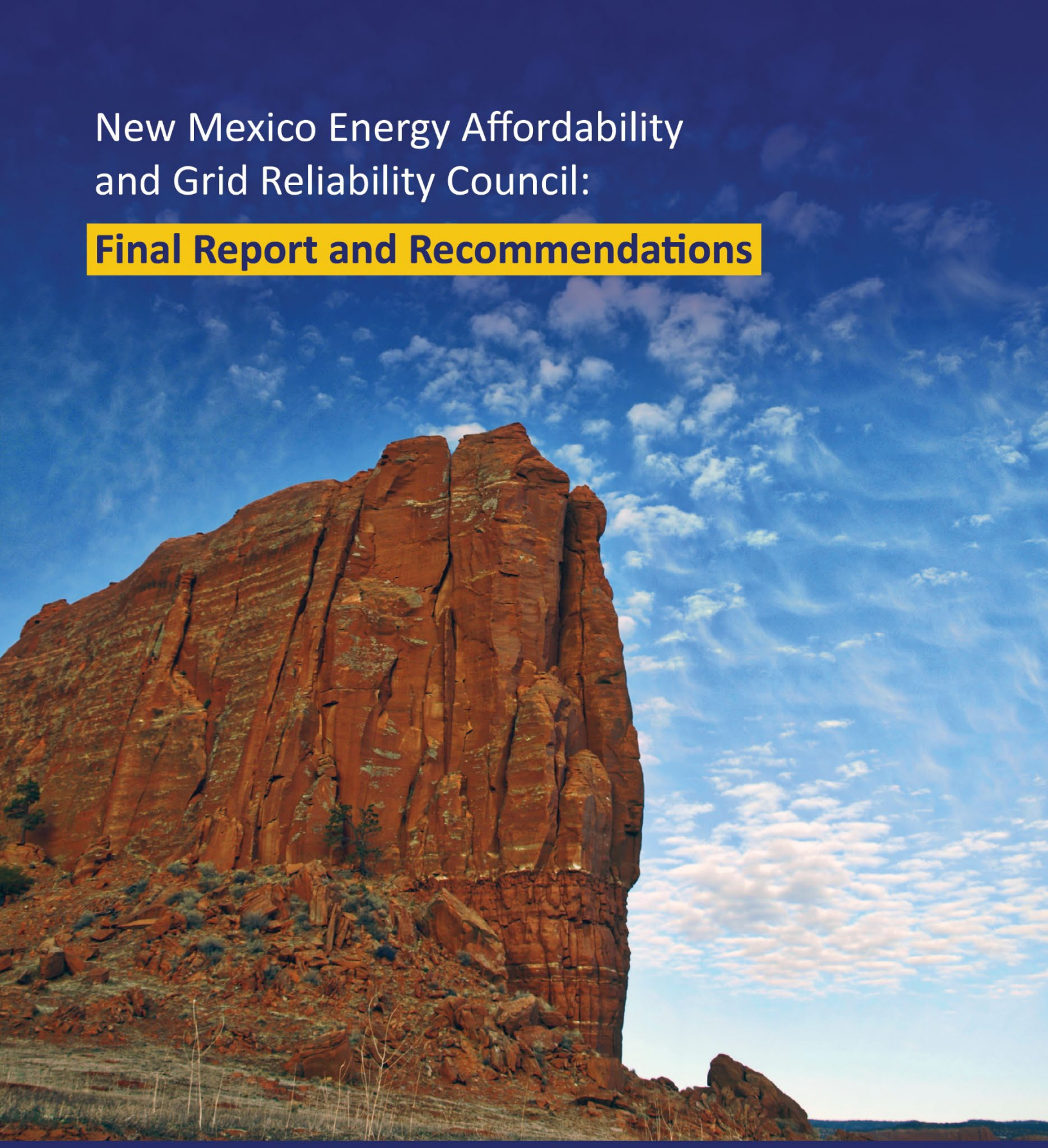
New Mexico Energy Affordability and Grid Reliability Council:

