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## FISCAL IMPACT REPORT

ORIGINAL DATE 2-4-07

SPONSOR Stewart LAST UPDATED \_\_\_\_\_ HB 610

SHORT TITLE Solar Collector Construction Standards SB \_\_\_\_\_

ANALYST Woods

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
NFI	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB 611

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Energy, Minerals, and Natural Resources Department (EMNRD)

### SUMMARY

#### Synopsis of Bill

House Bill 610 amends the Solar Collector Standards Act (NMSA 1978, 71-6-4 through 71-6-10) by revising existing law (page 1—page 5, line 22), adding new material (page 5, line 23—page 6, line 20), and repealing a section (Section 71-6-9, page 6, lines 21-22). It is to be effective July 1, 2007. Existing material in the law on definition of a solar collector is revised as follows:

- (a) to not include site-assembled custom installations of solar collectors (currently included as meeting solar collector definition);
- (b) to define passive system in more detail as another system type that is not included (currently not included as meeting solar collector definition).

All other language revisions are minor, suggested for grammatical improvement or clarification purposes, and do not affect the content of the existing law.

House Bill 610 additionally provides for rulemaking to establish standards for new construction to accommodate solar collectors. There are two sections of new material, described as follows:

(a) Construction Standards to Accommodate Solar Collectors—Rulemaking. The bill proposes that a joint effort of EMNRD and Regulation and Licensing Department (RLD) entities (Construction Industries Division-CID and Construction Industries Commission-CIC) establish new regulations (as rules, standards, or codes) to require that all new construction be “solar ready”, so that solar systems can be accommodated by any building or facility after construction of the original building or facility. This would amend the Solar Collector Standards Act.

(b) Standards to Accommodate Solar Collectors. The bill proposes that the above joint effort also be included as a new section in the Construction Industries Licensing Act.

House Bill 610 repeals NMSA 1978, Section 71-6-9, which states that the credit against personal income tax provided by NMSA 1978, Section 7-2-16 shall not apply to the purchase of a solar collector unless certified pursuant to the Solar Collector Standards Act. This is repealed because NMSA 1978, Section 7-2-16 has previously been repealed.

## **FISCAL IMPLICATIONS**

EMNRD anticipates no direct fiscal impacts; however, it suggests that state agencies would be impacted by additional workload and the need for additional resources for implementation, which would become an indirect fiscal impact in future years.

See ADMINISTRATIVE IMPLICATIONS.

## **SIGNIFICANT ISSUES**

EMNRD indicates that it does not actively administer the Solar Collector Standards Act, due to changing incentives and solar industry configuration since the phase-out of a previous solar tax credit program in the 1980s. The newer solar tax credit program established in 2006 and other solar incentive programs operate successfully without applying the Solar Collector Standards Act. A primary purpose of the Act, to test and certify solar collectors, is conducted adequately to meet current state needs by the Solar Rating and Certification Corporation.

Site-assembled custom solar installations should not be removed from the Solar Collector Standards Act for the purpose of addressing the regulations for “solar ready” construction. There are other situations where—if EMNRD were to actively administer the existing Solar Collector Standards Act in the future—site-assembled installations should remain included for their regulation for conventional solar installations as integrated with new construction or retrofits. For example, EMNRD is aware of a solar thermal collector that utilizes a pitched metal roof as the collector. This collector type is assembled at the site and could be quite valuable as a retrofit or to address visual issues. Instead, the site-assembled case should be identified as not available for the new material in HB610 addressing “solar ready” construction.

EMNRD anticipates that the requirement for “solar ready” construction will be contentious between the regulator (government) and industry (developers, builders, contractors). In order to establish regulations for “solar ready” construction, EMNRD recommends that a government-industry-consumer working group be formed to address issues affecting the solar and construction industries. EMNRD knows from experience that code changes require a great amount of time and effort for success. For example, it took 15 years to update New Mexico’s energy code.

### **PERFORMANCE IMPLICATIONS**

EMNRD notes that the definition of solar collector does not include photovoltaic (PV) modules for conversion of sunlight into electricity. Such an omission would greatly limit the practical application of “solar ready” construction, due to the increasing solar industry activity of PV systems and potential need to expedite distributed generation of electricity.

### **ADMINISTRATIVE IMPLICATIONS**

EMNRD anticipates that the program workload in clean energy initiatives will increase. The new material as proposed by HB610 would result in regulations for “solar ready” construction, through the collaboration of EMNRD and RLD. EMNRD agrees that “solar ready” construction, if implemented, should address the issues stated in HB 610—including roof orientation; solar access; electrical, mechanical, and structural infrastructure—but staffing and other resources are not currently available to handle the additional workload. Additional staffing and funding is necessary for EMNRD to assist with implementation of the HB 610 “solar ready” construction provisions.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Relates to House Bill 611: *Solar Collector Definitions & Restrictions*. NOTE: EMNRD indicates that the definitions for “solar collector” in the two bills are not the same.

### **TECHNICAL ISSUES**

EMNRD notes that there is no due date specified for establishment of regulations for “solar ready” construction. The process could commence for establishing regulations, but no end date would be required by law. The process could last for a long time without progress. Further, a lead agency is not specified for the effort to establish regulations for “solar ready” construction. RLD should be identified as the lead agency.

### **ALTERNATIVES**

EMNRD indicates that additional private and corporate incentives for solar systems could be provided by government, utilities, and financial institutions to the point at which the effective unit costs for fossil-fuel-based electricity and heating are equal to solar system costs.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

EMNRD suggests that solar market development in New Mexico will continue through the support of government and utility incentives, changing economic conditions for fossil-fuel-based

electricity and heating; and the voluntary efforts of consumers and building owners choosing solar technologies. Developers, builders, contractors, and building owners will not be required to construct “solar ready” facilities.

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