

HOUSE GOVERNMENT, ELECTIONS AND INDIAN AFFAIRS
COMMITTEE SUBSTITUTE FOR
HOUSE BILL 93

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

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 UTILITIES; PROVIDING FOR THE INCLUSION OF ADVANCED
GRID TECHNOLOGY ~~HCEDC~~→**PLANS**←~~HCEDC~~ ~~HCEDC~~→**PROJECTS**←~~HCEDC~~ BY
PUBLIC UTILITIES WHEN FILING AN APPLICATION FOR APPROVAL OF
GRID MODERNIZATION PROJECTS TO THE PUBLIC REGULATION
COMMISSION; ALLOWING UTILITIES TO RECOVER FROM CUSTOMERS COSTS
FOR ADVANCED GRID TECHNOLOGY PROJECTS; INCLUDING ADVANCED GRID
TECHNOLOGIES IN UTILITY INTEGRATED RESOURCE PLANS AND THE

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ANNUAL REPORTS OF DISTRIBUTION COOPERATIVE UTILITIES Sfl1→;
**PERMITTING THE GENERATION AND DISTRIBUTION OF SELF-SOURCED
POWER**←Sfl1 .

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

SECTION 1. Section 62-8-13 NMSA 1978 (being Laws 2020, Chapter 15, Section 3, as amended) is amended to read:

"62-8-13. APPLICATION FOR GRID MODERNIZATION PROJECTS--
ADVANCED GRID TECHNOLOGY HCEDC→~~PLANS AND~~←HCEDC PROJECTS.--

A. A public utility may file an application with the commission to approve grid modernization projects that are needed by the utility, or upon request of the commission. Applications may include requests for approval of investments or incentives to facilitate grid modernization, rate designs or programs that incorporate the use of technologies, equipment or infrastructure associated with grid modernization and customer education and outreach programs that increase awareness of grid modernization programs and of the benefits of grid modernization. Applications shall include the utility's estimate of costs for grid modernization projects.

Applications may include requests for approval of advanced grid technology HCEDC→~~plans~~←HCEDC HCEDC→~~projects~~←HCEDC pursuant to Subsection G of this section. Applications for grid modernization projects shall be filed pursuant to Sections 62-9-1 and 62-9-3 NMSA 1978, as applicable.

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B. When considering applications for approval, the commission shall review the reasonableness of a proposed grid modernization project and as part of that review shall consider whether the requested investments, incentives, programs and expenditures are:

(1) reasonably expected to improve the public utility's electrical system efficiency, reliability, resilience and security; maintain reasonable operations, maintenance and ratepayer costs; and meet energy demands through a flexible, diversified and distributed energy portfolio, including energy standards established in Section 62-16-4 NMSA 1978;

(2) designed to support connection of New Mexico's electrical grid into regional energy markets and increase New Mexico's capability to supply regional energy needs through export of clean and renewable electricity;

(3) reasonably expected to increase access to and use of clean and renewable energy, with consideration given for increasing access to low-income users and users in underserved communities;

(4) designed to contribute to the reduction of air pollution, including greenhouse gases;

(5) reasonably expected to support increased product and program offerings by utilities to their customers; allow for private capital investments and skilled jobs in related services; and provide customer protection, information

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or education;

(6) transparent, incorporating public reporting requirements to inform project design and commission policy; and

(7) otherwise consistent with the state's grid modernization planning process and priorities.

C. Except as provided in Subsection D of this section, a public utility that undertakes grid modernization projects approved by the commission may recover its reasonable costs through an approved tariff rider or in base rates, or by a combination of the two. Costs that are no greater than the amount approved by the commission for a utility grid modernization project are presumed to be reasonable. A tariff rider proposed by a public utility to fund approved grid modernization projects shall go into effect thirty days after filing, unless suspended by the commission for a period not to exceed one hundred eighty days. If the tariff rider is not approved or suspended within thirty days after filing, it shall be deemed approved as a matter of law. If the commission has not acted to approve or disapprove the tariff rider by the end of the suspension period, it shall be deemed approved as a matter of law.