Final Report and Recommendations



November 2026

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Executive Summary

New Mexico's electricity system is entering a period of significant change, which presents challenges for the state. Electricity demand is projected to grow substantially in the coming years from new large loads (e.g., data centers and advanced manufacturing), new electrification of oil and gas operations in the Permian Basin, increased electrification of transportation and buildings, and expansion of other economic activity. The generation, transmission, distribution, storage, and other infrastructure needed to serve this growth is expensive, and risks placing disproportionate cost burdens on residential, rural, Tribal, and small business customers. It can also take years to plan, finance, permit, and build. At the same time, New Mexico is managing a transition to a lower carbon generation mix mandated by the Energy Transition Act (ETA), resource adequacy needs, transmission constraints, and wildfire and extreme weather risks.

One of the hardest planning questions to address is how much new electricity demand will materialize, where it will occur, and when. That uncertainty creates real consequences for planning. Moving too slowly could leave the state without enough capacity or infrastructure to serve credible growth. Moving too aggressively could lead to overbuilding, stranded costs, or higher rates if projected demand does not materialize.

Governor Michelle Lujan Grisham created the New Mexico Energy Affordability and Grid Reliability Council through Executive Order 2026-023 to help the state navigate these changes and challenges. The Council was charged with developing practical legislative, regulatory, and administrative recommendations to protect customers from disproportionate costs, maintain reliable and resilient electric service, advance clean energy progress, support responsible economic development, improve infrastructure planning and financing, and make permitting more coordinated and predictable. The Council's work was grounded in the recognition that affordability, reliability, economic development, and clean energy progress cannot be considered in isolation: success in one area cannot come at the expense of the other areas without weakening the overall system.

Although average residential electricity rates and bills in New Mexico compare favorably with many other states, energy affordability remains a serious concern for many low-income, rural, and Tribal households. Lower comparative rates and bills do not mean electricity is affordable for all households. Low-income, rural, and Tribal populations in New Mexico face significant energy burdens. These households often have less efficient housing, higher energy use per square foot, and less ability to absorb bill increases. Capital investment, financing costs, wildfire mitigation, aging infrastructure, reliability improvements, and clean energy compliance can all affect customer bills. The Council therefore emphasized that decisions about growth and modernization should consider who causes costs, who benefits from investments, and who bears the financial and reliability risks.

The Council also recognized that large loads are not all alike. Their infrastructure needs, economic contributions, operating characteristics, and potential to provide flexibility can differ substantially. Those differences matter when the state considers planning, cost allocation, incentives, and infrastructure investment.

New Mexico's response builds on policies and programs advanced during Governor Lujan Grisham's administration. The state already has important policies, regulatory processes, utility planning tools, customer assistance and energy efficiency programs, wildfire mitigation efforts, and clean energy and grid modernization initiatives in place. For example, the New Mexico Public Regulation Commission (PRC) oversees utility planning, rates, and customer protections; utilities regularly assess future resource needs; the 2019 ETA strengthened renewable energy requirements and established zero carbon electricity requirements and targets for investor-owned utilities (IOUs) and rural electric cooperatives (co-ops); and PRC's Large Load Tariff Working Group is examining protections associated with new large loads. The Council's recommendations are intended to build on this work while addressing gaps and new pressures as the electricity system evolves.

The Council's recommendations are organized around four complementary areas of action:

