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FISCAL IMPACT REPORT

SPONSOR Ortez LAST UPDATED _____
ORIGINAL DATE 1/24/2025
SHORT TITLE Advanced Grid Technology Plans BILL NUMBER House Bill 93
ANALYST Rodriguez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
PRC	No fiscal impact	\$55.4	\$58.7	\$114.1	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 13 and Senate Bill 142

Sources of Information

LFC Files

Agency Analysis Received From

Public Regulation Commission (PRC)

Energy, Minerals and Natural Resources Department (EMNRD)

Agency Analysis was Solicited but Not Received From

Office of the Attorney General (NMAG)

SUMMARY

Synopsis of House Bill 93

House Bill 93 (HB93) requires public utilities to submit an advanced grid technology plan when submitting its integrated resource plans (IRP). Plans should include transmission-line congestion frequency and identification of congestion points, plans for using advanced grid technologies to alleviate congestion points, planned projects over the next three years, and cost estimates for projects.

HB93 specifies criteria that the Public Regulation Commission (PRC) should consider when reviewing plans for approval, including reduced costs for ratepayers, increased grid reliability while integrating sources of renewable energy, reduced greenhouse gases, increased access to and the use of clean and renewable energy, and cost effectiveness.

The bill allows a public utility to recover costs for advanced grid technology projects, unless it is under the jurisdiction of the Federal Energy Regulatory Commission (FERC), through an approved tariff rider, base rates, or a combination of the two.

The bill also adds definitions for advanced conductor, advanced grid technology, advanced power flow controllers, dynamic line ratings, grid enhancing technology, and topology optimization in the Efficient Use of Energy Act and in Chapter 62-9 NMSA 1978.

The effective date of this bill is July 1, 2025

FISCAL IMPLICATIONS

HB93 could have an additional \$114.1 thousand impact on PRC's operating budgets in FY26 and FY27 due to additional staff time required to comply and administer the act. PRC notes that the act would require additional work for its attorneys, public utilities economists, engineers, and hearing examiners to establish processes for utilities to follow and to perform adequate analysis and review for the filing requirements required by HB93.

SIGNIFICANT ISSUES

Congestion. The U.S. Department of Energy (DOE) defines transmission congestion as “the economic impact on the users of electricity that results from physical transmission constraints that limit the amount of power flow to ensure safe and reliable operation”. In other words, congestion is often caused by physical constraints on the system, such as lack of infrastructure or maximum thermal limits, that force utility operators to reroute power through less optimal paths; this leads to more expensive power generation. Because of congestion, utility customers pay more money for the energy they use. DOE found that real-time congestion among the major system operators cost in the United States in 2016 cost \$4.8 billion.

Advanced Grid Technologies. HB93 directs public utilities to incorporate advanced grid technologies into system planning processes. The bill defines “advanced grid technology” as hardware or software technology that increases the efficiency, capacity or reliability of existing or new electric transmission and distribution systems, and can include advanced conductors, grid enhancing technologies, and other technologies determined by PRC or FERC that increase efficiency, capacity, and reliability.” Grid enhancing technologies can usually be more quickly deployed than traditional alternatives, such as building new distribution or transmission lines. Two examples of grid enhancing technologies defined in the bill— dynamic line ratings and advanced power flow controllers— allow for more optimal use of the existing infrastructure. In short, dynamic line ratings update the calculated thermal limits of existing transmission lines based on real-time and forecasted weather conditions and, therefore, increase how much energy can transfer across infrastructure. Advanced power flow controllers help balance overloaded lines and underutilized corridors—allowing for more optimal use of the existing infrastructure

Energy, Minerals and Natural Resources Department (EMNRD) notes that dynamic line rating can increase existing transmission capacity by 10 percent to 30 percent. EMNRD writes:

By adjusting transmission line capacity ratings for real-time ambient conditions, dynamic line rating increases existing transmission capacity by 10 to 30 percent versus the static rating methodologies currently used to determine safe transmission ampacity. Ratepayers benefit from the additional capacity unlocked by dynamic line rating, as the technology optimizes the use of infrastructure that is already built and already amortized. This results in significant cost savings by avoiding the need for potentially costly and slow new grid

buildout while also minimizing the curtailment of low-cost renewable energy generation. Dynamic line rating also provides reliability and resiliency benefits by reducing transmission capacity below the static methodology during periods of extreme heat and high winds, a helpful feature when considering ways to mitigate wildfire risk. Existing pilots and deployments of dynamic line rating have already saved electricity customers millions of dollars in avoided/deferred upgrades across the United States and Europe

Integrated Resource Plans. HB93 requires utilities to submit advanced grid technology plans when submitting, if desired, their integrated resource plans (IRPs). As established in PRC rules, IRPs are currently on a 3-year rotation—with PNM having filed their first in 2023, SPS having filed their first in 2024, and EPE’s being due in 2025.