D. Costs for a grid modernization project that only benefits customers of an electric distribution system shall not be recovered from customers served at a level of one hundred

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ten thousand volts or higher from an electric transmission system in New Mexico, except for advanced grid technology HCEDC→plans←HCEDC HCEDC→projects←HCEDC pursuant to Subsection G of this section.

E. The provisions of this section do not apply to a distribution cooperative organized pursuant to the Rural Electric Cooperative Act.

F. As used in this section, "grid modernization" means improvements to electric distribution or transmission infrastructure through investments in assets, technologies or services that are designed to modernize the electrical system by enhancing electric distribution or transmission grid reliability, resilience, interconnection of distributed energy resources, distribution system efficiency, grid security against cyber and physical threats, customer service or energy efficiency and conservation and includes:

- (1) advanced metering infrastructure and associated communications networks;
- (2) intelligent grid devices for real time or near-real time system and asset information;
- (3) automated control systems for electric transmission and distribution circuits and substations;
- (4) high-speed, low-latency communications networks for grid device data exchange and remote and automated control of devices;

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(5) distribution system hardening projects for circuits and substations designed to reduce service outages or service restoration times, but does not include the conversion of overhead tap lines to underground service;

(6) physical security measures at critical distribution substations;

(7) cybersecurity measures;

(8) systems or technologies that enhance or improve distribution system planning capabilities by the public utility;

(9) technologies to enable demand response;

(10) energy storage systems and microgrids that support circuit-level grid stability, power quality, reliability or resiliency or provide temporary backup energy supply;

(11) infrastructure and equipment necessary to support electric vehicle charging or the electrification of community infrastructure or industrial production, processing or transportation; and

(12) new customer information platforms designed to provide improved customer access, greater service options and expanded access to energy usage information.

G. When considering advanced grid technology

HCEDC → plans ← HCEDC HCEDC → projects ← HCEDC for approval, the commission shall review the reasonableness of the projects

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proposed and whether the investments, programs and expenditures of the HCEDC → **plan** ← HCEDC HCEDC → **project** ← HCEDC would:

(1) reduce costs to ratepayers by avoiding or deferring the need for investment in new generation or transmission, including new rights of way;

(2) assist with ensuring grid reliability, including transmission and distribution system stability, while integrating sources of renewable energy into the grid;

(3) support the diversification of energy resources and enhance grid security;

(4) reduce greenhouse gases and other air pollutants resulting from power generation, as required by the energy standards established pursuant to Section 62-16-4 NMSA 1978;

(5) be reasonably expected to increase access to and the use of clean and renewable energy, with consideration given for increasing access for low-income users and users in underserved communities;

(6) be consistent with the state's grid modernization planning and priorities; and

(7) be the most cost effective among feasible HCEDC → ~~alternatives, including any proposed applications of advanced transmission technologies that deliver large net benefits to ratepayers over their anticipated service life that significantly exceed marginally higher initial costs.~~

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~~H. The commission shall only allow a utility to recover costs associated with an advanced grid technology plan or project to the extent that the cost recovery is not under the jurisdiction of the federal energy regulatory commission.~~ ←HCEDC

HCEDC → alternatives, taking into consideration future benefits for customers that may reasonably result from the selection of advanced transmission technologies. ←HCEDC

HCEDC → ~~I. As used in this section, "advanced grid technology project" means a project identified by a utility in its most recent integrated resource plan that makes use of advanced grid technologies to increase the efficiency, capacity or reliability of an existing or new transmission facility.~~ ←HCEDC

HCEDC → HCEDC → ~~I.~~ ←HCEDC HCEDC → ~~H.~~ ←HCEDC As used in this section, "advanced grid technology project" means a project that is consistent with the priorities of the state's grid modernization planning and that is contemplated by a utility's most recent integrated resource plan or most recent grid modernization plan that makes use of advanced grid technologies." ←HCEDC

SECTION 2. A new section of Chapter 62, Article 8 NMSA 1978 is enacted to read:

"[NEW MATERIAL] DEFINITIONS.--As used in Chapter 62,

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Article 8 NMSA 1978:

A. "advanced conductor" means a conductor that has a direct current electrical resistance at least ten percent lower than existing conductors of a similar diameter while simultaneously increasing the energy carrying capacity ~~HCEDC~~ ~~of~~ ~~an electric system~~ ~~HCEDC~~ by at least seventy-five percent;

