

**LFC Requester:** \_\_\_\_\_

**AGENCY BILL ANALYSIS**

**SECTION I: GENERAL INFORMATION**

*Check all that apply:*  
**Original**     X  **Amendment**    \_\_\_\_\_  
**Correction**    \_\_\_\_\_ **Substitute**    \_\_\_\_\_

**Date**  1/23/2025   
**Bill No:**  HB 13

**Sponsor:**     Rep. Hochman-Vigil   
**Short Title:**     Distribution Systems & Electrification Plans

**Agency Name and Code**     EMNRD 521   
**Number:**    \_\_\_\_\_  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
		Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

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

## **SECTION III: NARRATIVE**

### **BILL SUMMARY**

Synopsis: HB 13 requires New Mexico’s electric public utilities to conduct anticipatory, pro-active buildout of distribution capacity and load capacity resources and to upgrade their electrical distribution systems to accommodate state and federal air quality planning. The proposed bill also directs public electric utilities in New Mexico to file two new plans related to distribution systems and beneficial electrification (defined as converting end-use fuel sources to high-efficiency electricity or avoiding non-electric fuel sources in new construction) with the New Mexico Public Regulatory Commission (PRC) for approval. It also directs public utilities to propose virtual power plant programs for approval at the PRC. Cost recovery is authorized for any approved plans and programs via base rates, tariff riders, or both.

Section 1 of HB 13 directs public utilities in New Mexico to:

- conduct sufficient advanced planning, engineering and construction of distribution system hosting and load capacity;
- preorder transformers and other needed equipment so that customers can be energized and interconnected without substantial delay;
- upgrade electrical distribution systems to accommodate federal, state, regional, and local air quality/decarbonization standards, plans, and regulations (including vehicle emissions standards).

HB 13 also directs the PRC to finalize a rule by December 1, 2025 that establishes a staggered filing schedule for distribution system plans that begins between July 1, 2026 and July 1, 2027. The subsequent cadence of such filings is set for three years after the initial filing. HB 13 requires distribution system plans to include:

- detailed mapping of distribution hosting capacity and available load capacity, with underlying data -- all with appropriate safeguards to protect confidentiality and critical infrastructure;
- proposed reasonable average and maximum energization time periods and a record of recent “wait times until energization” time periods for various customer rate classifications and voltage levels;
- proposed dollar per kilowatt interconnection fees that new residential distributed generation customers would pay to protect the customers from incurring unreasonable costs that result from any delay in the customer’s interconnection request and to defray associated grid interconnection costs;
- optional flexible interconnection or energization tariffs;
- a ten-year planning horizon and corresponding five-year budget;
- a plan to use distributed energy resources (DERs) to avoid or minimize the need for traditional distribution system upgrades where feasible (sometimes called “non wires alternatives”); and
- current qualified staffing levels for each job classification needed to achieve the requirements above including:
  - a review of anticipated needs for future utility, affiliate, and contractor personnel;

HB 13 also requires hosting capacity and available load capacity maps from distribution system

plans to be updated quarterly and made publicly available online. Utilities must also report labor information from distribution system plans to the department of workforce solutions (DWS).

In addition to the distribution system plan, HB13 directs utilities to file a separate annual energization report to the PRC that contains:

- the average, median, and standard deviation “wait time” periods between receiving an application for energizing an electrical customer and achieving energization;
- explanations for any of these energization time periods that exceed the most recent maximum target energization time periods approved by the commission; and
- strategies for meeting any missed targets in the future.

Section 3 of HB13 enacts a new section of the Efficient Use of Energy Act requiring utilities to file beneficial electrification plans with the PRC that support customer adoption of various beneficial electrification measures and that adopt rules to establish beneficial electrification targets for 2032. The plans are to be filed every three years. The bill directs the PRC to establish a schedule by which 6-year beneficial electrification targets are set.

The PRC is authorized to approve beneficial electrification plans that: maximize consumer benefits at least cost, provide equal participation opportunities between rate classes, complement other incentives, include low-income programs, and include reduction in greenhouse gas emissions, among other provisions. Approved plans are eligible for cost recovery via base rates, tariff riders, or both.

