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FISCAL IMPACT REPORT

SPONSOR <u>Sen. Muñoz/Rep. Dixon</u>	LAST UPDATED _____
	ORIGINAL DATE <u>1/30/2025</u>
SHORT TITLE <u>Grid Modernization Roadmap</u>	BILL NUMBER <u>Senate Bill 142</u>
	ANALYST <u>Davidson</u>

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
\$100		Recurring	Grid Modernization Grant Fund
\$200		Recurring	Grid Modernization Grant Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

Higher Education Department (HED)
 Public Regulation Commission (PRC)
 Energy, Minerals and Natural Resource Department (EMNRD)

SUMMARY

Synopsis of Senate Bill 142

Senate Bill 142 (SB142) amends language regarding the Grid Modernization Roadmap and Grant Program, requiring the Energy, Minerals and Natural Resources Department (EMNRD) to work in consultation with the Public Regulation Commission (PRC) when developing a roadmap for modernizing the state’s electric grid. The bill adds language allowing EMNRD to consider the speed of project deployment when considering applications for the grant program and allows school districts and charter schools to apply for grants. SB142 amends the definition of grid modernization to include:

- Projects that accommodate or facilitate the integration of “net-zero carbon resources” with the electric distribution grid;
- Construction of increased electric grid distribution capacity and transmission grid infrastructure; and
- Enabling the application of artificial intelligence to identify and find opportunities to reduce or eliminate methane leaks.

The bill defines a “net-zero carbon resource” as “an electricity generation resource that emits no carbon dioxide into the atmosphere or 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”

SB142 appropriates \$100 thousand from the grid modernization grant fund to EMNRD and \$200 from the grid modernization grant fund to PRC for the implementation of the bill for expenditure in fiscal years 2025 and 2026.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The appropriation of \$300 thousand contained in this bill is a recurring expense to the grid modernization grant fund. Although SB142 does not specify future appropriations, establishing funding for program support could create an expectation that the support will continue in future fiscal years; therefore, this cost is assumed to be recurring. Any unexpended or unencumbered balance remaining at the end of FY26 shall revert to the grid modernization grant fund.

SIGNIFICANT ISSUES

The latest assessment [report](#) from the EMNRD’s Energy Conservation and Management Division on the state’s electrical grid noted reliance on the state’s grid is rapidly increasing due to expanded electrification throughout the state and the state’s shift from conventional resources to intermittent renewables. The report also highlighted how the state’s electrical grid, due to accelerating demand outstripping system capacity, is becoming a bottleneck for statewide economic development.

The report states that:

- New Mexico should build on recent smart meter deployments at local utilities to cultivate new markets in demand response and aggregated distributed resources.
- The state’s transmission grid operators should deploy grid-enhancing technologies and utility-scale storage to expand existing capacity and expedite resource interconnection.
- Regulators and industry stakeholders should reexamine current utility incentive structures and design a regulatory framework that is better aligned with the goals of the energy transition.

Analysis from EMNRD states SB142 codifies the already existing relationship between EMNRD and PRC. However, EMNRD analysis did point to definitional issues with SB142, particularly its definition of “net-zero carbon resources.” EMNRD states that the bill’s current definition (see bill summary) would include gas power plants using 90 percent carbon capture. EMNRD asserts that:

Defining gas power generation as a “net-zero carbon resource” is in conflict with the existing definitions and intention within the 2019 Energy Transition Act to define gas power generation as an energy transition element, but not a “net-zero carbon resource,” which implies gas power generation be considered clean energy and at parity with renewable, true zero-carbon power generation. Under the ETA, net-zero carbon resources

were not intended to include natural gas, even with carbon capture. The ETA categorizes natural gas as a transition fuel, meant to phase out over time.

Further, the bill adds “artificial intelligence technology to identify methane leaks” as a project eligible for grants. EMNRD notes such a project would be better suited for the natural gas pipeline grid.

Analysis from the Higher Education Department noted projects related to construction remodels, renovations, or infrastructure improvements go through an approval process that includes green screen requirements, current energy codes, and Leadership in Energy and Environmental Design standards, in addition to other levels of analysis. The agency noted the projects highlighted in the bill would also be subject to similar levels of analysis.

AD/r1/SL2