- **Ratepayer protection.** Growth can bring investment, jobs, tax revenue, and additional system revenue, but those benefits should not come at the expense of existing customers. The Council's recommendations focus on improving large-load planning and customer protections, appropriately allocating costs and financial risks, and encouraging development that provides measurable benefits to the state. Ratepayer protection also extends beyond large loads. This report addresses broader rate and financing pressures, household energy burden, energy-efficient housing, and opportunities to improve use of existing customer assistance programs.
- **Grid modernization and reliability.** Meeting future electricity needs will require both prudent investment in new infrastructure and more effective use of existing grid assets. The Council's recommendations address technologies and flexible resources that can increase grid utilization or reduce peak demand, strategies for strengthening wildfire resilience, and financing and technology development approaches that can support modernization without imposing unnecessary long-term costs on customers.
- **Clean energy progress.** New Mexico's transition toward a zero carbon electricity system remains a central objective, but affordability and reliability must remain part of the equation. The Council's recommendation seeks greater flexibility in how clean energy requirements can be met while preserving the state's long-term clean energy progress.
- **Permitting efficiency.** Fragmented or unpredictable permitting and regulatory processes can make it difficult to deploy new infrastructure in a timely manner. The Council's recommendations seek better coordination among permitting authorities, clearer and more predictable processes, and greater focus on strategically important projects that benefit New Mexico. Permitting efficiency, however, does not simply mean faster approvals. Environmental review, Tribal consultation, public participation, and other regulatory safeguards remain important parts of the process.

The Council's recommendations reflect a structured and deliberative process. The Council met six times between May and October 2026, with additional focused sessions, and used working groups, technical presentations, questionnaires, background research, and iterative review to develop and refine recommendations. The process included input from state agencies, utilities, consumer and community advocates, technical experts, and other stakeholders.

The report ultimately points toward a practical balance. New Mexico can accommodate beneficial growth and continue modernizing its electric system, but doing so will require prudent investment; efficient use of existing infrastructure; careful assignment of costs and risks; greater use of cost-effective and flexible solutions; and stronger coordination among agencies, regulators, utilities, communities, and the private sector. The Council's recommendations are intended to build on work already underway and provide a framework for protecting customers while maintaining reliable service, strengthening resilience, advancing clean energy objectives, and supporting long-term economic opportunity.

Acronyms and Abbreviations

CCN	Certificate of Public Convenience and Necessity
CEO	chief executive officer
co-op	cooperative
DER	distributed energy resource
DOE	U.S. Department of Energy
DWS	New Mexico Department of Workforce Solutions
EDD	New Mexico Economic Development Department
EIA	U.S. Energy Information Administration
EMNRD	New Mexico Energy, Minerals and Natural Resources Department
EPE	El Paso Electric
ETA	Energy Transition Act
FERC	Federal Energy Regulatory Commission
GET	grid-enhancing technology
GWh	gigawatt-hour
HVAC	heating, ventilation, and air conditioning
IOU	investor-owned utility
IRP	integrated resource plan
kWh	kilowatt-hour
LEDA	Local Economic Development Act
NMFA	New Mexico Finance Authority
NMSA	New Mexico Statutes Annotated
PNM	Public Service Company of New Mexico
PRC	New Mexico Public Regulation Commission
R&D	research and development
RETA	New Mexico Renewable Energy Transmission Authority
RPS	renewable portfolio standard
RTO	regional transmission organization
SIC	New Mexico State Investment Council
SPP	Southwest Power Pool
SPS	Southwestern Public Service Company
TOU	time-of-use
USDA	U.S. Department of Agriculture
WMP	wildfire mitigation plan

How to Read This Report

This report is organized as follows:

- **Summary of Council Recommendations.** This section presents a concise summary of the Council's recommendations across four topic areas:
  - Ratepayer protection
  - Grid modernization and reliability
  - Clean energy progress
  - Permitting efficiency
- **Introduction.** The introduction presents the purpose of this report; the creation and charge of the Council; and affordability, reliability, economic development, and clean energy as interconnected goals.
- **New Mexico's Electricity System: Current Conditions and Emerging Challenges.** This section describes the current structure and condition of New Mexico's electricity system, including generation resources, electricity demand, utility service territories and governance, transmission and distribution infrastructure, state policy, and electricity rates and affordability. It also examines emerging challenges, including uncertain load growth, infrastructure needs, resource adequacy, wildfire risk, clean energy implementation, siting and permitting, and potential cost impacts on customers, that frame the report's recommendations.
- **Council Recommendations.** Four chapters present the Council's recommendations by topic area:
  - **Ratepayer Protection.** This chapter presents the Council's recommendations to ensure that large-load growth, including but not limited to data centers, does not shift costs or financial risks related to serving large loads onto other customers.
  - **Grid Modernization and Reliability.** This chapter presents the Council's recommendations to enable prudent infrastructure investment while minimizing long-term rate escalation.
  - **Clean Energy Progress.** This chapter presents the Council's recommendation to seek greater flexibility in how clean energy requirements can be met while preserving the state's long-term clean energy progress.
  - **Permitting Efficiency.** This chapter presents the Council's recommendations to improve state and local permitting processes for electricity infrastructure without compromising environmental review, Tribal consultation, or other regulatory safeguards.