Section 4 of HB13 directs the PRC to adopt rules that establish a virtual power plant (VPP) program and requires utilities to file applications to implement such VPPs by February 1, 2026. Rules pursuant to VPPs must:

- establish annual cost-effective capacity procurement and performance targets for VPPs;
- consider how VPPs would interact with other programs;
- require a tariff filing that establishes performance requirements and performance-based compensation for VPPs;
- prescribe a methodology for setting performance-based compensation;
- allow third parties as well as public utilities to serve as DER aggregators, while ensuring that utilities do not have a competitive advantage over third parties based on access to customer data, marketing, or other advantages;
- ensure that recipients of other incentives are not disqualified from VPP participation.

HB13 also directs the PRC to provide opportunities for stakeholder input on proposed VPP programs and authorizes the PRC to approve, deny or order revisions to a utility VPP proposal.

## **FISCAL IMPLICATIONS**

None for EMNRD

## **SIGNIFICANT ISSUES**

All three elements of the bill -- distribution system planning, beneficial electrification, and virtual power plants -- support state efforts to reduce emissions in the electricity, transportation, and heating sectors while maintaining (and possibly increasing) affordability for electricity ratepayers.

## Distribution System Planning

Section 1 of HB13 contains many distribution system planning requirements that are currently being addressed in the draft rule proposed in PRC Docket No. 22-00089-UT. The required hosting and additional load capacity maps as outlined in this bill could augment requirements currently under deliberation at the PRC – specifically as they relate to siting DER solutions (also known as non-wires alternatives) for grid upgrades. Moreover, utility directives in HB13 to preorder power transformers and meet energization targets could significantly boost grid readiness for economic development. Last, energization targets set by the bill could be effective as performance incentive mechanisms tied to utility rates of return, performance-based compensation, or noncompliance fines.

The proposed filing cadence outlined in HB13 could support greater system efficiency by leveraging linkages between the distribution system, transmission system, and generating resource procurement. The current filing cadence synchronizes with existing filing for utility integrated resource plans (IRPs). Yet, *distribution* system plans should come first, as that information then guides the IRP process in determining which *generation* and *transmission* assets need to be procured by utilities and which services can be supplied via distributed resources and demand response.

HB13 supports the avoided grid cost and upgrade deferral benefits of non-wires alternatives but stops short of addressing the current rate structures guiding utilities, which are to maximize retail electricity sales and capital expenditure. Those structures could slow or hamper this bill's objectives. This provision (of the distribution plans) could be even more effective if it also enabled the PRC to establish shared savings mechanisms that incentivize such non-wires alternatives.

## Beneficial Electrification

Beneficial electrification is defined as “converting the energy source of a customer's end use from a non-electric fuel source to a high-efficiency electric source or avoiding the use of non-electric fuel sources in new construction or industrial applications.” HB13's requirement for utility beneficial electrification planning supports grid readiness as New Mexico transitions elements of its built environment (such as heating and cooking) from gas-fired sources to electricity in accordance with the state's emissions reduction objectives. The need for a new section of law in support of beneficial electrification is unclear.

## Virtual Power Plants

VPPs are defined by the U.S. Department of Energy as “[tools] used for flexing distributed demand and supply resources with a level of dexterity that has historically only been possible in flexing centralized supply.”<sup>1</sup> By implementing advanced metering infrastructure across New Mexico,<sup>2</sup>

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<sup>1</sup> J. Downing et al., “Pathways to Commercial Liftoff: Virtual Power Plants,” The US DOE Loan Programs Office, Sep. 2023.

<sup>2</sup> See recommended decisions and stipulated agreements in NMPRC Dockets No. 21-00269-UT, 22-00178-UT, and 22-00058-UT.

utilities and third-party aggregators will soon have greater ability to incorporate distributed resources into VPPs that will optimize local electricity demand to better manage peak loads (and increase resilience). This benefits grid affordability by reducing the peak capacity and thus the associated grid infrastructure a utility needs to procure to meet that peak demand.

