FISCAL IMPACT REPORT

SPONSOR	Reps. Ortez and Roybal Caballero/Sen. Padilla	**LAST UPDATED**	3/21/2025
		ORIGINAL DATE	1/24/2025
SHORT TITLE	Advanced Grid Technology Plans	**BILL NUMBER**	CS/House Bill 93/HGEICS/ aHCEDC/aSFl#1
		ANALYST	Rodriguez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
PRC	No fiscal impact	$55.4	$58.7	$114.1	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 13, Senate Bill 142 and Senate Bill 418

Sources of Information

LFC Files

Agency Analysis Received From
Public Regulation Commission (PRC)
Energy, Minerals and Natural Resources Department (EMNRD)

Agency Analysis was Solicited but Not Received From
Office of the Attorney General (NMAG)

SUMMARY

Synopsis of SFl#1 to House Bill 93

The Senate Floor amendment #1 to House Bill 93 (HB93) addresses public utilities' ability to acquire self-source generation resources and energy. The amendment allows individuals to receive electricity service from a microgrid as long as the individual and public utility enter into an electric service agreement. The amendment allows public utilities to acquire self-source generation resources or energy and use them for retail, wholesale, or self-generation services, subject to approval by the Public Regulation Commission (PRC). PRC cannot approve the acquisition from a facility that does not qualify as a self-source generation resource, which is defined by the amendment as a resource that is dedicated to primarily serving the individuals directly or indirectly connected to the construction and installation of a qualified microgrid. The amendment specifies that rates for these services will take into account public interest, need, reliability, and affordability.

The amendment adds language specifying that energy generated or sold from a self-source generation resource that is owned in whole or in part by a qualified microgrid will not be considered retailed sales or energy under Sections 62-15-34, 62-16-4, and 62-18-19 until 2035. By 2045, all energy produced by a microgrid must be from net-zero carbon resources. The operator of the microgrid must file reports with PRC showing progress towards compliance with the net-zero carbon resource standard.

The amendment defines a "qualified microgrid" as a system that generates at least 20 megawatts.

Synopsis of HCEDC Amendment to House Bill 93

The House Commerce and Economic Development Committee amendment to the House Government, Elections, and Indian Affairs Committee Substitute for House Bill 93 (HB93) replaces advanced grid technology plans with advanced grid technology projects and sets forth a definition for projects such as those that are consistent with the priorities of the state's grid modernization planning and that are contemplated by a utility's most recent integrated resource plan or grid modernization plan. The amendment clarifies that projects should be the most cost effective among feasible alternatives and consider future benefits to customers, as opposed to the original language that requires advanced transmission technologies provide large net benefits to ratepayers over their anticipated service life that significantly exceed any marginally higher initial costs. The amendment also strips language that clarifies the commission can allow a utility to recover costs associated with a plan or project to the extent that the recovery is not under the jurisdiction of the Federal Energy Regulatory Commission.

Synopsis of HGEIC Substitute for House Bill 93

The House Government, Elections, and Indian Affairs Committee Substitute for HB93 allows utility companies to include requests for advanced grid technology plans in their applications for grid modernization projects. HB93 also directs public utilities to consider deployment of advanced grid technologies in integrated resource plans (IRP). The bill allows a public utility to recover costs for advanced grid technology projects, unless it is under the jurisdiction of the Federal Energy Regulatory Commission (FERC), through an approved tariff rider, base rates, or a combination of the two. The bill allows distribution cooperative utilities to recover costs for deployment of advanced grid technologies.

HB93 specifies criteria that the Public Regulation Commission (PRC) should consider when reviewing plans for approval, including reduced costs for ratepayers, increased grid reliability while integrating sources of renewable energy, reduced greenhouse gases, increased access to and the use of clean and renewable energy, consistency with the state's grid modernization planning, and cost effectiveness.

The bill also adds a new section and sets forth definitions for advanced conductors, advanced grid technology, advanced power flow controllers, dynamic line ratings, grid enhancing technology, and topology optimization in Chapter 62, Article 8 NMSA 1978 and in the Efficient Use of Energy Act.

The effective date of this bill is July 1, 2025

FISCAL IMPLICATIONS

HB93 could have an additional $114.1 thousand impact on PRC's operating budgets in FY26 and FY27 due to additional staff time required to review advanced technology projects. Based on the amendment, PRC will also have to review proposed acquisitions of self-source generation resources or energy. PRC notes that the act would require additional work for its attorneys, public utilities economists, engineers, and hearing examiners to establish processes for utilities to follow and to perform adequate analysis and review.

