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(Original Signature of Member)

119TH CONGRESS
2D SESSION

H. R. _____

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

Mr. CASTEN introduced the following bill; which was referred to the Committee on _____

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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

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

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

SEC. 2. AMENDMENTS TO THE FEDERAL POWER ACT.

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

(1) in subsection (a)—

(A) by striking ''Not later than 1 year after the date of enactment of this section, the Commission shall establish, by rule,'' and inserting ''The Commission shall issue such rules as may be necessary to establish''; and

(B) by inserting '', improving efficiency,'' after ''ensuring reliability'';

(2) in subsection (b)—

(A) in the matter preceding paragraph (1), by striking ''The rule shall'' and inserting ''The rules issued under this section shall'';

(B) in paragraph (1), by inserting '', and operational improvements for,'' after ''capital investment in'';

(C) in paragraph (2)—

(i) by inserting ''or other incentive mechanism'' after ''return on equity''; and

(ii) by inserting ''or incentivizes improvements that increase the efficiency of the transmission of electric energy and reduce costs for consumers'' after ''(including related transmission technologies)'';

(D) in paragraph (3), by inserting '', including performance-based measures,'' after ''other measures''; and

(E) in paragraph (4)—

(i) in subparagraph (A), by striking ''; and'' and inserting a semicolon;

(ii) in subparagraph (B), by striking the period and inserting ''; and''; and

(iii) by adding at the end the following new subparagraph:

''(C) amounts determined pursuant to shared savings frameworks or other incentive mechanisms prescribed in such rules.''; and

(3) in subsection (c), by striking ''In the rule'' and inserting ''In a rule''.

SEC. 3. RULEMAKING ON SHARED SAVINGS FRAMEWORK FOR TRANSMITTING UTILITIES SUBJECT TO FEDERAL ENERGY REGULATORY COMMISSION JURISDICTION.

(a) RULE REQUIRED.—Not later than one year after the date of the enactment of this Act, the Commission shall issue a final rule under section 219(b)(3) of the Federal Power Act (16 U.S.C. 824s(b)(3)), as amended by section 2, that establishes a framework under which a covered transmitting utility may recover a portion of verified cost savings attributable to a qualifying action of such transmitting utility as an incentive (in this subsection referred to as the ''shared savings framework'').

(b) METHODOLOGIES.—The Commission shall develop and include in the rule under subsection (a) standardized methodologies, applicable across similarly situated transmission segments, as follows:

(1) BASELINE PERFORMANCE METHODOLOGIES.—Methodologies, developed in consultation with the Secretary, for covered transmitting utilities to determine the annual baseline performance of transmission facilities or transmission segments absent qualifying actions—

(A) by measuring the baseline performance of such a transmission facility or transmission 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:

(i) The total percentage of cost savings attributable to a qualifying action that such a utility may recover as an incentive under the shared savings framework, which may not be less than 10 percent or greater than 60 percent of such total attributable cost savings (in this section referred to as the ''recoverable percentage'' of such savings).

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

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

(i) The extent of financial or operational risk to be assumed by a covered transmitting utility in conducting a qualifying action.

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

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

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

(iv) The duration of cost savings predicted to result from such action and whether such cost savings will remain consistent over such duration.

(v) The extent to which such action is expected to result in additional benefits, such as improvements to the resilience or the reliable operation of the bulk-power system, reductions to transmission congestion, or reductions to greenhouse gas emissions.

(vi) Such other factors as the Commission may determine relevant to ensure the incentive is performance-based, transparent, and cost-effective.

(c) INITIAL FILING REQUIRED.—To be considered for an incentive under the shared savings framework for the conduct of a qualifying action, a covered transmitting utility shall submit to the Commission an initial filing, the 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.

(5) A claim for 50 percent of the recoverable percentage of cost savings estimated under paragraph (4)(A).

(6) An agreement by such utility to file with the Commission the annual reports required under subsection (d), the contents of which shall be verified by an independent evaluator determined appropriate by the Commission.

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

(1) Data on the performance during the preceding year of any transmission facility or transmission segment with respect to which such action was conducted, and a comparison of such performance to the baseline performance of that transmission facility or transmission segment determined

pursuant to an applicable methodology under subsection (b)(1) for such year.

(2) The actual cost savings attributable to the qualifying action for the preceding year, calculated pursuant to an applicable methodology under subsection (b)(2).

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

(4) A claim for the following:

(A) An amount that is the recoverable percentage of the actual cost savings for the preceding year calculated under paragraph (2) minus any amount previously recovered based on an estimate of cost savings for such year under subsection (e)(1) or subsection (e)(2)(B), as the case may be.

(B) If the report includes an estimate of cost savings for the following year under paragraph (3), an amount that is 50 percent of the recoverable percentage of such estimated cost savings.

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

(e) RECOVERY MECHANISM.—

(1) RATE ADJUSTMENT BASED ON INITIAL FILING.—Not later than 60 days after receiving an initial filing of a covered transmitting utility under subsection (c), the Commission shall provide to such utility a rate adjustment under which such utility may recover the amount claimed under subsection (c)(5).

