

LFC Requester:

Laird Graeser

AGENCY BILL ANALYSIS
2024 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

Analysis.nmlegis.gov

{Analysis must be uploaded as a PDF}

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Check all that apply:

Original Amendment
Correction Substitute

Date 1/19/2024

Bill No: HB 143

Sponsor: Representative Chandler
Short Title: Energy Storage Facility IRB Eligibility
Agency Name and Code: EMNRD-521
Number:
Person Writing Analysis: AnnaLinden Weller, Policy Director
Phone: 505-470-5322 Email: annalinden.weller@emnrd.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: N/A
Duplicates/Relates to Appropriation in the General Appropriation Act – N/A

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 143 (HB 143) amends both the Industrial Revenue Bond Act and the County Industrial Revenue Bond Act to include qualifying energy storage facilities as eligible projects for industrial revenue bonds under each act. The bill also provides a gross receipts tax deduction for sales of energy storage equipment to a government entity, so long as the purpose of the sale is the installation of a qualifying energy storage facility. The GRT deduction is for the period between July 1st, 2024 and June 30th, 2044.

HB 143 also strikes existing language in section 7-9-54.3 NMSA 1978 which barred taxpayers from claiming the GRT deduction if that taxpayer also claimed any of three specific tax credits – all of which have been previously repealed.

In HB 143, an energy storage facility is defined as “a facility that uses mechanical, chemical, thermal, kinetic or other processes to store energy for release at a later time to integrate energy supply associated with renewable generation across the electric grid”.

“Energy storage equipment” is defined as equipment installed for the purpose of storing electric energy in an energy storage facility that meets the definition above.

HB 143 also expands the definition of “related equipment” to include power conversion equipment and equipment used to connect an energy storage facility to the electric grid or to a wind or solar generation facility.

FISCAL IMPLICATIONS

None for EMNRD.

SIGNIFICANT ISSUES

HB 143 is a continuation of the policy first enacted in 2002, when that year’s HB 143 added renewable energy projects to the industrial revenue bond statutes, and continued in 2020’s HB 50, which added electric transmission line projects to the eligible project types. Those two bills, as well as this current HB 143, all support the growth of renewable energy in New Mexico by enabling local governments to receive in-lieu-of-tax payments resulting from the development of renewable energy projects built in their jurisdictions.

HB 143 specifically concerns energy storage projects and makes them eligible for industrial revenue bonds. The main role of energy storage in today's electric grid is to capture surplus energy when it is available and store it until it is needed – i.e., when electricity generation may not be sufficient to meet demand or renewable sources, which are variable in availability, are not generating. Energy storage therefore increases the reliability and resilience of the electric grid and supports the deployment of solar and wind projects. As New Mexico's electric grid decarbonizes, becoming more reliant on wind and solar generation, energy storage facilities are increasingly important in ensuring the continued reliability and resilience of our state's electricity grid.

Energy storage projects are often co-located with renewable energy generation facilities. However, the current costs of energy storage equipment, particularly for longer-duration storage (equipment which can store more than four hours' worth of energy), may be prohibitive for renewable generation developers if they must be borne by the developer outright. Industrial revenue bond eligibility for these projects will increase the likelihood that developers will choose to add storage to their construction plans, making it more likely that these reliability-increasing facilities will be built in New Mexico. Simultaneously, industrial revenue bond eligibility for energy storage will give financing tools to local governments which enable them to benefit their tax base directly from the development and deployment of an energy storage project.

PERFORMANCE IMPLICATIONS

None for EMNRD.

ADMINISTRATIVE IMPLICATIONS

None for EMNRD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

EMNRD appreciates the outreach from the bill sponsor during the interim and the efforts taken to come up with definitions of 'energy storage project' which are clear, support the intent of the bill, and do not unnecessarily limit either grid-tied or non-grid-tied storage projects from eligibility.

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Electric energy storage facilities would not be eligible projects under the Industrial Revenue Bond Act or the County Industrial Revenue Bond Act, and governmental entities would not get a gross receipts tax deduction for purchasing energy storage equipment.

AMENDMENTS

N/A