    Each recommendation includes a summary of key actions, a statement of the problem that the recommendation is intended to solve, key parties and implementation steps, potential benefits and drawbacks, and resource requirements. The last section of each recommendation identifies whether it was approved by full consensus (13 of 13 Council members) or near consensus (10–12 out of 13) and provides space for alternative viewpoints offered by Council members who voted "no" or offered a qualified "yes."

    The Council's recommendations are advisory. Any changes to existing agency authorities may require the appropriate legislative or regulatory processes, with involvement from affected agencies and Tribal governments as applicable.

- **Conclusion.** The conclusion reiterates key challenges and opportunities facing New Mexico, reinforces the importance of coordinated action, and summarizes the Council's recommended path forward.

These recommendations are advisory. Any changes to existing agency authorities may require the appropriate legislative or regulatory process, with involvement from affected agencies and Tribal governments, as applicable.

- **Appendices.**
  - Appendix A presents the executive order that established the New Mexico Energy Affordability and Grid Reliability Council.
  - Appendix B lists the members of the New Mexico Energy Affordability and Grid Reliability Council.
  - Appendix C describes the process and methodology for the Council's deliberations and development of recommendations.
  - Appendix D presents the Council's meeting schedule and topics discussed in each meeting.
  - Appendix E presents a full list of the Council's recommendations.
  - Appendix F provides a connection to New Mexico's Comprehensive Energy Transition Strategy, which was developed and released concurrently with this Council's report.

Summary of Council Recommendations

The New Mexico Energy Affordability and Grid Reliability Council developed 22 recommendations across four topic areas: ratepayer protection, grid modernization and reliability, clean energy progress, and permitting efficiency. These recommendations are summarized in Table 1.

Table 1. Summary of the New Mexico Energy Affordability and Grid Reliability Council's recommendations.

Recommendation	Problem Addressed	Lead Entity	Expected Benefit(s)
A. Ratepayer Protection			
A-1: Enact legislation that establishes statewide large-load development principles and ratepayer protections	Large-load development can bring investment, employment, tax revenue, and additional utility revenues, but can also require significant infrastructure investment. If projects are speculative, delayed, downsized, or terminated before utility commitments are recovered, existing customers may face stranded-cost or repayment risks.	New Mexico Legislature	Affordability, reliability and resilience, and economic development
A-2: Support continued development of a large-load tariff and framework for customer protection proposed by the New Mexico Public Regulation Commission's Large Load Tariff Working Group	Large-load customers can bring investment, jobs, tax base, and additional utility revenues that may contribute toward fixed system costs, but they can also require substantial generation, transmission, distribution, and other infrastructure investment. If projected load is delayed, substantially reduced, or never materializes—or if a customer defaults or leaves before utility investments are recovered—residential, small business, and other existing customers may face stranded-cost or cost-shifting risks.	PRC	Affordability, reliability and resilience, and economic development
A-3: Authorize the New Mexico Public Regulation Commission to establish a framework to incentivize verifiable large-load demand flexibility	Large loads can materially increase system demand and may contribute to the need for additional electric capacity, transmission, and distribution investments. Some investments serve primarily to keep the grid operational during periods of peak demand, so reducing peak demand can obviate the need for certain costly investments. Some large-load customers may be able to help in this effort, as they can reduce or shift grid consumption during specified critical periods through operational changes, storage, behind-the-meter resources, or other means.	New Mexico Legislature	Affordability, reliability and resilience, and economic development

