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HOUSE BILL 13

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

INTRODUCED BY

Dayan Hochman-Vigil and Linda M. Trujillo

AN ACT

RELATING TO ELECTRIC PUBLIC UTILITIES; ESTABLISHING
DISTRIBUTION SYSTEM PLANNING REQUIREMENTS; REQUIRING
DISTRIBUTION SYSTEM PLANS AND ENERGIZATION REPORTS; REQUIRING
BENEFICIAL ELECTRIFICATION PLANS; PROVIDING FOR ELECTRIC PUBLIC
UTILITIES TO RECOVER COSTS FOR BENEFICIAL ELECTRIFICATION
PROGRAMS; REQUIRING ANNUAL REPORTS ON BENEFICIAL
ELECTRIFICATION; ESTABLISHING THE VIRTUAL POWER PLANT PROGRAM;
AUTHORIZING THE PUBLIC REGULATION COMMISSION TO ADOPT RULES TO
ESTABLISH TARIFFS AND PERFORMANCE TARGETS; ALLOWING FOR
COMPENSATION TO ELECTRIC PUBLIC UTILITY CUSTOMERS FOR
PARTICIPATION IN THE VIRTUAL POWER PLANT PROGRAM AND UTILITY
COST RECOVERY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new Section 62-8-12.1 NMSA 1978 is enacted

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1 to read:

2 "62-8-12.1. [NEW MATERIAL] GRID PLANNING--DISTRIBUTION
3 SYSTEM PLANS--ENERGIZATION REPORTS--RULES.--

4 A. In accordance with furnishing adequate,
5 efficient and reasonable service, an electric public utility
6 shall:

7 (1) conduct sufficient advanced planning,
8 engineering and construction of distribution system hosting and
9 load capacity and preorder transformers and other needed
10 equipment so that customers can be energized and interconnected
11 without substantial delay; and

12 (2) upgrade the electric public utility's
13 electrical distribution systems as needed and in time to allow
14 for achievement of federal, state, regional and local air
15 quality and decarbonization standards, plans and regulations,
16 including vehicle emissions standards.

17 B. The commission shall finalize a rule no later
18 than December 1, 2025 that establishes a staggered filing
19 schedule as determined by the commission. The distribution
20 system plans shall be filed with the commission no earlier than
21 July 1, 2026 and no later than July 1, 2027. After filing the
22 initial distribution system plan, an electric public utility
23 shall file subsequent distribution system plans with the
24 commission every three years. A distribution system plan shall
25 include:

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1 (1) detailed mapping of distribution hosting
2 capacity and available load capacity and underlying data with
3 appropriate safeguards to protect confidentiality and critical
4 infrastructure;

5 (2) proposed reasonable average and maximum
6 target energization time periods that may vary depending on the
7 nature of the work required and recognize factors beyond the
8 electric public utility's control, along with a record of
9 recent energization time periods for various customer rate
10 classifications and voltage service levels;

11 (3) a proposed dollar per kilowatt
12 interconnection fee that new residential distributed generation
13 customers pay to protect the customers from incurring
14 unreasonable costs that result from the timing of the
15 customer's interconnection request and to help defray the costs
16 of interconnecting new distributed generation systems to the
17 distribution system;

18 (4) optional flexible interconnection or
19 energization tariffs;

20 (5) a ten-year planning horizon and
21 corresponding five-year budget; and

22 (6) a plan to use distributed energy resources
23 to avoid or minimize the need for traditional distribution
24 system upgrades where feasible.

25 C. An electric public utility shall make the

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1 information in Paragraph (1) of Subsection B of this section
2 available online and accessible to customers, stakeholders and
3 verified third parties and update the information at least
4 quarterly.

5 D. An electric public utility may apply to the
6 commission, at the same time as submitting a distribution
7 system plan, for approval of a tariff rider or a change in base
8 rates, or both, to recover the electric public utility's
9 distribution system plan costs.

10 E. In a distribution system plan and an application
11 for a general rate case, an electric public utility shall
12 report on the electric public utility's current qualified
13 staffing levels for each job classification needed to achieve
14 the policies and requirements of this section. The utility
15 shall:

16 (1) include a review of anticipated needs for
17 future utility, affiliate and contractor personnel; and

18 (2) provide a copy of the report to the
19 workforce solutions department.

