
13 the period and inserting “; and”; and

14 (iii) by adding at the end the fol-
15 lowing new subparagraph:

16 “(C) amounts determined pursuant to
17 shared savings frameworks or other incentive
18 mechanisms prescribed in such rules.”; and

19 (3) in subsection (c), by striking “In the rule”
20 and inserting “In a rule”.

1 **SEC. 3. RULEMAKING ON SHARED SAVINGS FRAMEWORK**
2 **FOR TRANSMITTING UTILITIES SUBJECT TO**
3 **FEDERAL ENERGY REGULATORY COMMIS-**
4 **SION JURISDICTION.**

5 (a) **RULE REQUIRED.**—Not later than one year after
6 the date of the enactment of this Act, the Commission
7 shall issue a final rule under section 219(b)(3) of the Fed-
8 eral Power Act (16 U.S.C. 824s(b)(3)), as amended by
9 section 2, that establishes a framework under which a cov-
10 ered transmitting utility may recover a portion of verified
11 cost savings attributable to a qualifying action of such
12 transmitting utility as an incentive (in this subsection re-
13 ferred to as the “shared savings framework”).

14 (b) **METHODOLOGIES.**—The Commission shall de-
15 velop and include in the rule under subsection (a) stand-
16 ardized methodologies, applicable across similarly situated
17 transmission segments, as follows:

18 (1) **BASELINE PERFORMANCE METHODOLO-**
19 **GIES.**—Methodologies, developed in consultation with
20 the Secretary, for covered transmitting utilities to
21 determine the annual baseline performance of trans-
22 mission facilities or transmission segments absent
23 qualifying actions—

24 (A) by measuring the baseline performance
25 of such a transmission facility or transmission
26 segment—

(i) through the actual amount of electrical energy entering and leaving such facility or segment (commonly referred to as “direct metering”); or

(ii) if the method under clause (i) is not feasible, through an estimation of such amount consistent with modeling methodologies prescribed by the Commission; and

(B) by normalizing data to ensure such baseline performance accounts for variability in exogenous factors determined by the Commission, such as variability in—

(i) weather;

(ii) demand over time;

(iii) upgrades, interconnections, or operational changes made by other utilities, Independent System Operators or Regional Transmission Organizations, or other entities determined relevant by the Commission; or

(iv) other conditions affecting demand or generation.

(2) METHODOLOGIES RELATING TO COST SAVINGS.—Methodologies for covered transmitting utili-

ties to estimate and calculate, and for independent evaluators to verify, the cost savings attributable to qualifying actions under the shared savings framework, taking into account—

(A) the baseline performance of any transmission facility or transmission segment with respect to which a qualifying action is conducted; and

(B) price proxies, determined according to a methodology prescribed by the Commission, for the value of electric energy transmitted (which may include, for a region managed by an Independent System Operator or Regional Transmission Organization, the locational marginal price corresponding to the location on the electric grid where an injection or withdrawal of power is modeled (commonly referred to as a “pricing node”)).

(3) METHODOLOGIES RELATING TO RECOVERABLE PERCENTAGE AND RATE RECOVERY TIMELINE.—

(A) IN GENERAL.—Methodologies for covered transmitting utilities to determine, taking into account the factors described in subparagraph (B), the following:

1 (i) The total percentage of cost sav-
2 ings attributable to a qualifying action that
3 such a utility may recover as an incentive
4 under the shared savings framework, which
5 may not be less than 10 percent or greater
6 than 60 percent of such total attributable
7 cost savings (in this section referred to as
8 the “recoverable percentage” of such sav-
9 ings).

10 (ii) The period of time during which
11 such a utility may recover amounts as an
12 incentive for such an action, which may
13 not be shorter than a 2-year period or
14 longer than a 5-year period (in this section
15 referred to as the “rate recovery timeline”
16 for such action).

17 (B) FACTORS.—The factors described in
18 this subparagraph are the following:

19 (i) The extent of financial or oper-
20 ational risk to be assumed by a covered
21 transmitting utility in conducting a quali-
22 fying action.

