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FISCAL IMPACT REPORT

ORIGINAL DATE
LAST UPDATED 01/23/15 **HB** 111

SPONSOR Gonzales

SHORT TITLE Shared Renewable Energy Facility Operations **SB** _____

ANALYST Cerny

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$100.0	\$100.0	\$100.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

New Mexico Renewable Energy Transmission Authority (NMRETA)

No Response Received

Energy, Minerals & Natural Resources Department (EMNRD)

SUMMARY

Synopsis of Bill

House Bill 111 provides for shared renewable energy facilities to qualify as distributed generation facilities. It also requires investor-owned utilities to allow construction, connection and operation of shared renewable energy facilities within their operating territories.

House Bill 111 is intended to enable the development and deployment of shared renewable energy facilities particularly for renters and low-to-moderate- income retail customers. It does so by qualifying shared renewable energy facilities as distributed energy generation facilities. The bill allows for customers to own an interest in the facilities and be able to transfer that interest if desired.

Section 62-13-13.1 NMSA 1978 is changed to allow for these types of facilities and establishes that the facility may either be owned by a customer of a public utility to which the project is interconnected or a third party owner. Projects are limited to no more than ten megawatts and are viewed as net metered projects for purposes of the public utility act. The bill further provides that the public utility may acquire renewable energy certificates (RECs) from the owner of the shared renewable energy facility or from a third party at rates established in the utility's renewable procurement plan.

“Shared renewable energy subscribers” are defined by the bill as a purchaser of a subscription share or shares who is a customer of the public utility and receives net metering based on the energy generated by that customer's subscription shares at one or more physical locations to which the subscription is attributed. Subscriptions are limited to not supply more than one hundred twenty percent of the average annual consumption by the subscriber.

The bill requires investor-owned public utilities to allow for the construction, connection and operation of these facilities in their operating territory if the facility is five megawatts or less. Utilities can limit the total production of shared renewable energy facilities in its territory to ten percent of annual retail sales or five percent of annual peak demand after June 2015, ten percent starting in fiscal year 2018, fifteen percent starting in fiscal year 2021 and twenty percent starting in fiscal year 2024. The bill also allows the public regulation commission to increase those limits if it is demonstrated that the higher limits do not impose technical problems for the utility.

HB 111 requires that an application for a facility be submitted that includes the location and requires the utility to accept the proposed site unless the site is determined unsuitable by the utility. Suitability is determined solely by the utilities transmission lines being able to carry the output. If the site is unsuitable the utility must propose another site as close as possible to the proposed site. Utilities are required to exercise good faith in selecting an alternative site and submit a document with a suitable location the public regulation commission within 60 days of an application for a facility. Rural electric cooperatives are exempted from all of the provisions in Section 3 of the bill.

Lastly, the bill adds a new section to the Rural Electric Cooperative Act such that Cooperatives may allow the construction, connection and operation of shared renewable energy facilities within their operating territories.

FISCAL IMPLICATIONS

HB 111 carries no appropriation.

PRC analysis states that the agency is likely to require additional NMPRC staff resources and support to implement and follow the issues arising from the legislation. At present it is difficult to determine but it is estimated that this would require approximately one additional staff person full time per year to handle the resulting implications.

SIGNIFICANT ISSUES

Implementation of HB 111 essentially provides for a form of competition not presently allowed; it permits utility scale developments of shared renewable energy facilities by non-investor-owned public utilities. PRC analysis states that “Three to five KW is a typical sized consumer owned distributed generation addition. Ten MW would allow for the addition of approximately 2,000 retail customers that would essentially leave the utility system.”

As rural electric cooperatives are exempted from all of the provisions in Section 3 of the bill, they can construct shared renewable facilities as large as ten megawatts.

According to PRC analysis, HB 111 does not consider the interconnection requirements and limitations typically required by NM PRC Commission Rule 7.9.568 NMAC, Interconnection of Generating Facilities with a Rated Capacity Up to and Including 10 MW Connecting to a Utility System, and “fails to consider utility distribution system constraints or and perhaps most importantly—who would be responsible for the costs associated with any interconnection requirements.”

NMRETA analysis raises the interconnection issue as well: “Utilities are overseen by the public regulation commission and the federal energy regulatory commission. An analysis should be completed to ensure this legislation is legal under the interconnection procedures established by both commissions.”

HB 111 also does not address who is responsible for the cost of selecting an alternative site if the proposed one is determined to be unsuitable.

The definition of “shared renewable energy subscriber” suggests such a customer could impose net metering treatment from the public utility. Currently, public utilities are not required to offer net metering. HB 11 does not address who would be responsible to pay for such billing system improvements.

PRC analysis also states that the bill does not address potential cost impacts on customers, asking:

Who bears the responsibility for unsubscribed portions of the system installed? Who bears the potential impacts regarding the reliability issues that may arise from large distributed generation facilities on the sections of the distribution system not equipped or capable of handling them?

PERFORMANCE IMPLICATIONS

According to PRC analysis, HB 111 could increase filings and complaints to be reviewed by Utility Division Staff of PRC as investor-owned public utilities would be required to submit a document with a suitable location to the Commission for a shared renewable energy facility within 60 days of the date of an application for a facility to the utility. Further, the rates at which a utility may acquire RECs from the owner of the shared renewable energy facility or from a third party would be subject to Commission review and approval in annual renewable energy procurement plans.

TECHNICAL ISSUES

Part B of Section 3 of the bill reads “B. An application for a shared renewable energy facility in an investor-owned public utility shall include...” Would this sentence be clearer if the words “the territory of” was inserted after “in” and before “an investor-owned”?

OTHER SUBSTANTIVE ISSUES

HB 111 provides the PRC with the authority to increase production limits of shared renewable energy facilities, as specified above, if it is demonstrated either by the utility, the Commission, or a third party that higher limits do not impose technical problems. However, the PRC does not regulate third parties, therefore any issues arising as a result of these enterprises would be beyond the scope of the PRC’s authority.

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