20 F. The commission shall approve a distribution
21 system plan, including associated costs, that:

22 (1) is reasonably designed to maximize
23 benefits and minimize costs;

24 (2) is reasonably expected to allow the
25 electric public utility to achieve the energization time

1 periods established by the commission pursuant to an electric
2 public utility's proposed energization time periods and the
3 requirements of Subsection A of this section; and

4 (3) is reasonably expected to allow the
5 electric public utility to recover the costs.

6 G. An electric public utility shall resubmit a
7 distribution system plan for commission approval as determined
8 by the commission.

9 H. An electric public utility shall provide an
10 energization report to the commission at least annually that
11 contains the following:

12 (1) the average, median and standard deviation
13 time periods between receiving an application for energizing an
14 electrical service and achieving energization;

15 (2) explanations for energization time periods
16 that exceed the most recent maximum target energization time
17 periods approved by the commission; and

18 (3) a strategy for meeting any missed targets
19 in the future.

20 I. The commission shall periodically update the
21 energization time periods and energization report requirements
22 to reflect changed circumstances and new information.

23 J. The commission may require an electric public
24 utility to take the remedial actions necessary to achieve
25 energization time periods.

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1 K. An electric public utility's contract for new
2 construction required to meet the provisions of this section
3 shall contain provisions stating that:

4 (1) the minimum wages and fringe benefits to
5 be paid to various classifications of laborers and mechanics
6 shall be based upon the wages and benefits determined by the
7 director of the labor relations division of the workforce
8 solutions department pursuant to the Public Works Minimum Wage
9 Act; and

10 (2) the electric public utility and any
11 contractor or subcontractor to the contract shall follow the
12 provisions of the Public Works Minimum Wage Act and any rules
13 adopted pursuant to that act.

14 L. As used in this section:

15 (1) "beneficial electrification" means
16 converting the energy source of a customer's end use from a
17 non-electric fuel source to a high-efficiency electric source
18 or avoiding the use of non-electric fuel sources in new
19 construction or industrial applications;

20 (2) "distributed energy resource" means
21 distributed generation, energy storage systems, electric
22 vehicles, microgrids, fuel cells and demand-side management
23 measures, including energy efficiency, demand response and
24 demand flexibility that are deployed at the distribution grid
25 level on either the customer or utility side of the meter;

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1 (3) "electric public utility" means an
2 electric public utility certified by the commission to provide
3 retail electric service in New Mexico pursuant to the Public
4 Utility Act that is not also a distribution cooperative
5 utility;

6 (4) "energization" or "energize" means
7 connecting new customers to the electric distribution system,
8 establishing adequate load capacity to provide service for a
9 new customer or upgrading electrical capacity to provide
10 service to an existing customer. "Energization" or "energize"
11 does not mean activities relating to interconnecting
12 electricity supply resources;

13 (5) "energization time period" means the
14 elapsed time beginning when the electric public utility
15 receives a substantially complete energization project
16 application and when the electric service is installed and
17 energized;

18 (6) "flexible interconnection or energization
19 tariff" means a way to energize a new load or interconnect a
20 distributed energy resource to an electric public utility's
21 distribution system that is governed by a set of rules and
22 requirements and includes an agreement for curtailing the
23 import or export of electricity from and to the distribution
24 system at certain times or operation conditions by use of
25 certified power control systems or other load management

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1 technologies;

2 (7) "hosting capacity" means the amount of
3 generation that can be interconnected to the electric public
4 utility's distribution system at a given time and at a given
5 location under existing electrical grid conditions and
6 operations without adversely impacting safety, power quality,
7 reliability or other operational criteria and without requiring
8 electric infrastructure upgrades; and

9 (8) "load capacity" means the amount of load
10 that can be added to the distribution system at a given time
11 and at a given location under existing grid conditions and
12 operations without adversely impacting safety, power quality,
13 reliability or other operational criteria and without requiring
14 electric infrastructure upgrades subject to transmission system
15 constraints."