23 (ii) The baseline performance for
24 transmission facilities or transmission seg-

1 ments with respect to which such action is
2 to be conducted.

3 (iii) The replicability or demonstration
4 value of such action.

5 (iv) The duration of cost savings pre-
6 dicted to result from such action and
7 whether such cost savings will remain con-
8 sistent over such duration.

9 (v) The extent to which such action is
10 expected to result in additional benefits,
11 such as improvements to the resilience or
12 the reliable operation of the bulk-power
13 system, reductions to transmission conges-
14 tion, or reductions to greenhouse gas emis-
15 sions.

16 (vi) Such other factors as the Com-
17 mission may determine relevant to ensure
18 the incentive is performance-based, trans-
19 parent, and cost-effective.

20 (c) INITIAL FILING REQUIRED.—To be considered
21 for an incentive under the shared savings framework for
22 the conduct of a qualifying action, a covered transmitting
23 utility shall submit to the Commission an initial filing, the
24 contents of which shall be verified by an independent eval-

uator determined appropriate by the Commission, that includes the following:

(1) An identification of the baseline performance of any transmission facility or transmission segment with respect to which such action is to be conducted for the one-year period preceding the date on which such conduct is to be commenced, determined by such utility pursuant to an applicable methodology under subsection (b)(1) (including the data underlying such calculation).

(2) A description of such action, including an analysis of improvements expected to result from such action.

(3) The rate recovery timeline for such action and the recoverable percentage of cost savings attributable to such action, determined pursuant to an applicable methodology under subsection (b)(3).

(4) An estimate, developed pursuant to an applicable methodology under subsection (b)(2), of the cost savings to result from such action for—

(A) the one-year period beginning on the date on which the conduct of such action commences; and

(B) the duration of the rate recovery timeline for such action.

1 (5) A claim for 50 percent of the recoverable
2 percentage of cost savings estimated under para-
3 graph (4)(A).

4 (6) An agreement by such utility to file with the
5 Commission the annual reports required under sub-
6 section (d), the contents of which shall be verified by
7 an independent evaluator determined appropriate by
8 the Commission.

9 (d) ANNUAL REPORTING REQUIRED.—Beginning one
10 year after the date on which a covered transmitting utility
11 submits an initial filing for a qualifying action under sub-
12 section (c), and on an annual basis thereafter until the
13 end of the rate recovery timeline for such action deter-
14 mined under paragraph (3) of such subsection or until
15 such action no longer results in cost savings, whichever
16 occurs first, such utility shall file with the Commission a
17 report containing, with respect to the qualifying action of
18 such utility, the following:

19 (1) Data on the performance during the pre-
20 ceding year of any transmission facility or trans-
21 mission segment with respect to which such action
22 was conducted, and a comparison of such perform-
23 ance to the baseline performance of that trans-
24 mission facility or transmission segment determined

1 pursuant to an applicable methodology under sub-
2 section (b)(1) for such year.

3 (2) The actual cost savings attributable to the
4 qualifying action for the preceding year, calculated
5 pursuant to an applicable methodology under sub-
6 section (b)(2).

7 (3) If such utility expects cost savings to result
8 from the qualifying action during the following year,
9 an estimate, developed pursuant to an applicable
10 methodology under subsection (b)(2), of the cost
11 savings for such following year.

12 (4) A claim for the following:

13 (A) An amount that is the recoverable per-
14 centage of the actual cost savings for the pre-
15 ceding year calculated under paragraph (2)
16 minus any amount previously recovered based
17 on an estimate of cost savings for such year
18 under subsection (e)(1) or subsection (e)(2)(B),
19 as the case may be.

20 (B) If the report includes an estimate of
21 cost savings for the following year under para-
22 graph (3), an amount that is 50 percent of the
23 recoverable percentage of such estimated cost
24 savings.

1 (5) If such utility finds that the total amount
2 recovered for a year under subsection (e) exceeds the
3 amount equal to the total recoverable percentage of
4 the actual cost savings for that year under para-
5 graph (2), an identification of the excess amount.