B. "advanced grid technology" means hardware or software technology that increases the efficiency, capacity or reliability of existing or new electric transmission and distribution systems, facilities and equipment and includes advanced conductors, thermal ratings, grid enhancing technology and technology determined by the commission or the federal energy regulation commission to increase the efficiency, capacity or reliability of an existing or new transmission facility;

C. "advanced power flow controllers" means hardware or software technology used to push or pull electric power in a manner that balances overloaded lines and underused corridors within a distribution or transmission system;

D. "dynamic line ratings" means hardware or software technology used to appropriately update the calculated thermal limits of existing distribution or transmission lines based on real-time and forecasted weather conditions;

E. "grid enhancing technology" means hardware or software technology that reduces congestion or enhances the

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flexibility of electric transmission and distribution systems by increasing the capacity of a line or rerouting electricity from overloaded to uncongested lines while maintaining industry safety standards and includes dynamic line ratings, advanced power flow controllers and topology optimization; and

F. "topology optimization" means hardware or software technology that identifies reconfigurations of the distribution or transmission grid and can enable the routing of power flows around congested or overloaded distribution or transmission elements."

SECTION 3. 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. "advanced conductor" means a conductor that has a direct current electrical resistance at least ten percent lower than existing conductors of a similar diameter while simultaneously increasing the energy carrying capacity HCEDC ~~of an electric system~~ HCEDC by at least seventy-five percent;

C. "advanced grid technology" means hardware or software technology that increases the efficiency, capacity or reliability of existing or new electric transmission and

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distribution systems, facilities and equipment and includes advanced conductors, thermal ratings, grid enhancing technology and technology determined by the commission or the federal energy regulation commission to increase the efficiency, capacity or reliability of an existing or new transmission facility;

D. "advanced power flow controllers" means hardware or software technology used to push or pull electric power in a manner that balances overloaded lines and underused corridors within a distribution or transmission system;

~~[B.]~~ E. "commission" means the public regulation commission;

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

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

~~[E.]~~ H. "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;

I. "dynamic line ratings" means hardware or software technology used to appropriately update the calculated

thermal limits of existing distribution or transmission lines based on real-time and forecasted weather conditions;

[F.] J. "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;

K. "grid enhancing technology" means hardware or software technology that reduces congestion or enhances the flexibility of electric transmission and distribution systems by increasing the capacity of a line or rerouting electricity from overloaded to uncongested lines while maintaining industry safety standards and includes dynamic line ratings, advanced power flow controllers and topology optimization;

[G.] L. "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;

[H.] M. "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.] N. "program costs" means the prudent and reasonable costs of developing and implementing energy efficiency and load management programs, but "program costs"

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does not include charges for incentives or the removal of regulatory disincentives;

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

P. "topology optimization" means hardware or software technology that identifies reconfigurations of the distribution or transmission grid and can enable the routing of power flows around congested or overloaded distribution or transmission elements; and

[K-] Q. "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 4. Section 62-17-10 NMSA 1978 (being Laws 2005, Chapter 341, Section 10) is amended to read:

"62-17-10. INTEGRATED RESOURCE PLANNING.--Pursuant to the commission's rulemaking authority, public utilities supplying electric or natural gas service to customers shall periodically file an integrated resource plan with the commission. Utility integrated resource plans shall evaluate renewable energy, energy efficiency, load management, distributed generation and conventional supply-side resources on a consistent and

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comparable basis and take into consideration deployment of advanced grid technologies, risk and uncertainty of fuel supply, price volatility and costs of anticipated environmental regulations in order to identify the most cost-effective portfolio of resources to supply the energy needs of customers. The preparation of resource plans shall incorporate a public advisory process. Nothing in this section shall prohibit public utilities from implementing cost-effective energy efficiency and load management programs and the commission from approving public utility expenditures on energy efficiency programs and load management programs prior to the commission establishing rules and guidelines for integrated resource planning. The commission may exempt public utilities with fewer than five thousand customers and distribution-only public utilities from the requirements of this section. The commission shall take into account a public utility's resource planning requirements in other states and shall authorize utilities that operate in multiple states to implement plans that coordinate the applicable state resource planning requirements. The requirements of this section shall take effect one year following the commission's adoption of rules implementing the provisions of this section."