16 SECTION 2. Section 62-17-4 NMSA 1978 (being Laws 2005,
17 Chapter 341, Section 4, as amended) is amended to read:

18 "62-17-4. DEFINITIONS.--As used in the Efficient Use of
19 Energy Act:

20 A. "achievable" means those energy efficiency or
21 load management resources available to the utility using its
22 best efforts;

23 B. "beneficial electrification" means converting
24 the energy source of a customer's end use from a non-electric
25 fuel source to a high-efficiency electric source or avoiding

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1 the use of non-electric fuel sources in new construction or
2 industrial applications;

3 C. "beneficial electrification plan" means an
4 electric public utility's plan to increase beneficial
5 electrification in the residential, commercial, industrial or
6 agricultural sectors for purposes other than transportation;

7 ~~[B.]~~ D. "commission" means the public regulation
8 commission;

9 ~~[G.]~~ E. "cost-effective" means that the energy
10 efficiency or load management program meets the utility cost
11 test;

12 ~~[D.]~~ F. "customer" means a utility customer at a
13 single, contiguous field, location or facility, regardless of
14 the number of meters at that field, location or facility;

15 ~~[E.]~~ G. "distribution cooperative utility" means a
16 utility with distribution facilities organized as a rural
17 electric cooperative pursuant to Laws 1937, Chapter 100 or the
18 Rural Electric Cooperative Act or similarly organized in other
19 states;

20 H. "electric public utility" means an electric
21 public utility certified by the commission to provide retail
22 electric service in New Mexico pursuant to the Public Utility
23 Act that is not also a distribution cooperative utility;

24 ~~[F.]~~ I. "energy efficiency" means measures,
25 including energy conservation measures, or programs that target

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1 consumer behavior, equipment or devices to result in a decrease
2 in consumption of electricity and natural gas without reducing
3 the amount or quality of energy services;

4 ~~[G.]~~ J. "large customer" means a customer with
5 electricity consumption greater than seven thousand megawatt-
6 hours per year or natural gas use greater than three hundred
7 sixty thousand decatherms per year;

8 K. "low-income customer" means a residential
9 customer of an electric public utility with an annual household
10 income at or below eighty percent of area median income, as
11 published by the United States department of housing and urban
12 development, or who is enrolled in a low-income program
13 facilitated by the state or a low-income energy program led by
14 the qualifying utility or as determined by the commission;

15 ~~[H.]~~ L. "load management" means measures or
16 programs that target equipment or devices to result in
17 decreased peak electricity demand or shift demand from peak to
18 off-peak periods;

19 ~~[I.]~~ M. "program costs" means the prudent and
20 reasonable costs of developing and implementing energy
21 efficiency and load management programs, but "program costs"
22 does not include charges for incentives or the removal of
23 regulatory disincentives;

24 ~~[J.]~~ N. "public utility" means a public utility
25 that is not also a distribution cooperative utility; and

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1 [~~K-~~] O. "utility cost test" means a standard that
2 is met if the monetary costs that are borne by the public
3 utility and that are incurred to develop, acquire and operate
4 energy efficiency or load management resources on a life-cycle
5 basis are less than the avoided monetary costs associated with
6 developing, acquiring and operating the associated supply-side
7 resources."

8 **SECTION 3.** A new section of the Efficient Use of Energy
9 Act is enacted to read:

10 "[NEW MATERIAL] BENEFICIAL ELECTRIFICATION PLANS--
11 PROGRAMS--APPLICATIONS--RULES--REPORTING--COST RECOVERY.--

12 A. On or before January 30, 2026, the commission
13 shall direct electric public utilities to file beneficial
14 electrification plans that support voluntary customer adoption
15 of measures for beneficial electrification and adopt rules to
16 establish beneficial electrification targets for 2032 that
17 maximize greenhouse gas emissions reductions while maintaining
18 fair and reasonable rates and system reliability. The
19 commission shall consider the customer base within each
20 electric public utility that may adopt heat pumps when
21 determining reasonable targets. The commission shall establish
22 a schedule by which beneficial electrification targets will be
23 set for each subsequent six-year period. Beneficial
24 electrification targets shall be consistent with any greenhouse
25 gas emissions reductions adopted by the state by rule or law.

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1 B. At least every three years or as directed by the
2 commission, an electric public utility shall file an
3 application with the commission for a beneficial
4 electrification plan in conjunction with other plans filed with
5 the commission pursuant to rules adopted pursuant to Section
6 62-17-5 NMSA 1978. Beneficial electrification programs shall
7 be offered to residential and commercial customers and may also
8 be available to industrial and agricultural customers. An
9 electric public utility shall incorporate a public stakeholder
10 process to inform the program design of a beneficial
11 electrification plan.