Recommendation	Problem Addressed	Lead Entity	Expected Benefit(s)
A-4: Require utilities to model flexible large-load scenarios	Large-load growth can materially affect generation, transmission, distribution, and resource-adequacy needs, but the timing, magnitude, and operating characteristics of new loads are uncertain. Treating all projected large loads as fully firm and inflexible may overstate future infrastructure needs, while assuming flexibility that cannot be reliably delivered could create reliability risks.	PRC	Affordability, reliability and resilience, and economic development
A-5: Develop benefit criteria and partnership incentives for large-load development	Large-load projects can require substantial electric infrastructure while also bringing significant private capital, jobs, tax revenue, and opportunities to support grid modernization and emerging technologies. New Mexico can use discretionary economic development incentives, site readiness programs, and public-private partnerships to favor projects that provide additional measurable benefits.	New Mexico Legislature; New Mexico Economic Development Department (EDD)	Affordability, reliability and resilience, and economic development
A-6: Implement alternative rate designs	Flexible, innovative rate design has the potential to lower customer bills, provide appropriate incentives to utilities, and attract new capital investment. New Mexico should continue to enhance the availability of alternative rate designs to all electric distribution companies with options such as infrastructure riders, time-of-use (TOU) rates, load flexibility, cost causation reassignment, performance-based rates, and savings sharing mechanisms.	PRC	Affordability, reliability and resilience, and economic development
A-7: Broaden availability of energy infrastructure securitization	New Mexico faces substantial infrastructure investment needs to maintain reliability, improve resilience, modernize the grid, and meet state energy requirements. Traditional utility cost recovery can require customers to bear financing costs over the life of major investments. Securitization can give utilities access to lower-cost financing by using dedicated, non-bypassable customer charges to support highly rated bonds, potentially reducing financing costs or moderating near-term rate impacts compared with traditional utility financing.	New Mexico Legislature	Affordability, reliability and resilience, and economic development

Recommendation	Problem Addressed	Lead Entity	Expected Benefit(s)
A-8: Develop a coordinated energy-efficient housing strategy	New Mexico's rural housing stock needs significant improvement for health and safety, utility affordability, comfort, and energy efficiency. Coordinated planning, assistance, and standards for improving energy efficiency across all housing stock have the potential to simultaneously address multiple problems affecting local communities' well-being.	New Mexico Energy, Minerals and Natural Resources Department (EMNRD); New Mexico Department of Workforce Solutions (DWS)	Affordability, reliability and resilience, economic development, and environmental sustainability
A-9: Increase utilization of existing consumer assistance programs and resources to help vulnerable populations reduce energy burden	The efficiency and scale of benefits of existing electric utility programs can be improved by increasing their utilization. Substantial barriers exist to program utilization, including lack of internet, lack of English language proficiency, and lack of background knowledge.	EMNRD; PRC	Affordability and environmental sustainability
B. Grid Modernization and Reliability			
B-1: Promote cost-effective regional coordination and market participation	New Mexico's power grid is fragmented rather than being coordinated centrally or regionally like the power grids in many other states. Participation in regional markets and coordinating bodies could offer new efficiencies by centralizing some planning and operations, pooling resources, and optimizing for least cost by taking advantage of regional transfer capability and competitive procurement. However, there can also be financial and operational downsides to joining a regional organization. This recommendation calls for analysis to compare the benefits and costs in each case.	PRC; IOUs	Affordability, reliability and resilience, and economic development
B-2: In addition to expanding the transmission grid, increase utilization of existing transmission via grid-enhancing technologies	Serving expanded loads and adding new generation resources to different parts of the grid will require investment in additional transmission capacity. Ratepayers will bear the cost of these investments. One way to reduce such costs is by applying established and emerging technologies that make it possible to transmit more power through existing transmission infrastructure.	PRC; IOUs as transmission owners	Affordability, reliability and resilience, and economic development

