



Oregon

Tina Kotek, Governor

Public Utility Commission

201 High St SE Suite 100
Salem, OR 97301-3398

Mailing Address: PO Box 1088
Salem, OR 97308-1088

503-373-7394

DATE: 2/9/2026
TO: Senate Committee on Energy and Environment
FROM: Laura Tabor, Legislative Affairs Director
RE: Senate Bill 1582-1 – Distributed Virtual Power Plants



Chair Sollman, Vice Chair Brock Smith, and members of the Committee,

Thank you for the opportunity to provide testimony on SB 1582-1. The Oregon Public Utility Commission (PUC) does not have a position on this bill and provides this neutral testimony to share information about how the agency would implement this bill if adopted.

The PUC recognizes the potential that virtual power plants (VPP) have to utilize existing utility infrastructure, accelerate deployment of clean energy resources, enhance reliability and resilience, and avoid utility costs for new generation and infrastructure. Importantly, the degree to which these benefits can be captured and the extent to which they outweigh the costs that utility customers pay for the program will depend on program design and oversight. The PUC's implementation efforts, as outlined below, necessarily includes both review and approval of program design and ongoing oversight to ensure consumer protection and fair competition. This will affect program cost, participation levels, incentive levels, and ongoing performance as outlined below.

Implementation Considerations

Maximizing the benefits of VPP programs in Oregon will require addressing the following challenges and risks:

- **Lack of market price signal.** In states with the most advanced VPP programs like New York, Massachusetts, and California, energy markets set prices and VPP aggregators can compete directly in these markets. In Oregon, the program will not be able to rely on efficient market signals to optimize the costs and benefits of the program to non-participating customers. The PUC would need to approve compensation rates for participating aggregators based on the estimated value of each resource to the system and cost to participate. Past PUC experience with programs such as Community Solar have shown it is extremely difficult to reconcile program structures that are both cost-efficient and drive third-party participation.
- **Cost exposure.** The programs created by the bill may expose utility customers to higher costs for the following reasons:
 - Allowing utility cost recovery for program administration costs without limits on the costs borne by non-participating utility customers
 - Allowing utilities to earn a rate of return on performance payments to participants in addition to earning performance incentives for exceeding targets. While this can reduce utility capital and ownership bias, such a change is likely to increase costs to customers when developed outside of the holistic framework

for performance-based ratemaking the PUC is currently developing in order to implement HB 3179 (2025) and SB 688 (2025).

- Utilities may need to increase grid infrastructure investments to enable and scale aggregator participation.
- **Third-party oversight.** PUC staff have found third-party oversight, particularly to ensure adherence to distributional equity requirements, requires significant staff time and resources in the Community Solar program, for example. Consumer protection, including ensuring safe platforms for sharing consumer data between utilities and third parties, would also be an important component of PUC oversight.
- **Jurisdictional limitations.** The PUC does not have authority over the rates and terms of wholesale energy transactions. These are under the authority of the Federal Energy Regulatory Commission (FERC). Several provisions of the bill appear to provide for wholesale transactions outside of the PUC's oversight, including the requirement for utilities to offer standard, open access tariffs for grid services.

Implementation Efforts Required

PUC staff anticipate significant effort to implement SB 1582-1. We are grateful to bill advocates and the bill sponsor for engaging with us to understand these impacts, and we appreciate the changes to timelines in the -1 amendment to reduce overlap with the heavy workload the PUC is currently implementing due to legislation passed in 2025.

We expect implementation would include:

- At least four investigations, including rulemakings to 1) establish procurement targets and performance incentives and 2) set standards for aggregators and address competitive and consumer data transfer and protection issues, and utility-specific investigations to review program filings from PGE and PacifiCorp. Tariff investigations would likely be required as well since the Commission may only “modify” a tariff after suspending it, which typically triggers a lengthy contested case investigation.
- Ongoing oversight for annual compliance filings, third-party provider oversight to ensure consumer protection and implementation of distributional equity requirements, and ongoing performance target rulemakings, ratemaking proceedings to recover program costs and implement performance incentives and penalties, and other investigations to implement program design updates.