

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

**AGENCY BILL ANALYSIS**

**SECTION I: GENERAL INFORMATION**

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

**Date** February 20, 2025  
**Bill No:** HB 452

**Sponsor:**    Rep. Ferrary, Rep. Sariñana,  
Rep. Silva

**Agency Name  
and Code  
Number:**    EMNRD 521

**Short  
Title:**    Clarify Renewable Energy  
Portfolio Standards

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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

## **SECTION III: NARRATIVE**

### **BILL SUMMARY**

#### Synopsis:

HB 452 amends Section 62-16-5 NMSA 1978 to allow electric utilities in New Mexico to procure all renewable energy certificates (RECs) from the total energy generated from distributed resources<sup>1</sup> that do not exceed 80 megawatts (MWs) of capacity for compliance with the state's renewable portfolio standard (RPS), including the amount consumed on site. HB452 would also include all self-generated energy consumed on-site by owners of distributed resources in the determination of a utility's total retail sales for RPS compliance purposes. The proposed bill also requires that all energy generated at such "will be deemed to have been purchased" by the utility.

### **FISCAL IMPLICATIONS**

None for EMNRD.

### **SIGNIFICANT ISSUES**

#### *Renewable Portfolio Standard Compliance*

New Mexico's RPS mandates that public electric utilities procure renewable energy supplies equivalent to stipulated percentages of their total retail electricity sales by certain dates. Compliance with RPS is measured via the procurement of Renewable Energy Certificates (RECs) that equate to one MWh of energy generated. Utilities are required to file yearly reports with the New Mexico Public Regulation Commission (PRC) demonstrating sufficient RECs to comply with the RPS. Procured RECs in excess of a utility's requirement can be banked for use in later years or sold to other utilities in need of more RECs for compliance. Utility REC procurement is straightforward for energy supplied from large-scale generating facilities. RECs are bundled with energy generated by the utility or purchased by the utility from third-party facilities via power purchase agreements (PPAs).

#### *Distributed Generators and RECs*

However, REC procurement from distributed resources (such as rooftop solar) is more complex. The current statute<sup>2</sup> allows only for REC procurement from *excess* energy sold to a utility by a distributed generator as part of a net metering arrangement<sup>3</sup> while energy consumed *on the site* of the generator is not counted towards a utility's retail sales and does not generate RECs for the utility. For example, a household with rooftop solar that generates 10MWh of energy per year but consumes only 9MWh per year would generate only 1 REC for the utility, despite generating more than 1MWh of solar energy gross. Also in this example, the utility needs to retire fewer RECs for RPS compliance because solar energy *consumed* by the generating household does not count toward retail sales, reducing the overall demand denominator.

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<sup>1</sup> Specific language refers to "qualifying facilities" as defined by the federal Public Utility Regulatory Policies Act (PURPA) of 1978. [18 CFR §292.204](#) defines a qualifying small power production facility as a generating resource with a capacity of no greater than 80 MW.

<sup>2</sup> [Section 62-16-5 NMSA 1978](#)

<sup>3</sup> Net metering allows distributed resource owners to sell excess energy not used for personal consumption to their electric utilities.

## *Implications of HB452*

HB452 would deem all energy generated by interconnected distributed resources as “purchased by the public utility” and count all energy consumed on-site towards utility retail sales. Utilities would benefit from this change because they could then procure RECs from *all* distributed generation (including energy consumed by the resource owner) at no charge, thus avoiding REC procurement costs from PPAs or constructing new generating facilities.

There are also potential benefits to ratepayers. With the enactment of HB452, utilities may be incentivized to upgrade distribution systems and interconnect more distributed energy resources (to reduce RPS compliance costs and/or generate excess RECs to bank or sell to other utilities). This could benefit ratepayers in New Mexico by providing more opportunities to adopt distributed energy resources that reduce monthly utility bills, shave peak demand, and reduce/defer utility asset procurement.

## *Uncertainty*

However, deeming all energy self-generated and consumed by a distributed resource owner as “purchased by the utility” raises questions and introduces confusion. Current language could be interpreted to limit income-generating opportunities for distributed generators by limiting their ability to sell RECs and energy to parties other than the utility such as aggregators (also known as virtual power plants, which can cluster various New Mexico homeowners together). Such a limitation could serve as a barrier to entry for third-party aggregators seeking market access in New Mexico.

Many people who purchase solar panels for installation on their homes do so with the intention to retire their own RECs and thereby make a personal contribution to the state’s energy transition process. Allowing distributed rooftop RECs to default to the utility reduces the utility’s need to eventually procure that REC through other means, such as building or buying additional utility scale renewable generation. In that sense this bill trades additional pressure for utility procurement of large scale renewables for incentivizing the utility to support additional distributed generation buildout as a pathway to compliance with statutory renewable energy requirements.

## **PERFORMANCE IMPLICATIONS**

None for EMNRD.

## **ADMINISTRATIVE IMPLICATIONS**

None for EMNRD.

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

## **TECHNICAL ISSUES**

## **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

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

REC procurement from distributed generation would remain limited to excess energy sold to utilities as part of net metering agreements. Self-generated energy consumed on-site by owners of distributed resources would not be included in total retail sales calculations for utility RPS compliance. Utility incentives to interconnect distributed energy resources would remain limited.

## **AMENDMENTS**