Recommendation	Problem Addressed	Lead Entity	Expected Benefit(s)
B-3: Require utilities to report regularly and apply metrics on grid asset utilization	Utilities and regulators need consistent information on how effectively existing grid infrastructure is being used before determining where additional investment is necessary. Without comparable information on infrastructure use at appropriate system, feeder, and substation levels, it can be difficult to identify constrained assets, available capacity, or opportunities to improve the use of existing infrastructure.	IOUs; EMNRD; PRC	Affordability, reliability and resilience, and economic development
B-4: Establish a statewide large-load information portal	Information about prospective large-load development is distributed among utilities, state agencies, economic development programs, and individual project processes. This fragmentation can make it difficult for regulators, utilities, state planners, communities, and the public to understand the aggregate level and geographic distribution of potential demand, distinguish committed projects from speculative requests, or identify when the same project may be represented in multiple utility planning pipelines.	EMNRD	Affordability, reliability and resilience, and economic development
B-5: Support buildout of battery storage and distributed energy resource aggregations	New storage and distributed energy resource (DER) aggregation resources have the potential to reduce costly peak energy demand, thereby lowering customer rates and bills. Providing utilities with incentives for optimal storage and DER aggregation siting, and providing utility customers with tax incentives for storage employment can boost storage capacity on the grid and lower peak demand behind the meter.	PRC; New Mexico Legislature	Affordability, reliability and resilience, economic development, and environmental sustainability
B-6: Mitigate wildfire risks through funding mechanisms, insurance affordability, liability protections, vegetation management authority, and coordination across agencies and utilities	Wildfire mitigation requires ongoing policy support, including wildfire funding mechanisms, insurance affordability, liability protections, vegetation management authority, and coordination across agencies and utilities. Proactive action on wildfire management seeks to pay protective costs now to prevent ratepayers from paying higher costs later.	New Mexico Legislature; IOUs and co-ops; PRC; EMNRD	Affordability, reliability and resilience, economic development, and environmental sustainability

Recommendation	Problem Addressed	Lead Entity	Expected Benefit(s)
B-7: Create and fund a New Mexico Energy Fund to provide low- or no-cost funding for electric utilities to invest in energy and infrastructure projects and programs that bring benefits to the state	IOUs, co-ops, and municipal utilities currently might not propose or implement certain projects that would bring benefit to the state due to a lack of financing or excessive cost of capital investment. State-backed loans would lower the cost of borrowing for IOUs and co-ops.	New Mexico Legislature; PRC	Affordability, reliability and resilience, economic development, and environmental sustainability
B-8: Establish a state-backed transmission and emerging energy infrastructure finance facility through the New Mexico Finance Authority	Alternative financing opportunities are necessary to stimulate investment in transmission and emerging energy infrastructure. A state-backed financing facility can bolster financing available from private sources and expand the set of businesses and other entities fostering new energy infrastructure in New Mexico.	New Mexico Finance Authority (NMFA)	Affordability, reliability and resilience, and economic development
B-9: Replicate aspects of the federal Transmission Facilitation Program and other innovative public-private transmission equity finance models	New transmission infrastructure is essential to advance New Mexico's energy, energy affordability, and economic development goals. The need is large, with recent studies pointing to a statewide cost of several billion dollars. Public-private financing and other innovative finance models have the potential to stimulate investment in large-scale transmission development in the near term.	New Mexico Renewable Energy Transmission Authority (RETA), or another designated state entity	Affordability and environmental sustainability
B-10: Establish a state investment and utility partnership pathway to support emerging energy technologies	Promising energy technologies can face a gap between research, pilot-scale demonstration, and commercial deployment because utilities, investors, and customers may be reluctant to bear the technical, financing, regulatory, and performance risks of first-of-a-kind projects. A coordinated program could help energy storage, advanced geothermal, fuel cells, and other technologies demonstrate performance in real-world settings while assigning early-stage risk to the parties best positioned to bear it.	EDD; PRC; New Mexico State Investment Council (SIC); participating IOUs and co-ops	Affordability, reliability and resilience, economic development, and environmental sustainability