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

(A) subject to paragraph (3), such utility may recover the amount claimed under subsection (d)(4)(A); and

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

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

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

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

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

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

SEC. 4. GUIDANCE FOR ELECTRIC UTILITIES NOT SUBJECT TO FEDERAL ENERGY REGULATORY COMMISSION JURISDICTION.

(a) IN GENERAL.—Not later than two years after the date of enactment of this Act, the Secretary, in coordination with the Commission and State regulatory authorities, shall develop and publish on a publicly available website of the Department of Energy guidance to support State regulatory authorities in establishing frameworks under which covered electric utilities may recover a portion of verified cost savings attributable to a covered utility action as an incentive.

(b) MINIMUM ELEMENTS.—The guidance under subsection (a) shall include—

(1) guidance, developed in accordance with subsection (c), for determining the baseline performance of a covered electric utility absent a covered utility action;

(2) guidance, developed in accordance with subsection (d), for determining the cost savings attributable to a covered utility action;

(3) guidance for the measurement and verification of a covered utility action, and any cost savings attributable to such action, by an independent evaluator determined appropriate by the State regulatory authority concerned;

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

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

(c) METHODOLOGY FOR DETERMINING BASELINE PERFORMANCE.—

(1) IN GENERAL.—In developing the guidance under subsection (b)(1), the Secretary, in coordination with the Commission, shall—

(A) consult with State regulatory authorities, Independent System Operators, Regional Transmission Organizations, and independent evaluators determined appropriate by the Secretary regarding such guidance;

(B) include in such guidance technical guidance for normalizing data to ensure the baseline performance of a covered electric utility accounts for variability in exogenous factors, 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, as determined by the Secretary; and

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

(2) SUPPORT FROM NATIONAL LABORATORIES.—The National Laboratories shall provide such technical support as the Secretary determines necessary to carry out this subsection.

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

(1) include in such guidance—

(A) principles to ensure that cost savings attributable to a covered utility action are cal-

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

(B) tools, technical support, and reference data to assist State regulatory authorities in applying the principles specified in subparagraph (A); and

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

(e) APPLICABILITY TO UTILITY MARKET STRUCTURES.—In carrying out subsection (a), the Secretary shall develop separate guidance for each of category of covered electric utilities as follows:

(1) Vertically integrated utilities.

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

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

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

(f) REVISIONS.—Upon the publication of each report under section 6, the Secretary shall determine whether to revise the guidance under subsection (a), taking into account the contents of such report and the recommendations included therein.

SEC. 5. GRANT PROGRAM FOR STATE REGULATORY AUTHORITIES.

(a) ESTABLISHMENT.—Not later than two years after the date of the enactment of this Act, the Secretary shall establish a program under which the Secretary may award grants to State regulatory authorities to support the development, implementation, and oversight by such State regulatory authorities of frameworks under which covered electric utilities may recover a portion of verified cost savings attributable to a covered utility action as an incentive (in this section referred to as the ''grant program'').

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

(1) The development of a framework referred to in subsection (a), or revision of an existing such framework, such that the framework is consistent with the guidance developed under section 4, including the following:

(A) The development, including the design or modeling, of methodologies consistent with the methodologies set forth under such guidance.

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

(C) The issuance or revision of regulations necessary for the development of the framework.

(D) The engagement with stakeholders with respect to the development of the framework.

(2) The implementation or oversight of a framework consistent with such guidance.

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

(d) GRANT RECIPIENT REPORTING REQUIREMENT.—

(1) IN GENERAL.—As a condition of receiving amounts under the grant program, a State regulatory authority shall agree to submit to the Secretary, on an annual basis for the duration of the period in which such State regulatory authority ex-

pends such amounts, a report describing the activities carried out using such amounts.

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

(e) ADMINISTRATION OF PROGRAM.—

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

(A) provide to grant recipients technical assistance in support of activities conducted using amounts awarded under the grant program; and

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

(2) REPORTING BY SECRETARY.—Not later than two years after the date of enactment of this Act, and biennially thereafter for the duration of the grant program, the Secretary shall submit to the appropriate congressional committees a report containing—

(A) a summary of the activities conducted using amounts awarded under the grant program;

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

(C) an identification of any barrier to the development, implementation, or oversight of a framework consistent with the guidance developed under section 4 and recommendations for addressing such barrier, as applicable.

(3) ALLOCATION OF FUNDS.—Of the amounts authorized to be appropriated or otherwise made available to the Secretary to carry out the grant program—

(A) not more than 70 percent may be awarded for the conduct of activities under subsection (b)(1);

(B) not less than 30 percent may be awarded for the conduct of activities under subsection (b)(2); and

(C) not more than five percent may be obligated or expended for Federal administrative expenses.

SEC. 6. STUDIES ON EFFECTS OF CERTAIN RATE TREATMENTS AND ALTERNATIVE FRAMEWORKS.