SIGNIFICANT ISSUES

Advanced Grid Technologies. HB93 allows public utilities to incorporate advanced grid technology projects in their applications for grid modernization projects. The bill also defines "advanced grid technology" as hardware or software technology that increases the efficiency, capacity or reliability of existing or new electric transmission and distribution systems, and can include advanced conductors, grid enhancing technologies, and other technologies determined by PRC or FERC that increase efficiency, capacity, and reliability."

Grid enhancing technologies can usually be more quickly deployed than traditional alternatives, such as building new distribution or transmission lines. Two examples of grid enhancing technologies defined in the bill— dynamic line ratings and advanced power flow controllers— allow for more optimal use of the existing infrastructure. In short, dynamic line ratings update the calculated thermal limits of existing transmission lines based on real-time and forecasted weather conditions and, therefore, increase how much energy can transfer across infrastructure. Advanced power flow controllers help balance overloaded lines and underutilized corridors— allowing for more optimal use of the existing infrastructure

In an analysis of the introduced version, the Energy, Minerals and Natural Resources Department (EMNRD) notes that dynamic line rating can increase existing transmission capacity by 10 percent to 30 percent. EMNRD writes that dynamic line rating optimize existing infrastructure and reduce the need for costly new grid buildout while minimizing curtailment of low-cost renewable energy.

Grid Modernization Projects. HB93 allows utilities to include advanced grid technology projects when submitting applications for grid modernization projects, which adds plans into current ratemaking frameworks, as opposed to creating a new required filing as it was in the introduced version of the bill. For PRC-approved grid modernization projects, statute enables investor-owned utilities to recover reasonable project costs through an approved tariff rider or change in base rates. Typically, general rate cases in New Mexico can take nine months to a year for full review and approval, depending on complexity, stakeholder input, and the need for hearings or modifications. For filings and approvals for tariff riders, the general timeline is between three months and one year, depending on the type of case, issues being raised, and the number of interveners.

Distribution Cooperative Utility. EMNRD notes that distribution cooperative utilities do not own or operate transmission systems and therefore cannot deploy most of the defined grid enhancing technologies in HB93. EMNRD notes that most distribution cooperatives in New Mexico are members of larger, interstate generation and transmission cooperatives that fall under

federal regulatory jurisdiction.

Microgrid. A microgrid is defined as a self-sourced power generation facility, capable of operating independently of the grid, but able to be connected to the grid to dispose of surplus power. Since the microgrid is not limited to renewable energy, it could provide power at night or when wind energy is not sufficient. Microgrids do not require a certificate of convenience and necessity from PRC. They do require zoning approval of the local jurisdiction and a building permit. This bill would allow public utilities regulated by PRC to acquire microgrids and energy produced by microgrids, and to adjust rates to consider the public interest and need, reliability, and affordability.

The Senate Floor amendment includes language clarifying that energy generated and sold from a self-generation resource that is owned in whole or in part by a qualified microgrid shall not be considered retailed sales or energy under the renewable portfolio standards (Section 62-16-4) and the section of the Energy Transition Act that outlines energy transition bonds (Section 62-18-10) until 2035, whether the electricity is used within the microgrid to serve its own needs or purchased by the utility to provide service to customers. Essentially, it's providing an exception to such energy transactions from being regulated as traditional retail sales until 2035, allowing utility companies to still meet renewable portfolio standards despite purchasing energy from microgrids which may not be from renewable resources. After 2035, utility companies will consider such energy as part of their retail sales and, therefore, pursuant to renewable portfolio standards. The amendment also specifies that by 2045, all energy that a qualified microgrid generates and sells shall be from net-zero carbon resources. An important distinction is that the renewable portfolio standards define "renewable energy resource" as having zero life cycle carbon emissions, which is different from net-zero.

As determined by the renewable portfolio standards (Section 62-16-4), renewable energy must make up no less than 50 percent of a public utility's total retail sales by 2030 and by no less than 80 percent by 2040. For the 2040 standard, utility companies are not required to replace existing zero-carbon energy sources, such as nuclear or hydropower, in their generation mix until December 31, 2047.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB93 relates to Senate Bill 142 which requires EMNRD to work in consultation with PRC when developing a roadmap to modernize the state's electric grid.

HB93 also relates to House Bill 13 which requires electric public utilities to develop and file detailed distribution system plans and beneficial electrification plans with PRC.

HB93 also relates to Senate Bill 418, which allows for self-sourced power generation and distribution through qualified microgrids, ensures such energy sales are not classified as retail sales, and creates a Qualified Microgrid Income Tax Credit of up to $100 thousand for constructing and installing microgrids in underserved communities before 2031.

JR/rl/sgs/hj