SECTION 5. Section 62-17-11 NMSA 1978 (being Laws 2005, Chapter 341, Section 11, as amended) is amended to read:

"62-17-11. DISTRIBUTION COOPERATIVE UTILITIES.--

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A. Distribution cooperative utilities shall periodically examine the potential to assist their customers in reducing energy consumption or peak electricity demand in a cost-effective manner. Based on these studies, by January 1, 2009, distribution cooperative utilities shall establish energy efficiency and load management targets and begin to implement cost-effective energy efficiency and load management programs that are economically feasible and practical for their members and customers. Approval for such programs shall reside with the governing body of each distribution cooperative utility and not with the commission.

B. Each distribution cooperative utility shall file with the commission, concurrently with its annual report, a report that describes all of the distribution cooperative utility's programs or measures that promote energy efficiency, conservation or load management, including the deployment of advanced grid technologies. The report shall set forth the costs of each of the programs or measures for the previous calendar year and the resulting effect on the consumption of electricity. In offering or implementing energy efficiency, conservation or load management programs, a distribution cooperative utility shall attempt to minimize any cross-subsidies between customer classes.

C. Each distribution cooperative utility shall include in the report required by Subsection B of this section

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a description of all programs or measures to promote energy efficiency, conservation or load management, including the deployment of advanced grid technologies, that are planned and the anticipated date for implementation.

D. Costs resulting from programs or measures to promote energy efficiency, conservation or load management, including the deployment of advanced grid technologies, may be recovered by the distribution cooperative utility through its general rates. In requesting approval to recover such costs in general rates, the distribution cooperative utility may elect to use the procedure set forth in Subsection [G] H of Section 62-8-7 NMSA 1978."

Sf11→SECTION 6. A new section of Chapter 62 NMSA 1978 is enacted to read:

"[NEW MATERIAL] SELF-SOURCED POWER GENERATION.--

A. Persons located within the state may receive electricity service using a qualified microgrid that may also deliver electricity to equipment, lines and facilities operated by an electric public utility; provided that the person and the electric public utility enter into an electric service agreement.

B. This section authorizes an electric public utility, subject to approval by the public regulation commission, to acquire self-source generation resources or energy and dedicate those resources or energy to retail

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services, wholesale services or self-generation services, or any combination of those services, and rates established for those services shall take into account the public interest and need, reliability and affordability. The public regulation commission shall not approve an acquisition pursuant to this section from a facility that does not qualify as a self-source generation resource.

C. Energy generated and sold from a self-source generation resource that is owned in whole or in part by a qualified microgrid shall not be considered retail sales or energy as contemplated under Sections 62-15-34, 62-16-4 and 62-18-10 NMSA 1978 until 2035, whether serving the qualified microgrid or purchased in whole or in part by the electric public utility to provide service. By 2045, all of the energy that a qualified microgrid generates and sells shall be from net-zero carbon resources. An operator of a qualified microgrid shall file reports as required by the public regulation commission, certifying the qualified microgrid's progress toward and compliance with the net-zero carbon resource standard.

D. A person who only provides self-source generation sales from a self-source generation resource to that person's employees or tenants, when the service or commodity is not resold to or used by others, shall not be considered an electric public utility.

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E. As used in this section:

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

(2) "net-zero carbon resource" means an electricity generation resource that emits no carbon dioxide into the atmosphere, or that reduces methane emitted into the atmosphere in an amount equal to no less than one-tenth of the tons of carbon dioxide emitted into the atmosphere, as a result of electricity production;

(3) "qualified microgrid" means a permanent or temporary electrical system that:

(a) incorporates a microgrid controller;

(b) includes a self-source generation resource that is capable of generating not less than twenty megawatts; and

(c) is capable of operating independently and disconnected from the grid;

(4) "self-source generation resource" means a permanent or temporary electricity generating resource that is dedicated to primarily serving the persons connected either directly or indirectly through business affiliates to the construction and installation of a qualified microgrid; and

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(5) "self-source generation sales" means sales of electricity to persons or utilities generated from a self-source generation resource."←Sf11

SECTION Sf11→6.←Sf11 Sf11→7.←Sf11 EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2025.

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