6 (e) RECOVERY MECHANISM.—

7 (1) RATE ADJUSTMENT BASED ON INITIAL FIL-
8 ING.—Not later than 60 days after receiving an ini-
9 tial filing of a covered transmitting utility under
10 subsection (c), the Commission shall provide to such
11 utility a rate adjustment under which such utility
12 may recover the amount claimed under subsection
13 (c)(5).

14 (2) RATE ADJUSTMENT BASED ON ANNUAL RE-
15 PORTS.—Not later than 60 days after receiving an
16 annual report of a covered transmitting utility under
17 subsection (d), the Commission shall provide to such
18 utility a rate adjustment under which—

19 (A) subject to paragraph (3), such utility
20 may recover the amount claimed under sub-
21 section (d)(4)(A); and

22 (B) if the report included a claim under
23 subsection (d)(4)(B), such utility may recover
24 the amount so claimed.

1 (3) RECONCILIATION.—If a utility identifies an
2 excess amount under subsection (d)(5), or the Com-
3 mission determines the information reported for that
4 year under subsection (d) is insufficient for purposes
5 of this subsection, the Commission shall credit the
6 difference to ratepayers through a rate adjustment.

7 (f) SENSE OF CONGRESS REGARDING ADDITIONAL
8 RULEMAKINGS.—It is the sense of Congress that—

9 (1) following the issuance of the rule under sub-
10 section (a), the Commission should revise such rule,
11 or issue additional rules under the authority of sec-
12 tion 219(b)(3) of the Federal Power Act (16 U.S.C.
13 824s(b)(3)), as amended by section 2, to expand the
14 shared savings framework to additional categories of
15 measurable, demonstrable, and verifiable covered
16 transmission actions;

17 (2) any such rule should include a version of
18 the methodologies developed under subsection (b)
19 adapted for such additional categories; and

20 (3) any such rule should take into account the
21 findings of the most recently conducted study under
22 section 6.

1 **SEC. 4. GUIDANCE FOR ELECTRIC UTILITIES NOT SUBJECT**
2 **TO FEDERAL ENERGY REGULATORY COMMIS-**
3 **SION JURISDICTION.**

4 (a) IN GENERAL.—Not later than two years after the
5 date of enactment of this Act, the Secretary, in coordina-
6 tion with the Commission and State regulatory authori-
7 ties, shall develop and publish on a publicly available
8 website of the Department of Energy guidance to support
9 State regulatory authorities in establishing frameworks
10 under which covered electric utilities may recover a portion
11 of verified cost savings attributable to a covered utility ac-
12 tion as an incentive.

13 (b) MINIMUM ELEMENTS.—The guidance under sub-
14 section (a) shall include—

15 (1) guidance, developed in accordance with sub-
16 section (c), for determining the baseline performance
17 of a covered electric utility absent a covered utility
18 action;

19 (2) guidance, developed in accordance with sub-
20 section (d), for determining the cost savings attrib-
21 utable to a covered utility action;

22 (3) guidance for the measurement and
23 verification of a covered utility action, and any cost
24 savings attributable to such action, by an inde-
25 pendent evaluator determined appropriate by the
26 State regulatory authority concerned;

1 (4) guidance on potential mechanisms by which
2 covered electric utilities may recover a portion of the
3 verified cost savings attributable to a covered utility
4 action, including through the provision of rate ad-
5 justments by State regulatory authorities; and

6 (5) such other elements as the Secretary deter-
7 mines appropriate to ensure the framework specified
8 in subsection (a) is transparent, performance-based,
9 cost-effective, and consistent with State ratemaking
10 practices.

