

LFC Requester:

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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: Jan 30, 2025

Check all that apply:

Bill Number: HB13

Original Correction
Amendment Substitute

Sponsor: Rep. Hochman-Vigil

Agency Name and Code Number: 305 – New Mexico Department of Justice

Person Writing

Short Title: Distribution System and Electrification Plans

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
NA			

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
NA				

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	247.6	30.9	111.3	389.8	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with: HB93.

SECTION III: NARRATIVE

This analysis is neither a formal Opinion nor an Advisory Letter issued by the New Mexico Department of Justice. This is a staff analysis in response to a committee or legislator's request. The analysis does not represent any official policy or legal position of the NM Department of Justice.

BILL SUMMARY

Synopsis:

The Act adds an additional duty to electric public utilities to conduct advanced planning, makes general changes to the Efficient Use of Energy Act, NMSA 1978, §§ 62-17-1 –11, and would require the Public Regulation Commission (Commission) to create a virtual power plant program. These changes primarily require utilities to engage in advance planning to improve grid operations and expansion efficiency and to reduce greenhouse gas emissions.

Section 1 would modify the duties and restriction imposed upon public utilities by NMSA 1978, §§ 62-8-1 *et seq.* by requiring electric public utilities to conduct advance planning and submit “distribution systems” plans. It has the following key requirements contained in the following sections:

- 1A(1) In addition to advance planning, utilities must construct and/or procure additional equipment to connect customers without substantial delay.
- 1A(2) All planning must meet federal, state and local emissions and air standards.
- 1B sets out the requirements for the plan, including (1) maps of hosting capacity, (2) what the utility believes is a reasonable amount of time to connect a customer, and (3) a proposed interconnection fee.
- 1C. Allows the utility to recover its costs through a tariff.
- 1D. Allows utility to recover costs through a special rider.
- 1F. Creates criteria for commission review.
- 1H. Requires annual energization report on how long it's taking to connect customers.
- 1K. Make certain labor requirements mandatory for all new construction contracts.

This section also includes specific definitions, such as “beneficial electrification” (replacing end use devices with those that use electricity rather than burn fuel), and “distributed energy resource” (household solar, batteries, etc., as opposed to traditional generation facilities like power plants).

Section 2 would amend the Efficient Use of Energy Act to include the definitions above, as well as a definition for low-income customers. The definition of “electric public utility” contained in this section would exclude rural electric co-ops and other entities which solely distribute, rather than generate, electricity.

Section 3 requires the Commission to direct electric public utilities to file beneficial electrification plans to support voluntary customer adoption of measures for beneficial electrification, such as installation of heat pumps. Such beneficial electrification plans must include analysis of differing customer incomes and greenhouse gas emissions reduction targets.

Plans are approved on the following basis (among others):

1. Demonstrate benefit maximization balanced with fair and reasonable rates
2. Provide every affected customer with opportunity to benefit and participate
3. Complements available federal, state, and local incentives
4. Reasonably expected to achieve beneficial electrification targets and greenhouse gas emissions targets
5. Incorporates stakeholder recommendations

The cost of such beneficial electrification can be recovered through a commission-approved tariff or in base rates, or in both.

Funding levels shall be no less than one-half percent of customer electric bills, and the utility may propose, and the commission may approve, higher funding levels.

Section 4 requires the Commission to establish a Virtual Power Plant Program, and require an electric public utility to file an application to implement said program, and adopt rules related to said program. A virtual power plant would be an aggregator of distributed energy resources (household solar, batteries, etc) and would combine those various sources into a single source for purposes of centralized control and distribution. Section B provides the Commission with guidelines for promulgating rules for this program, including that such rules establish capacity procurement and performance targets for the program and may include incentives for utilities. Section B also provides requirements for rules regarding tariffs, and performance-based compensation, discussing how much utilities would have to pay out via the virtual power plant program.

FISCAL IMPLICATIONS

For rule makings NMDOJ estimates 900 hours of staff time.

NMDOJ estimates for review of EPE, PNM and SPS submitted plans to require total of 675 hours staff time.

See above budget estimations.

SIGNIFICANT ISSUES

Section 4(F) states "[n]othing 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."

Net-metering is a billing arrangement that allows individuals and businesses with renewable resources (rooftop solar etc.) to receive a credit or usage offset on their bill for excess electricity they feed back to the grid. Section 4(F) suggests that net-metering rates would remain at their current commission approved rate for VPP energy that is exported outside of a commission approved power program. However, its unclear whether the commission approved power program is a geographical area or is intended to refer to customers that do not have net metering.

It is also unclear whether 4(F) implies that energy consumed within the program would impact the utility's net metering program, but the impact is not specified.

PERFORMANCE IMPLICATIONS

N/A

ADMINISTRATIVE IMPLICATIONS

HB 13 requires a three different rules to be promulgated at roughly the same time.

- Sec. 1 Distribution Plan rules by 12/1/25
- Sec. 3 Beneficial Electrification rules by 1/30/26
- Sec. 4 Virtual Power Plant rules by 2/1/26

The bill then requires EPE, PNM and SPS to each file their initial plans between 7/1/26 and 7/1/27, which would include their Distribution Plan, Beneficial Electrification Plan and proposed Virtual Power Plant tariff.

See fiscal impact to NMDOJ above.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplication. HB93 requires the filing of “advanced technology plans” with very similar requirements to the “distribution systems” plans required by HB13. HB93 is not as specific as HB13 with regards to concepts like virtual power plants and beneficial electrification, but it does contemplate “advanced grid technologies” and require them to be included in advanced planning. Both bills would modify the requirements for utilities, and the Efficient Use of Energy Act, NMSA 1978, §§ 62-17-1 –11, and may conflict in their modifications. However, Section 4, which creates the Virtual Power Plant Program, does not appear to conflict.

TECHNICAL ISSUES

N/A.

OTHER SUBSTANTIVE ISSUES

N/A.

ALTERNATIVES

N/A.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo.

AMENDMENTS

N/A.