

HOUSE BILL 13

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

INTRODUCED BY

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This document may incorporate amendments proposed by a committee, but not yet adopted, as well as amendments that have been adopted during the current legislative session. The document is a tool to show amendments in context and cannot be used for the purpose of adding amendments to legislation.

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 HENRC→; ~~ESTABLISHING THE VIRTUAL POWER PLANT  
PROGRAM; AUTHORIZING THE PUBLIC REGULATION COMMISSION TO ADOPT~~

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~~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.~~ ←HENRC HENRC→. ←HENRC

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 to read:

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

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

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

(2) upgrade the electric public utility's 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.

B. The commission shall finalize a rule no later than December 1, 2025 that establishes a staggered filing schedule as determined by the commission. The distribution

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system plans shall be filed with the commission no earlier than July 1, 2026 and no later than July 1, 2027. After filing the initial distribution system plan, an electric public utility shall file subsequent distribution system plans with the commission every three years. A distribution system plan shall include:

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

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

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

(4) optional flexible interconnection or energization tariffs;

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

(6) a plan to use distributed energy resources HENRC→, which may include performance-based compensation for aggregated distributed energy resources, ←HENRC to avoid or minimize the need for traditional distribution system upgrades where feasible.

C. An electric public utility shall make the information in Paragraph (1) of Subsection B of this section available online and accessible to customers, stakeholders and verified third parties and update the information at least quarterly.

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

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

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

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

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

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

(2) is reasonably expected to allow the electric public utility to achieve the energization time periods established by the commission pursuant to an electric public utility's proposed energization time periods and the requirements of Subsection A of this section; and

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

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

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

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

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

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

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

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

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

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

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

L. As used in this section:

HENRC → ~~(1) "beneficial electrification" means converting the energy source of a customer's end use from a non-electric fuel source to a high-efficiency electric source~~

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~~or avoiding the use of non-electric fuel sources in new construction or industrial applications;~~←HENRC

HENRC→(2)←HENRC HENRC→(1)←HENRC "distributed energy resource" means distributed generation, energy storage systems, electric vehicles, microgrids, fuel cells and demand-side management measures, including energy efficiency, demand response and demand flexibility that are deployed at the distribution grid level on either the customer or utility side of the meter;

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

HENRC→(4)←HENRC HENRC→(3)←HENRC "energization" or "energize" means connecting new customers to the electric distribution system, establishing adequate load capacity to provide service for a new customer or upgrading electrical capacity to provide service to an existing customer. "Energization" or "energize" does not mean activities relating to interconnecting electricity supply resources;

HENRC→(5)←HENRC HENRC→(4)←HENRC "energization time period" means the elapsed time beginning when the electric public utility receives a substantially complete energization project application and when the electric

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service is installed and energized;

HENRC→(6)←HENRC HENRC→(5)←HENRC "flexible interconnection or energization tariff" means a way to energize a new load or interconnect a distributed energy resource to an electric public utility's distribution system that is governed by a set of rules and requirements and includes an agreement for curtailing the import or export of electricity from and to the distribution system at certain times or operation conditions by use of certified power control systems or other load management technologies;

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

HENRC→(8)←HENRC HENRC→(7)←HENRC "load capacity" means the amount of load that can be added to the distribution system at a given time and at a given location under existing grid conditions and operations without adversely impacting safety, power quality, reliability or other operational criteria and without requiring electric infrastructure upgrades subject to transmission system

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constraints."

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

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

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

B. "beneficial electrification" means converting the energy source of a customer's end use from a non-electric fuel source to a high-efficiency electric source HENRC→or avoiding←HENRC HENRC→;←HENRC HENRC→the use of non-electric fuel sources in new construction or industrial applications;←HENRC

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

[B-] D. "commission" means the public regulation commission;

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

[D-] F. "customer" means a utility customer at a single, contiguous field, location or facility, regardless of

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the number of meters at that field, location or facility;

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

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

[F-] I. "energy efficiency" means measures, including energy conservation measures, or programs that target consumer behavior, equipment or devices to result in a decrease in consumption of electricity and natural gas without reducing the amount or quality of energy services;

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

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

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the qualifying utility or as determined by the commission;

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

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

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

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

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

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

A. On or before January 30, 2026, the commission shall direct electric public utilities to file beneficial

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electrification plans that support voluntary customer adoption of measures for beneficial electrification and adopt rules to establish beneficial electrification targets for 2032 that maximize greenhouse gas emissions reductions while maintaining fair and reasonable rates and system reliability. The commission shall consider the customer base within each electric public utility that may adopt heat pumps when determining reasonable targets. The commission shall establish a schedule by which beneficial electrification targets will be set for each subsequent six-year period. Beneficial electrification targets shall be consistent with any greenhouse gas emissions reductions adopted by the state by rule or law.

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

C. When considering beneficial electrification plan applications for approval, the commission shall evaluate

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whether the plan:

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

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

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

(4) is reasonably expected to achieve the beneficial electrification targets and projected greenhouse gas emissions reductions;

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

(6) includes projected reductions in greenhouse gas emissions and avoided costs of greenhouse gas emissions, using the cost of methane and carbon dioxide emissions from the most recent assessment of global social cost of methane and carbon dioxide by the federal government; provided that the cost shall not be less than those adopted as of December 31, 2024, and using a discount rate from the

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assessment of global social cost of two and one-half percent or less;

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

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

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

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

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

F. An electric public utility shall recover its prudent and reasonable costs for beneficial electrification programs conducted pursuant to a commission-approved beneficial

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electrification plan. An electric public utility may recover costs through a commission-approved tariff rider or in base rates, or both. Program costs may be deferred for future recovery through the creation of a regulatory asset.

G. Funding levels for beneficial electrification program costs shall be no less than one-half percent of customer electric bills or electric public utility retail revenues from customers eligible for beneficial electrification programs, as determined by the commission. The utility may propose, and the commission may approve, higher levels of funding. For the purposes of determining the funding levels in this subsection, only the base rate portion of customer bills or utility retail revenues shall be considered. Fuel costs, riders and other charges shall not be included.

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

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

- (1) documentation of program expenditures;
- (2) customer participation levels, including the proportion of low-income households served;

- (3) estimated fuel savings;
- (4) improvements made to the electric public utility's electrical system efficiency and greenhouse gas emission reductions resulting from programs; and
- (5) any other information the commission may require."

HENRC → ~~SECTION 4. A new section of the Public Utility Act is enacted to read:~~

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

~~A. No later than February 1, 2026, the commission shall adopt rules to establish a virtual power plant program and require an electric public utility to file an application to implement a virtual power plant program.~~

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

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

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

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

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

~~(5) allow both third-parties and electric public utilities to serve as distributed energy resource aggregators, while ensuring that utilities serving as distributed energy resource aggregators do not have a competitive advantage over third-party aggregators based on access to customer data, marketing or other exclusive electric public utility advantages;~~

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

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

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

~~D. The commission shall provide opportunities for stakeholders to provide input on the virtual power plant programs proposed by each electric public utility under this section.~~

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

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

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

~~H. An electric public utility may recover reasonable costs to facilitate a commission-approved virtual power plant program, including foundational technology costs or investments, operations and maintenance expenses, operating~~

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~~technology costs or investments and information technology costs or investments.~~

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

~~J. As used in this section:~~

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

~~(2) "distributed energy resource aggregator" means a company or an organization that manages customer enrollment, participation and compensation in a virtual power plant program and ensures the performance of the aggregated distributed energy resources in a virtual power plant;~~

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

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

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

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