PRC and EMNRD raise concerns over requiring utilities to submit advanced grid technology plans while submitting IRPs. PRC notes that IRPs are non-adjudicative planning dockets with little-to-no express resource approval and no cost approval. As prescribed by HB93, advanced grid technology plans would be adjudicative, potentially contested, require direct and binding approvals, and would require approval on costs and cost recovery. EMNRD also raises concerns over the required timelines established in HB93. EMNRD notes:

[The] current bill does not require advanced grid technology plans to be filed with the PRC ahead of IRPs. Because one objective of the advanced grid technology plan is to optimize utility asset portfolios for least cost, advanced grid technology plans must be filed before the IRP in order to guide the utility in selecting the appropriate amount of additional grid buildout required to support new load plus a reserve margin. For example, if the advanced grid technology plan determines that dynamic line rating can increase the capacity of an existing transmission line, this insight directly impacts the utility’s assessment whether to request that transmission buildout in the IRP.

Additionally, PRC raises concerns over requiring utilities to adhere to certificate of convenience and necessity and location control statutes (Sections 62-9-1 and 62-9-3 NMSA 1978, respectively) when filing advanced technology plans. PRC notes that the required process could introduce significant delay and complexity to filing the plans themselves, and the plan approval process.

Holistic Planning. EMNRD raises concerns over the separation of planning that HB93 could cause. EMNRD argues:

HB93 would create an additional utility filing that effectively separates planning for generation, transmission, and distribution systems into three different processes. Yet, holistic grid planning provides the greatest opportunity for utilities to exploit linkages among these three different bulk power system components to maximize total system efficiency – and can thus also provide a place to plan for storage, a new component on the bulk power system. Consolidating the advanced grid technologies plan with the applications for grid modernization statute and requiring utilities to complete both plans before filing an IRP would better target utility efforts to minimize costs via advanced grid technologies. One solution would be to amend 62-8-13 NMSA 1978 in Section 1 of HB93 instead of creating a new section of Chapter 62, Article 9 NMSA 1978

Cost Recovery. HB93 allows utilities to submit tariff riders or changes in the base rate for approval to recover costs associated with the advanced grid technology plan or project. Typically, general rate cases in New Mexico can take nine months to a year for full review and

approval, depending on complexity, stakeholder input, and the need for hearings or modifications. For filings and approvals for tariff riders, the general timeline is between three months and one year, depending on the type of case, issues being raised, and the number of interveners.

EMNRD also raises concerns that HB93 does not address the incentive issues that discourage utilities from fully leveraging the efficiencies of these technologies. EMNRD notes:

While HB93 outlines methods for recovering costs associated with the deployment advanced grid technology, these methods do not address incentive issues that currently prevent utilities from taking full advantage of the efficiencies that grid enhancing technologies provide. To allow utilities to earn fair compensation from advanced grid technologies, legislators may wish to direct PRC to allow utilities to earn the same rates of return on grid enhancing technologies as they currently earn on capital expenditure projects. Authorizing utilities and/or PRC to propose mechanisms to address incentive issues in addition to cost recovery could improve the efficacy of HB93 in facilitating utility buying for grid enhancing technologies provide adoption. One example of an incentive mechanism that has been proposed to facilitate grid enhancing technologies provide adoption at the federal level is “shared savings,” which returns a defined portion of grid enhancing technologies provide avoided cost benefits to infrastructure owners.

Other. EMNRD notes that distributive cooperates do not own or operate transmission systems, and therefore, cannot deploy most of the defined grid enhancing technologies in HB93. EMNRD writes:

Section 5 of HB93 amends 62-17-11 NMSA relating to distribution cooperative utilities, yet most of the defined advanced grid technologies impact transmission systems, which distribution cooperatives do not own or operate. Most distribution cooperatives in New Mexico are members of larger, interstate generation and transmission cooperatives that fall under federal regulatory jurisdiction.

ADMINISTRATIVE IMPLICATIONS

As noted in the “Fiscal Impact”, HB93 would require additional staff resources to establish rulemaking and analysis and review of the required filings. PRC indicates:

[HB93] would likely require the Commission to initiate rulemaking to establish clear guidelines and processes for utilities to follow when drafting and filing Advanced Grid Technology Plans, as well as initiating rulemaking to amend the current Integrated Resource Plans and Efficient Use of Energy Act rules.

With any additional filing requirements imposed on utilities, the PRC must allocate sufficient staffing resources to ensure adequate analysis, review and, if necessary, adjudicatory process. Such additional obligations will require more staffing at the PRC.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB93 relates to Senate Bill 142 which requires EMNRD to work in consultation with PRC when developing a roadmap to modernize the state’s electric grid.

HB93 also relates to House Bill 13 which requires electric public utilities to develop and file detailed distribution system plans and beneficial electrification plans with PRC.

ALTERNATIVES

PRC notes that the advanced grid technology plans proposed in HB93 may better complement grid modernization programs, as opposed to integrated resource plans. The agency writes:

Advanced grid technology plans complement and enhance grid modernization programs, which also contain cost approval and recovery mechanisms. Therefore, the advanced grid technology plans may be a better fit with the grid modernization programs or the Efficient Use of Energy Act plans instead of integrated resource plans, as they have more similar requirements and purposes.

EMNRD notes that Sections 1 and 2 from HB93 might fit better in Article 62-8 of New Mexico Statute.