11 (c) METHODOLOGY FOR DETERMINING BASELINE
12 PERFORMANCE.—

13 (1) IN GENERAL.—In developing the guidance
14 under subsection (b)(1), the Secretary, in coordina-
15 tion with the Commission, shall—

16 (A) consult with State regulatory authori-
17 ties, Independent System Operators, Regional
18 Transmission Organizations, and independent
19 evaluators determined appropriate by the Sec-
20 retary regarding such guidance;

21 (B) include in such guidance technical
22 guidance for normalizing data to ensure the
23 baseline performance of a covered electric utility
24 accounts for variability in exogenous factors,
25 such as variability in—

- 1 (i) weather;
- 2 (ii) demand over time;
- 3 (iii) upgrades, interconnections, or
- 4 operational changes made by other utili-
- 5 ties, Independent System Operators or Re-
- 6 gional Transmission Organizations, or
- 7 other entities determined relevant by the
- 8 Commission; or
- 9 (iv) other conditions affecting demand
- 10 or generation, as determined by the Sec-
- 11 retary; and
- 12 (C) ensure such guidance supports con-
- 13 sistent treatment across covered electric utilities
- 14 within each category described in subsection
- 15 (e).

16 (2) SUPPORT FROM NATIONAL LABORA-
 17 TORIES.—The National Laboratories shall provide
 18 such technical support as the Secretary determines
 19 necessary to carry out this subsection.

20 (d) GUIDANCE ON DETERMINING COST SAVINGS.—
 21 In developing the guidance under subsection (b)(2), the
 22 Secretary shall—

- 23 (1) include in such guidance—
- 24 (A) principles to ensure that cost savings
- 25 attributable to a covered utility action are cal-

1 culated in a manner that takes into account
2 price proxies for the value of electric energy and
3 the baseline performance of the covered electric
4 utility; and

5 (B) tools, technical support, and reference
6 data to assist State regulatory authorities in
7 applying the principles specified in subpara-
8 graph (A); and

9 (2) ensure such guidance supports consistent
10 treatment across covered electric utilities within each
11 category described in subsection (e).

12 (e) APPLICABILITY TO UTILITY MARKET STRUC-
13 TURES.—In carrying out subsection (a), the Secretary
14 shall develop separate guidance for each category of cov-
15 ered electric utilities as follows:

16 (1) Vertically integrated utilities.

17 (2) Covered electric utilities that own or operate
18 transmission infrastructure but not distribution or
19 generation infrastructure.

20 (3) Covered electric utilities that own or operate
21 distribution infrastructure but not transmission or
22 generation infrastructure.

23 (4) Covered electric utilities that own or operate
24 distribution and transmission infrastructure but not
25 generation infrastructure.

1 (f) REVISIONS.—Upon the publication of each report
 2 under section 6, the Secretary shall determine whether to
 3 revise the guidance under subsection (a), taking into ac-
 4 count the contents of such report and the recommenda-
 5 tions included therein.

6 **SEC. 5. GRANT PROGRAM FOR STATE REGULATORY AU-**
 7 **THORITIES.**

8 (a) ESTABLISHMENT.—Not later than two years
 9 after the date of the enactment of this Act, the Secretary
 10 shall establish a program under which the Secretary may
 11 award grants to State regulatory authorities to support
 12 the development, implementation, and oversight by such
 13 State regulatory authorities of frameworks under which
 14 covered electric utilities may recover a portion of verified
 15 cost savings attributable to a covered utility action as an
 16 incentive (in this section referred to as the “grant pro-
 17 gram”).

18 (b) AUTHORIZED USES OF FUNDS.—Amounts
 19 awarded under the grant program may only be used to
 20 conduct the following activities:

21 (1) The development of a framework referred to
 22 in subsection (a), or revision of an existing such
 23 framework, such that the framework is consistent
 24 with the guidance developed under section 4, includ-
 25 ing the following:

1 (A) The development, including the design
2 or modeling, of methodologies consistent with
3 the methodologies set forth under such guid-
4 ance.

5 (B) The development of data systems or
6 other tools necessary for the development of the
7 framework.

8 (C) The issuance or revision of regulations
9 necessary for the development of the frame-
10 work.

11 (D) The engagement with stakeholders
12 with respect to the development of the frame-
13 work.

14 (2) The implementation or oversight of a frame-
15 work consistent with such guidance.