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

(1) conduct a study on—

(A) inefficiencies in the electric power sector incentivized by existing rate treatments for the transmission of electric energy and any economic, environmental, or societal effect of such inefficiencies, including with respect to the customers of electric utilities, the reliable operation of the bulk-power system, and the deployment of cost-effective grid-enhancing technologies; and

(B) alternative frameworks for incentive-based, including performance-based, rate treatments for such transmission, such as the alternative frameworks described in subsection (b); and

(2) publish on a publicly available website of the Department of Energy, and submit to the appropriate congressional committees, a report that includes—

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

(B) recommendations of the Secretary to align rate treatments for the transmission of electric energy with the goals of lowering costs for the customers of electric utilities, enhancing the reliable operation of the bulk-power system, reducing transmission congestion and other inefficiencies in the transmission or delivery of electric energy, and encouraging the deployment of cost-effective grid-enhancing technologies.

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

(1) Shared savings frameworks.

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

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

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

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

(6) Total expenditure models, under which capital and operating expenditures of utilities are treated on an equivalent basis to reduce bias toward capital investment.

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

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

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

(2) relevant reports issued by the National Laboratories; and

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

SEC. 7. DEFINITIONS.

In this Act:

(1) ADVANCED CONDUCTOR.—The term ''advanced conductor'' means an electric transmission conductor that, relative to a conductor being replaced on a given transmission or distribution line, is designed to substantially improve electrical or mechanical performance through the achievement of at least one of the following criteria, as determined by the Commission:

(A) A substantial increase in current-carrying capacity under normal operating conditions.

(B) A substantial reduction in electrical resistance or line losses under normal operating conditions.

(C) Operation at materially higher continuous allowable operating temperatures.

(D) A reduction in thermal sag or mechanical constraints that enables increased use of a transmission segment or facility.

(2) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional committees'' means—

(A) the Committee on Energy and Commerce of the House of Representatives; and

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

(3) BULK-POWER SYSTEM; ELECTRIC UTILITY; INDEPENDENT SYSTEM OPERATOR; REGIONAL TRANSMISSION ORGANIZATION; STATE REGULATORY AUTHORITY; TRANSMITTING UTILITY.—The terms ''bulk-power system'', ''electric utility'', ''Independent System Operator'', ''Regional Transmission Organization'', ''State regulatory authority'', and ''transmitting utility'' have the meanings given such terms in section 3 of the Federal Power Act (16 U.S.C. 796).

(4) COMMISSION.—The term ''Commission'' means the Federal Energy Regulatory Commission.

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

(6) COVERED ACTION.—The term ''covered action''—

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

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

(7) COVERED TRANSMISSION ACTION.—The term ''covered transmission action'' means a covered action to improve the efficiency, capacity, reliability, or resilience of one or more transmission facilities or transmission segments, including through—

(A) the replacement of a conductor on a transmission line within such a facility or segment with an advanced conductor; or

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

(8) COVERED TRANSMITTING UTILITY.—The term ''covered transmitting utility'' means a transmitting utility subject to the jurisdiction of the Commission for ratemaking purposes under part II of the Federal Power Act (16 U.S.C. 824 et seq.).

(9) COVERED UTILITY ACTION.—The term ''covered utility action'' means a covered action taken by an electric utility to—

(A) improve the efficiency of the generation, transmission, or distribution of electric energy, including by reducing the proportion of electrical energy lost during such generation, transmission, or distribution (including through the deployment of energy storage systems or other technologies); or

(B) reduce the consumption of, or peak demand for, electric energy, including through—

(i) a technological improvement, such as the deployment of high-efficiency appliances, smart thermostats, distributed energy resources, or building retrofits;

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

(iii) any other action or program to incentivize or otherwise produce such a reduction or shift in demand.

(10) GRID-ENHANCING TECHNOLOGY.—The term ''grid-enhancing technology'' means any hardware or software that—

(A) increases the capacity, efficiency, reliability, resilience, or safety of transmission facilities and transmission technologies; and

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

(i) providing operators of such facilities and technologies increased situational awareness and control over the electric grid;

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

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

(iv) otherwise enabling the increased use, or more efficient of use, of such facilities and technologies under normal operating conditions.

(11) QUALIFYING ACTION.—The term ''qualifying action'' means a covered transmission action achieved through the reduction of transmission physical losses.

(12) SECRETARY.—The term ''Secretary'' means the Secretary of Energy.

(13) SIMILARLY SITUATED.—The term ''similarly situated'', with respect to transmission segments, means transmission segments that the Commission determines share comparable characteristics, such as voltage class, geography, load profile, or historical performance.

(14) TRANSMISSION PHYSICAL LOSS.—The term ''transmission physical loss'' means the amount of electrical energy that enters a transmission segment but does not exit such transmission segment, as measured over a prescribed period of time.

(15) TRANSMISSION SEGMENT.—The term ''transmission segment'' means a functionally distinct portion of an interconnected transmission system (such as a single transmission line or multiple transmission lines within a prescribed zone, such as between prescribed substations), for which the amount of electrical energy transmitted and the amount of electrical energy lost during such transmission may be independently measured, as determined by the Commission.

(16) VERTICALLY INTEGRATED ELECTRIC UTILITY.—The term ''vertically integrated electric utility'' means a covered electric utility that—

(A) owns and operates generation, transmission, and distribution facilities; and

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