

Legislative Briefing: Water & Natural Resources Committee

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TRANSMISSION – ROLE IN NEW MEXICO'S ENERGY TRANSITION

Enables reliability, resource diversity, affordability, and economic development

Provides local and regional access to NM's abundant renewable resources

Secures grid reliability through access to a broader mix of resources across a wider geographic footprint

Stages New Mexico to be future regional energy exporter and take advantage of regional markets

Least regrets investment supporting multiple future resource paths—renewables, storage, emerging technologies

Manages customer costs by reducing congestion, expanding access to lower-cost energy, and supporting market participation

Timely transmission expansion reduces: costs, reliability constraints, delayed economic development, and enables state energy policy goals

Transmission is the bridge between New Mexico's energy resources and the customers who need reliable, affordable power. Underbuilding transmission limits every other option available to manage cost, reliability, and growth.

LARGE LOADS CAN AID ENERGY TRANSITION AFFORDABILITY

- The energy transition requires major investments in generation, transmission, substations, and customer programs; added load can help spread those fixed costs over broader base.
- Large-load customers can improve affordability for all customers when they contribute meaningful revenue and pay for customer-specific infrastructure needed to serve them.
- Growth must be paired with customer protections such as long-term service commitments, minimum revenue requirements, collateral and exit provisions that to address stranded-cost risk.
- Transparent large-load tariffs can align economic development with fairness by ensuring existing residential and small business customers are not subsidizing new development.
- When planned correctly, new load can strengthen New Mexico's tax base, support jobs, make optimal use of grid investments, and help with the cost of achieving state energy policy objectives.

New load can be *part of the affordability solution*. The key is to structure growth so that new customers bring durable revenue to the system, pay for the facilities needed to serve them.

Protections rather than prohibitions are most meaningful for affordability.

TRANSMISSION AND AFFORDABILITY LEGISLATIVE SOLUTIONS

- Institute state Renewable Tax Credits where federal tax credits phasing out
- Explore novel funding mechanisms for emergent resource technologies to accelerate development and advancement geothermal and other NM opportunities
 - Exploration Guarantee - contingent capital for qualified geothermal exploration in New Mexico. Developers fund the majority of drilling costs privately; the fund covers the remainder. If a well is dry, the loss is absorbed by the pool. If productive, the advance converts to a long-term revenue participation interest.
 - Construction Investment Fund —once a resource is proven, new fund takes a position in project development, reducing the developer's cost of capital enough to make geothermal bids competitive in utility procurement.
- Replicate the federal Transmission Facilitation Program (TFP) to support regional transmission
 - The U.S. Department of Energy's (DOE) TFP as “anchor funding” of large-scale transmission line projects - Authorized under the Bipartisan Infrastructure Law with a \$2.5 billion revolving fund, the TFP was designed to overcome financial barriers for projects that would otherwise not be built.
- Ensure consistent and timely permitting for transmission

Novel solutions exist to aid New Mexico's Energy Future