16 (c) PROHIBITED USE OF FUNDS.—No amounts
17 awarded under the grant program may be used to pay a
18 covered electric utility.

19 (d) GRANT RECIPIENT REPORTING REQUIRE-
20 MENT.—

21 (1) IN GENERAL.—As a condition of receiving
22 amounts under the grant program, a State regu-
23 latory authority shall agree to submit to the Sec-
24 retary, on an annual basis for the duration of the
25 period in which such State regulatory authority ex-

1 pend such amounts, a report describing the activi-
2 ties carried out using such amounts.

3 (2) EFFECT OF NONCOMPLIANCE.—If a grant
4 recipient fails to submit a report required under
5 paragraph (1), such recipient shall be ineligible for
6 additional awards under this section until the report
7 is submitted.

8 (e) ADMINISTRATION OF PROGRAM.—

9 (1) TECHNICAL SUPPORT; PUBLIC REGISTRY.—
10 In carrying out the grant program, the Secretary
11 shall—

12 (A) provide to grant recipients technical
13 assistance in support of activities conducted
14 using amounts awarded under the grant pro-
15 gram; and

16 (B) maintain a publicly accessible registry
17 of the activities so conducted.

18 (2) REPORTING BY SECRETARY.—Not later
19 than two years after the date of enactment of this
20 Act, and biennially thereafter for the duration of the
21 grant program, the Secretary shall submit to the ap-
22 propriate congressional committees a report con-
23 taining—

1 (A) a summary of the activities conducted
2 using amounts awarded under the grant pro-
3 gram;

4 (B) an assessment of the effectiveness of
5 any framework implemented using such
6 amounts; and

7 (C) an identification of any barrier to the
8 development, implementation, or oversight of a
9 framework consistent with the guidance devel-
10 oped under section 4 and recommendations for
11 addressing such barrier, as applicable.

12 (3) ALLOCATION OF FUNDS.—Of the amounts
13 authorized to be appropriated or otherwise made
14 available to the Secretary to carry out the grant pro-
15 gram—

16 (A) not more than 70 percent may be
17 awarded for the conduct of activities under sub-
18 section (b)(1);

19 (B) not less than 30 percent may be
20 awarded for the conduct of activities under sub-
21 section (b)(2); and

22 (C) not more than five percent may be ob-
23 ligated or expended for Federal administrative
24 expenses.

1 **SEC. 6. STUDIES ON EFFECTS OF CERTAIN RATE TREAT-**
2 **MENTS AND ALTERNATIVE FRAMEWORKS.**

3 (a) STUDIES REQUIRED.—Not later than three years
4 after the date of enactment of this Act, and every five
5 years thereafter, the Secretary, in consultation with the
6 Commission, shall—

7 (1) conduct a study on—

8 (A) inefficiencies in the electric power sec-
9 tor incentivized by existing rate treatments for
10 the transmission of electric energy and any eco-
11 nomic, environmental, or societal effect of such
12 inefficiencies, including with respect to the cus-
13 tomers of electric utilities, the reliable operation
14 of the bulk-power system, and the deployment
15 of cost-effective grid-enhancing technologies;
16 and

17 (B) alternative frameworks for incentive-
18 based, including performance-based, rate treat-
19 ments for such transmission, such as the alter-
20 native frameworks described in subsection (b);
21 and

22 (2) publish on a publicly available website of
23 the Department of Energy, and submit to the appro-
24 priate congressional committees, a report that in-
25 cludes—

1 (A) a detailed description of the findings of
2 such study; and

3 (B) recommendations of the Secretary to
4 align rate treatments for the transmission of
5 electric energy with the goals of lowering costs
6 for the customers of electric utilities, enhancing
7 the reliable operation of the bulk-power system,
8 reducing transmission congestion and other in-
9 efficiencies in the transmission or delivery of
10 electric energy, and encouraging the deployment
11 of cost-effective grid-enhancing technologies.

12 (b) EXAMPLES OF ALTERNATIVE FRAMEWORKS.—
13 The alternative frameworks described in this subsection
14 are the following:

15 (1) Shared savings frameworks.

