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FISCAL IMPACT REPORT

SPONSOR Hochman-Vigil/Akhil ORIGINAL DATE 2/5/19
LAST UPDATED 3/6/19 HB 426/aHAFC

SHORT TITLE Renewable Energy Transmission Authority Study SB _____

ANALYST Armstrong

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$300.0		\$300.0	Nonrecurring	RETA

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB161
Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)
Energy, Minerals and Natural Resources Department (EMNRD)
Renewable Energy Transmission Authority (RETA)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment removed the \$300 thousand appropriation from the bill. According to RETA, separate appropriations are expected to cover the cost of the proposed transmission study.

Synopsis of Bill

House Bill 426 requires RETA to: 1) assess the adequacy of existing transmission lines to support future renewable energy generation and storage over the next ten years; 2) contract with Sandia National Laboratories to use their computational tools and data for valuation sizing and placement of large wind and solar energy generation and storage plants; and 3) analyze and evaluate the adequacy of New Mexico's transmission network to transmit the electricity produced by future renewable energy sources to loads with the state and elsewhere.

FISCAL IMPLICATIONS

The HAFC amendment removed the appropriation of \$300 thousand that was included in this bill. According to RETA, separate appropriations are expected to cover the cost of the proposed transmission study.

SIGNIFICANT ISSUES

RETA was established in 2007 to spur the development of electric transmission infrastructure necessary to move New Mexico's renewable energy generation potential to markets both in and out of the state. In 2009 and 2010, RETA and EMNRD collaborated with the Los Alamos National Laboratory (LANL) to analyze several possible transmission upgrades over the ensuing 20 years that would export power generated by renewable energy. RETA contracted with LANL to conduct a study that would identify two renewable energy collector systems while emphasizing the least cost to accomplish those goals.

Both plans focused on opportunities to invest in grid upgrades and potentially create near-term opportunities for economic growth in New Mexico over a 5-, 10- and 20-year time span. The collector system concept that resulted from this study was instrumental in creating the footprint for the Western Spirit Project that is currently being developed in central New Mexico. According to RETA, an updated study is needed due to the changing landscape of New Mexico's grid including newly added generation in recent years, the impending shut down of coal-fired generation in the Four Corners area, and adding the concept of energy storage to the study. The study will provide insights on how New Mexico's grid can serve future load growth, accommodate an increased renewable portfolio standard and maintain reliable electric service to customers.

According to EMNRD, HB426 would expand upon Sandia National Laboratories' transmission adequacy study which will be available for New Mexico in January 2020. The report examines New Mexico's transmission infrastructure under various scenarios through 2028. These scenarios include: a low and high amount of renewable generation facilities added to the electric system, a high amount of wind turbines specifically in the east and large amount of solar facilities developed in southern New Mexico. This Sandia study identifies transmission lines at capacity during summer peak demand and the proposed HB426 study would further examine energy storage possibilities in New Mexico

RELATIONSHIP

House Bill 333 and Senate Bill 254, introduced versions of the General Appropriation Act of 2019, include special appropriations of \$100 thousand for RETA's operating costs in FY20.

Senate Bill 161 appropriates \$350 thousand to RETA for operational expenses.

OTHER SUBSTANTIVE ISSUES

RETA's analysis notes it is unknown whether Sandia National Labs is available to do the proposed study at the price and timeframe specified in HB426.

PRC's analysis states the final report submitted in response to HB426 would be a very beneficial engineering resource for utilities and the PRC to evaluate the feasibility of a transition to an 80 percent scenario of variable renewable generation being placed on the electric grid. Electric utilities are required to submit periodically updated integrated resource plans (IRP) to the PRC. The final report from RETA and any additional studies that are conducted would serve as a useful resource for their IRP process.

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