By 2030, New Mexico is forecast to install over 160MWs of potential VPP capacity in the form of behind-the-meter storage, smart thermostats, and electric water heaters.<sup>3</sup> Discounted cash flow analysis suggests that these resources, if aggregated, would serve the top yearly demand hours at a fraction of the cost of equivalent natural gas peaker plants or utility-scale storage capacity.<sup>4</sup> However, in addition to peak load management benefits, VPPs also incentivize distributed resource adoption which provides other grid services (including upgrade deferrals and cost-effective grid frequency maintenance). HB13's requirement for utility VPP programs would spur utilities to take advantage of these benefits and pass savings onto ratepayers while also compensating distributed resource owners for the services they provide.

## **PERFORMANCE IMPLICATIONS**

All elements of this proposed legislation, including distribution system planning, beneficial electrification, and virtual power plants, support New Mexico's broader energy transition policies aimed at reducing emissions in the electricity, transportation, and heating sectors while maintaining (and possibly increasing) affordability for electricity ratepayers. The requirements of this bill would help push the state's public electric utilities to meet the renewable energy goals as set forth in the Renewable Energy Act at Section 62-16-4 NMSA 1978 and the greenhouse gas emission reduction goals as set forth in the Governor's executive order 2019-003.

## **ADMINISTRATIVE IMPLICATIONS**

N/A

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

N/A

## **TECHNICAL ISSUES**

Section 1 requirement for pre-ordering transformers creates a procurement issue based on constrained supply of transformers in and to the US.

Section 4 requires that utility-owned DER aggregators avoid gaining a competitive edge over third-party aggregators through exclusive access to customer data, marketing resources, or other utility-specific advantages. However, compliance with this mandate may ultimately be impossible, as the state-sanctioned monopoly status of investor-owned utilities in New Mexico inherently provides them with such exclusive benefits.

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<sup>3</sup> New Mexico Energy Management and Conservation Division, (2025). [Grid Modernization Update Discussion Draft](#). Pg. 40.

<sup>4</sup> New Mexico Energy Management and Conservation Division, (2025). [Grid Modernization Update Discussion Draft](#). Pg. 42.

## **OTHER SUBSTANTIVE ISSUES**

Section 1 of the proposed bill requires the PRC to approve a utility’s plan – and its costs – under circumstances that could favor the utility over the ratepayer. For example, if the utility can make a “reasonable” argument that it is minimizing costs as much as possible while maximizing benefits, and if that plan can be “reasonably expected” to allow the utility to hit its energization timelines, and so long as the plan is “reasonably expected to allow the electric public utility to recover the costs,” the PRC may have to approve “minimized” costs that could actually be in the millions/billions of dollars and irrespective of the plan’s effect on consumers’ electric rates. This could create a conflict with the requirement that rates are “just and reasonable,” and unfairly disadvantages ratepayers.

Additionally, the bill requires multiple rulemakings, some of them on abbreviated timelines, and multiple filings from the state’s public electric utilities to the PRC, which may create administrative burden on the PRC, as well as an administrative burden on the utilities that the utilities will then seek to recover from ratepayers, in addition to the costs of carrying out the plans themselves.

The bill further requires utilities to “preorder transformers and other needed equipment so that customers can be energized and interconnected without substantial delay” and to “upgrade [their] electrical distribution systems as needed and in time to allow for achievement of federal, state, regional and local air quality and decarbonization standards, plans and regulations, including vehicle emissions standards.” These requirements could conceivably require significant stockpiling of materials at significant cost (that will be passed on to ratepayers) in addition to rushed and expensive system upgrades at additional significant cost (that will also be passed on to ratepayers) particularly in light of the proposed bill’s requirement that the PRC approve these plans based on “reasonable” arguments and expectations. The legislature will have to weigh any possible cost here against the (significant) value of quick and sufficient interconnection for residences and businesses alike.

## **ALTERNATIVES**

N/A

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If this bill is not passed utilities would not be required to file plans outlined above with the PRC and cost recovery for such plans would not be required by the legislature. Utilities would also not be required to propose VPP programs for approval at the PRC.

## **AMENDMENTS**

None.