



## How Does the NM Solar Industry Survive & Prosper without Federal Incentives

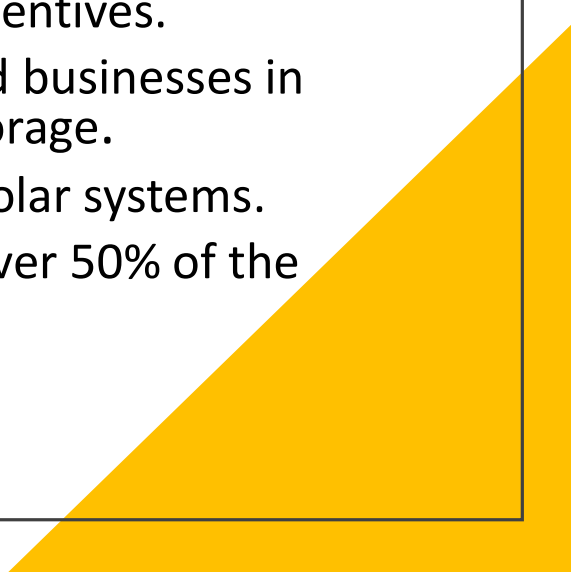
Jim DesJardins

Executive Director, Renewable Energy Industries Association of New Mexico


# Renewable Energy Industries Association-NM

- New Mexico based trade organization representing 60+ companies engaged in the renewable energy business or related activities.
- Mission is to support, promote and accelerate the just and orderly transition to renewable energy in New Mexico through bold advocacy and strong partnerships.
- Members and customers located throughout urban and rural New Mexico.
- Active in New Mexico regulatory and legislative environments, state and local government and at the federal level through SEIA.
- REIA-NM is an affiliate of the Solar Energy Industries Association (SEIA).

## Where we were before HR1-the OBBB in NM

- Inflation Reduction Act was projected to pump \$369 Billion into U.S. economy with very strong growth in the renewable energy sector. Solar sales were expected to triple in the U.S by 2030.
  - 30% Federal tax credit for residential, commercial & large scale solar. Larger systems able to take advantage of additional incentives.
  - More than 50,000 solar systems installed at homes and businesses in New Mexico. Less than 1 % are paired with energy storage.
  - 10% state tax credit for residential/small commercial solar systems.
  - Soft costs including permitting, inspections made up over 50% of the cost of a residential solar installation.
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## What did the HR1-the OBBB Do?:

- HR1-OBBB reversed most of the Inflation Reduction Act.
  - For residential systems, the 30% federal tax credit ends at the end of 2025.
  - For larger commercial systems, they can safe harbor by July 4, 2026 if they have begun work of a significant nature or have incurred 5% of project costs, need to be placed in service in four years to qualify for Investment Tax Credit(ITC).
  - Second option is to be placed in service by Dec 31, 2027.
  - Entities of Foreign Concern (FEOC) restrictions complicate meeting above requirements.
  - Lots of uncertainty.
  - Not a Tax attorney or CPA.
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## What is the Current Situation for Residential Solar?

- For residential systems, the 30% federal tax credit ends at the end of 2025. They will go off a cliff. Will be hard for consumers to justify cost.
- Loss of the tax credit and high interest rates will contribute to further contraction in this market.
- Marginal players will exit the business.
- Companies committed to market will find ways to specialize or add other service offerings, but still may need to make layoffs.
- 3<sup>rd</sup> party ownership (leasing or PPAs) is allowed.

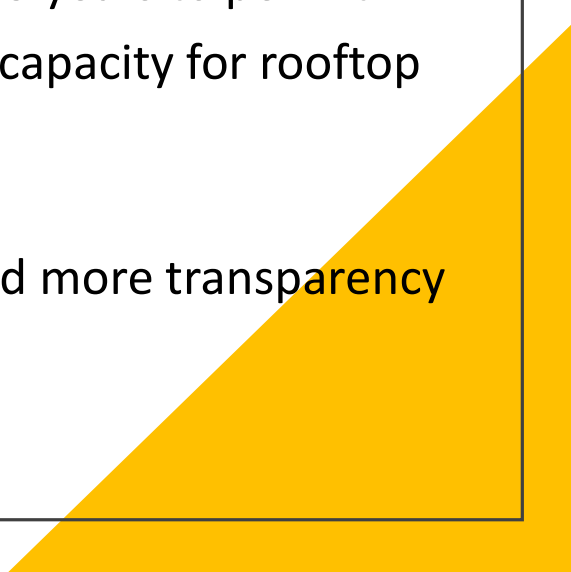
## What is the Current Situation for Community Solar?

- Original Community Solar legislation passed in 2021, for 200 MW with maximum project size of 5 MW.
- Current PRC Community Solar Rules adopted by previous commission on March 30, 2022. Rule was challenged by utilities at NM Supreme Court and upheld.
- RFP adopted and approx. 45 projects selected on May, 22, 2023.
- The NM PRC authorized an additional 300 MW last fall (approx. 60 more projects).
- Series of workshops to update existing rule culminated with final presentations by stakeholder on Nov 6, 2025.
- Currently, one project has been energized, others have started construction.
- Concern about some projects being able to take advantage of ITC.

## What is the Current Situation for Utility Scale Solar?

- Have same requirements/challenges to take advantage of the ITC as Community Solar projects.
- Larger projects mean longer lead time.
- Discussion of the Post ITC World.
- Prices will be going up.

# Demand is Going Up Faster Than Supply

- EVs, Building Electrification, DATA CENTERS/AI. Load (demand) is going up exponentially. Where will the generation come from?
  - We have a 100 year old grid that needs to be upgraded.
  - Need more transmission. Takes too long. Sunzia line took 15 years to permit.
  - Distribution lines. Many of PNM lines are closed or at near capacity for rooftop solar. Distribution planning not currently required in NM.
  - Supply Chain issues still exist for many components.
  - Hosting Capacity Analysis: can't fix what you can't see. Need more transparency into the grid for maximum utilization.
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# Need All Hands on Deck

- Small (residential solar).
- Medium (Community Solar).
- Large (Utility Scale Solar & Wind).
- Energy Storage
- Other technologies such as geothermal.
- Make best use of these technologies to work in harmony.
- Virtual Power Plants (VPP) enables the networking of customer sited solar with storage so that energy can be dispatched on demand. Recent test by Sunrun and Tesla in California dispatched 500 MW of energy from 100,000 homes.

# Virtual Power Plants (VPP)



- DERs, including BTM solar systems and EVs, can be grouped and controlled by a utility to support the power system.
- Drivers include declining costs, technological advances, Inflation Reduction Act (IRA) and FERC Order 2222.
- Nationally, by 2030 BTM solar expected to grow from 27 GW to 83 GW. BTM storage from 2 GW to 27 GW and EVs from 3 million to 26 million by 2030.
- This model is considered a Lower Cost Resource Adequacy.
- Pilot Projects by PG&E/Sunrun and others.

## What Can We Do?



- U.S. has highest cost for residential/commercial solar. Soft costs need to come down.
- Address capacity and interconnection que issues.
- Be quicker to embrace newer technologies and best practices.
- Statewide standards for permitting and interconnection approvals.
- Enabling legislation for VPPs.
- Increase state tax credit to help soften the blow of residential solar companies going off the cliff at end of the year.

# Questions?

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