16 (2) Revenue decoupling models, under which
17 authorized revenues of utilities are separated from
18 volumetric sales of electricity to reduce disincentives
19 for energy efficiency and programs to reduce the
20 consumption of, or peak demand for, electric energy.

21 (3) Return on equity adjustments, under which
22 authorized utility returns are increased or decreased
23 based on measurable factors such as risk profile,
24 performance outcomes, or efficiency improvements.

1 (4) Multi-year rate plans, under which revenue
2 requirements and performance expectations for utili-
3 ties are established for a fixed multi-year period
4 rather than through single-year rate cases.

5 (5) Earnings sharing mechanisms, under which
6 earnings of utilities falling outside an authorized
7 range as compared to the return on equity are
8 shared between shareholders and ratepayers.

9 (6) Total expenditure models, under which cap-
10 ital and operating expenditures of utilities are treat-
11 ed on an equivalent basis to reduce bias toward cap-
12 ital investment.

13 (7) Performance scorecards, under which utili-
14 ties are evaluated against transparent outcome-based
15 metrics such as reliability, affordability, equity, or
16 the reduction of emissions, with results informing
17 regulatory decisions or incentive adjustments.

18 (c) SOURCES.—The Secretary shall ensure that each
19 study under subsection (a) is informed by—

20 (1) reports filed with the Commission pursuant
21 to sections 3 and 5 of this Act and section 304 of
22 the Federal Power Act (16 U.S.C. 825c);

23 (2) relevant reports issued by the National Lab-
24 oratories; and

1 (3) such other studies, reports, and other data
2 sources as the Secretary may determine appropriate.

3 **SEC. 7. DEFINITIONS.**

4 In this Act:

5 (1) **ADVANCED CONDUCTOR.**—The term “ad-
6 vanced conductor” means an electric transmission
7 conductor that, relative to a conductor being re-
8 placed on a given transmission or distribution line,
9 is designed to substantially improve electrical or me-
10 chanical performance through the achievement of at
11 least one of the following criteria, as determined by
12 the Commission:

13 (A) A substantial increase in current-car-
14 rying capacity under normal operating condi-
15 tions.

16 (B) A substantial reduction in electrical re-
17 sistance or line losses under normal operating
18 conditions.

19 (C) Operation at materially higher contin-
20 uous allowable operating temperatures.

21 (D) A reduction in thermal sag or mechan-
22 ical constraints that enables increased use of a
23 transmission segment or facility.

1 (2) APPROPRIATE CONGRESSIONAL COMMIT-
2 TEES.—The term “appropriate congressional com-
3 mittees” means—

4 (A) the Committee on Energy and Com-
5 merce of the House of Representatives; and

6 (B) the Committee on Energy and Natural
7 Resources of the Senate.

8 (3) BULK-POWER SYSTEM; ELECTRIC UTILITY;
9 INDEPENDENT SYSTEM OPERATOR; REGIONAL
10 TRANSMISSION ORGANIZATION; STATE REGULATORY
11 AUTHORITY; TRANSMITTING UTILITY.—The terms
12 “bulk-power system”, “electric utility”, “Inde-
13 pendent System Operator”, “Regional Transmission
14 Organization”, “State regulatory authority”, and
15 “transmitting utility” have the meanings given such
16 terms in section 3 of the Federal Power Act (16
17 U.S.C. 796).

18 (4) COMMISSION.—The term “Commission”
19 means the Federal Energy Regulatory Commission.

20 (5) COVERED ELECTRIC UTILITY.—The term
21 “covered electric utility” means an electric utility
22 not subject to the jurisdiction of the Commission for
23 ratemaking purposes under Part II of the Federal
24 Power Act (16 U.S.C. 824 et seq.).

1 (6) COVERED ACTION.—The term “covered ac-
2 tion”—

3 (A) means an action that would generate
4 cost savings for ratepayers; and

5 (B) does not include the construction of a
6 new facility or the complete reconstruction of
7 an existing facility.