12 C. When considering beneficial electrification plan
13 applications for approval, the commission shall evaluate
14 whether the plan:

15 (1) demonstrates that the proposed beneficial
16 electrification programs maximize electric public utility and
17 customer benefits at the lowest reasonable cost while
18 maintaining fair and reasonable rates;

19 (2) provides every affected customer class
20 with the opportunity to participate and benefit;

21 (3) complements applicable local, county,
22 state and federal incentives or tax credits for similar
23 measures;

24 (4) is reasonably expected to achieve the
25 beneficial electrification targets and projected greenhouse gas

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1 emissions reductions;

2 (5) includes beneficial electrification
3 programs targeted to low-income households with at least twenty
4 percent of the electric public utility's total beneficial
5 electrification program funding designated for programs that
6 serve low-income households;

7 (6) includes projected reductions in
8 greenhouse gas emissions and avoided costs of greenhouse gas
9 emissions, using the cost of methane and carbon dioxide
10 emissions from the most recent assessment of global social cost
11 of methane and carbon dioxide by the federal government;
12 provided that the cost shall not be less than those adopted as
13 of December 31, 2024, and using a discount rate from the
14 assessment of global social cost of two and one-half percent or
15 less;

16 (7) includes programs or rates reasonably
17 expected to improve the electric public utility's electrical
18 system efficiency, the integration of variable resources,
19 operational flexibility and system utilization during off-peak
20 hours, such as load management programs or dynamic rate
21 designs, or other programs and policies, with appropriate
22 documentation;

23 (8) includes budgets, projected number of
24 installations and projected fuel savings including to natural
25 gas, propane and other fuels; and

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1 (9) incorporates nonbinding recommendations
2 from stakeholders on the potential design and implementation of
3 beneficial electrification programs prior to filing the plan.

4 D. The commission may adopt rules to provide
5 additional application criteria to ensure prompt
6 determinations.

7 E. The commission shall take final action within
8 one hundred eighty days of the submission of a beneficial
9 electrification plan and any relating rate recovery mechanism
10 included with the plan.

11 F. An electric public utility shall recover its
12 prudent and reasonable costs for beneficial electrification
13 programs conducted pursuant to a commission-approved beneficial
14 electrification plan. An electric public utility may recover
15 costs through a commission-approved tariff rider or in base
16 rates, or both. Program costs may be deferred for future
17 recovery through the creation of a regulatory asset.

18 G. Funding levels for beneficial electrification
19 program costs shall be no less than one-half percent of
20 customer electric bills or electric public utility retail
21 revenues from customers eligible for beneficial electrification
22 programs, as determined by the commission. The utility may
23 propose, and the commission may approve, higher levels of
24 funding. For the purposes of determining the funding levels in
25 this subsection, only the base rate portion of customer bills

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1 or utility retail revenues shall be considered. Fuel costs,
2 riders and other charges shall not be included.

3 H. Unless otherwise ordered by the commission, an
4 electric public utility shall provide language on customer
5 bills or through other established customer communications
6 explaining beneficial electrification program benefits.

7 I. An electric public utility shall submit to the
8 commission an annual report that provides information relating
9 to the actions taken by the electric public utility to comply
10 with this section. The report shall include:

- 11 (1) documentation of program expenditures;
- 12 (2) customer participation levels, including
13 the proportion of low-income households served;
- 14 (3) estimated fuel savings;
- 15 (4) improvements made to the electric public
16 utility's electrical system efficiency and greenhouse gas
17 emission reductions resulting from programs; and
- 18 (5) any other information the commission may
19 require."

20 SECTION 4. A new section of the Public Utility Act is
21 enacted to read:

22 "[NEW MATERIAL] VIRTUAL POWER PLANT PROGRAM--RULES--
23 EXCEPTIONS.--

24 A. No later than February 1, 2026, the commission
25 shall adopt rules to establish a virtual power plant program

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1 and require an electric public utility to file an application
2 to implement a virtual power plant program.