8 (7) COVERED TRANSMISSION ACTION.—The
9 term “covered transmission action” means a covered
10 action to improve the efficiency, capacity, reliability,
11 or resilience of one or more transmission facilities or
12 transmission segments, including through—

13 (A) the replacement of a conductor on a
14 transmission line within such a facility or seg-
15 ment with an advanced conductor; or

16 (B) the deployment of a grid-enhancing
17 technology.

18 (8) COVERED TRANSMITTING UTILITY.—The
19 term “covered transmitting utility” means a trans-
20 mitting utility subject to the jurisdiction of the Com-
21 mission for ratemaking purposes under part II of
22 the Federal Power Act (16 U.S.C. 824 et seq.).

23 (9) COVERED UTILITY ACTION.—The term
24 “covered utility action” means a covered action
25 taken by an electric utility to—

1 (A) improve the efficiency of the genera-
2 tion, transmission, or distribution of electric en-
3 ergy, including by reducing the proportion of
4 electrical energy lost during such generation,
5 transmission, or distribution (including through
6 the deployment of energy storage systems or
7 other technologies); or

8 (B) reduce the consumption of, or peak de-
9 mand for, electric energy, including through—

10 (i) a technological improvement, such
11 as the deployment of high-efficiency appli-
12 ances, smart thermostats, distributed en-
13 ergy resources, or building retrofits;

14 (ii) the establishment of a pricing
15 mechanism to encourage customers of the
16 electric utility to reduce such consumption
17 or shift such demand to non-peak hours; or

18 (iii) any other action or program to
19 incentivize or otherwise produce such a re-
20 duction or shift in demand.

21 (10) GRID-ENHANCING TECHNOLOGY.—The
22 term “grid-enhancing technology” means any hard-
23 ware or software that—

1 (A) increases the capacity, efficiency, reli-
2 ability, resilience, or safety of transmission fa-
3 cilities and transmission technologies; and

4 (B) is installed, in addition to transmission
5 facilities and transmission technologies, for the
6 purpose of—

7 (i) providing operators of such facili-
8 ties and technologies increased situational
9 awareness and control over the electric
10 grid;

11 (ii) improving the efficiency of such
12 facilities and technologies;

13 (iii) increasing the transfer capacity of
14 such facilities and technologies; or

15 (iv) otherwise enabling the increased
16 use, or more efficient of use, of such facili-
17 ties and technologies under normal oper-
18 ating conditions.

19 (11) QUALIFYING ACTION.—The term “quali-
20 fying action” means a covered transmission action
21 achieved through the reduction of transmission phys-
22 ical losses.

23 (12) SECRETARY.—The term “Secretary”
24 means the Secretary of Energy.

1 (13) SIMILARLY SITUATED.—The term “simi-
 2 larly situated”, with respect to transmission seg-
 3 ments, means transmission segments that the Com-
 4 mission determines share comparable characteristics,
 5 such as voltage class, geography, load profile, or his-
 6 torical performance.

7 (14) TRANSMISSION PHYSICAL LOSS.—The
 8 term “transmission physical loss” means the amount
 9 of electrical energy that enters a transmission seg-
 10 ment but does not exit such transmission segment,
 11 as measured over a prescribed period of time.

12 (15) TRANSMISSION SEGMENT.—The term
 13 “transmission segment” means a functionally dis-
 14 tinct portion of an interconnected transmission sys-
 15 tem (such as a single transmission line or multiple
 16 transmission lines within a prescribed zone, such as
 17 between prescribed substations), for which the
 18 amount of electrical energy transmitted and the
 19 amount of electrical energy lost during such trans-
 20 mission may be independently measured, as deter-
 21 mined by the Commission.

22 (16) VERTICALLY INTEGRATED ELECTRIC UTIL-
 23 ITY.—The term “vertically integrated electric util-
 24 ity” means a covered electric utility that—

1 (A) owns and operates generation, trans-
2 mission, and distribution facilities; and

3 (B) directly provides retail electric service
4 to end-use customers.

○