3 B. In adopting rules pursuant to this section, the
4 commission shall:

5 (1) establish annual cost-effective capacity
6 procurement and performance targets for the virtual power plant
7 program that take into account the capabilities of the
8 distribution system and distributed energy resource deployment.
9 The commission may establish corresponding performance
10 incentives for achieving the target established for each year
11 of the performance period;

12 (2) consider how a virtual power plant program
13 would interact with or complement other programs;

14 (3) require the filing of a tariff
15 establishing performance requirements and performance-based
16 compensation for virtual power plant programs that may vary
17 depending upon applicable technologies and may allow for
18 customers to opt-out of participation in events that exceed the
19 requirements;

20 (4) prescribe the method or methods for
21 setting performance-based compensation that reflect the full
22 value of grid services to the extent applicable and practicable
23 provided by a virtual power plant;

24 (5) allow both third-parties and electric
25 public utilities to serve as distributed energy resource

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1 aggregators, while ensuring that utilities serving as
2 distributed energy resource aggregators do not have a
3 competitive advantage over third-party aggregators based on
4 access to customer data, marketing or other exclusive electric
5 public utility advantages;

6 (6) ensure that potential virtual power plant
7 program participants are not disqualified from participation in
8 a commission-approved virtual power plant program or
9 performance-based compensation due to receipt of other
10 incentives, including up-front incentives or performance
11 payments for energy, capacity or other grid services that are
12 distinct from the virtual power plant program; and

13 (7) consider operational, reliability or
14 market guidelines and requirements established by the New
15 Mexico renewable energy transmission authority to which the
16 utility belongs and by the federal energy regulatory
17 commission.

18 C. The compensation provided by an electric public
19 utility to customers participating in that utility's program
20 shall be commensurate with additional services provided as a
21 result of participation in a virtual power plant program,
22 beyond those services provided as a result of participation in
23 other programs. The participants shall not be compensated for
24 providing the same service more than once.

25 D. The commission shall provide opportunities for

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1 stakeholders to provide input on the virtual power plant
2 programs proposed by each electric public utility under this
3 section.

4 E. The commission may approve, deny or order
5 revisions to a public electric utility's proposed virtual power
6 plant program or slate of programs, including applicable tariff
7 terms.

8 F. Nothing in this section shall affect an electric
9 public utility's net metering program for energy that is
10 exported outside of a commission-approved virtual power plant
11 program.

12 G. To participate in a virtual power plant program
13 pursuant to this section, an individual energy storage project
14 with a usable energy capacity of one megawatt or higher shall
15 be subject to Public Works Minimum Wage Act. The distributed
16 energy resource aggregator administering the virtual power
17 plant program shall file an affidavit under penalty of perjury
18 with the commission and the workforce solutions department
19 stating that all energy storage systems with a usable energy
20 capacity of one megawatt or higher participating in the virtual
21 power plant program are in compliance with this section. The
22 commission may ask the electric public utility to obtain
23 additional information or documentation from the distributed
24 energy resource aggregator if the commission deems it necessary
25 to ensure compliance with this section. After the initial

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1 filing of the affidavit with the commission and the workforce
2 solutions department, if a distributed energy resource
3 aggregator adds an individual additional storage system
4 capacity of one megawatt or higher, the distributed energy
5 resource aggregator shall file another affidavit with the
6 commission and the workforce solutions department.

7 H. An electric public utility may recover
8 reasonable costs to facilitate a commission-approved virtual
9 power plant program, including foundational technology costs or
10 investments, operations and maintenance expenses, operating
11 technology costs or investments and information technology
12 costs or investments.

13 I. Notwithstanding the provisions of Subsection H
14 of this section, an electric public utility shall recover the
15 cost of virtual power plant program performance payments and
16 any other payments made to program participants through cost
17 recovery mechanisms approved by the commission.

18 J. As used in this section:

19 (1) "distributed energy resource" means
20 distributed generation, energy storage systems, electric
21 vehicles, microgrids, fuel cells and demand-side management
22 measures, including energy efficiency, demand response and
23 demand flexibility that are deployed at the distribution system
24 level on either the customer or utility side of the meter;

25 (2) "distributed energy resource aggregator"

1 means a company or an organization that manages customer
2 enrollment, participation and compensation in a virtual power
3 plant program and ensures the performance of the aggregated
4 distributed energy resources in a virtual power plant;

5 (3) "grid service" means a capacity, energy or
6 ancillary service that supports grid operations;

7 (4) "performance-based compensation" means
8 monetary payments made in return for, and in proportion to, the
9 provision of grid services by a virtual power plant;

10 (5) "performance requirements" means the terms
11 by which the provision of grid services by distributed energy
12 resource aggregators participating in a virtual power plant
13 program shall be eligible for performance-based compensation;
14 and

15 (6) "virtual power plant" means an aggregation
16 of distributed energy resources that are orchestrated via
17 software to provide grid services, reducing or shifting
18 customer load or exporting power as needed."