Recommendation	Problem Addressed	Lead Entity	Expected Benefit(s)
C. Clean Energy Progress			
C-1: Clarify the Renewable Portfolio Standard and evolve it to a technology-neutral zero carbon standard with more pathways to compliance	This recommendation honors and retains the ETA's ultimate goal of decarbonizing New Mexico's electric power grid, and it enhances affordability and reliability by allowing utilities to choose from a broader array of zero carbon technologies to meet that goal. With the proposed switch to a technology-neutral standard, utilities will have more flexibility to choose the lowest-cost technologies to meet their zero carbon goals—including emerging technologies that might not have been considered viable when the 2019 ETA was written.	New Mexico Legislature	Affordability, reliability and resilience, economic development, and environmental sustainability
D. Permitting Efficiency			
D-1: Create a state-level infrastructure permitting council	Energy infrastructure permitting typically requires permissions from multiple entities that, at present, do not sufficiently coordinate to make the permitting phase smooth, quick, or least cost. Coordination across state agencies involved in permitting would identify and correct gaps and barriers to optimal permitting implementation.	Governor's Office	Affordability, reliability and resilience, and economic development
D-2: Prioritize permitting of strategically important projects benefitting New Mexico	The permitting phase of energy infrastructure development is often both lengthy and costly, with substantial competition among projects seeking rapid review and permissions. Standards for prioritization of permitting set by the New Mexico Legislature would ensure that permitting queues are ordered such that projects providing the greatest benefits to residents and businesses are first in line for review. New energy infrastructure has the potential to achieve multiple state goals simultaneously. Without a structure in place to ensure that delivering benefits to New Mexico is a top priority, projects that fail to put key opportunities for synergy to work may be given preference.	New Mexico Legislature	Affordability, reliability and resilience, and economic development



Chapter 1: Introduction

1.1 Purpose of the Report

New Mexico's electricity system is entering a period of significant change, and the state faces a complex set of questions to navigate this evolving landscape. Multiple factors are shaping energy demand growth, including electrification of transportation and buildings, industrial and manufacturing activity, electrification of oil and gas operations in the Permian Basin and in other industrial processes, and data centers. At the same time, the state's electricity generation mix is changing as state and federal policies, market forces, and other factors drive growth in renewable resources and storage, while older fossil fuel resources retire or approach the end of their useful lives.

These changes underscore the importance of grid modernization. In addition to new infrastructure investment, a modern grid enables more efficient use of existing assets through new technologies that shift demand, avoid or defer traditional upgrades, and provide improved visibility into real-time system conditions. The purpose of modernization is to improve service reliability, enhance system resilience, and ensure energy affordability for New Mexicans as the grid evolves by taking advantage of new efficiencies.

As electricity demand grows, the state must maintain reliable and resilient electric service, protect customers from unreasonable or disproportionate cost impacts, manage wildfire and extreme weather risks that are increasing because of climate change, and protect New Mexico for future generations by continuing the state's bold transition to clean, carbon-free energy. These issues are interconnected: decisions about generation, transmission, distribution, storage, permitting, large-load interconnection, and utility cost recovery can affect customer affordability, system reliability, economic development, and environmental sustainability.

This report is the final product of the New Mexico Energy Affordability and Grid Reliability Council, established through Executive Order 2026-023 by Governor Michelle Lujan Grisham.[1] The report identifies major challenges facing the state's electricity system and presents recommendations for state leaders, regulators, utilities, agencies,

[1] Creating the New Mexico Energy Affordability and Grid Reliability Council, Executive Order 2026-023 (2026). https://www.governor.state.nm.us/wp-content/uploads/2026/04/Executive-Order-2026-023.pdf.

and other stakeholders that will help ensure energy remains affordable and reliable in New Mexico while continuing to create economic opportunity for New Mexicans and protect the environment.

1.2 Council Creation and Mandate

Executive Order 2026-023 identifies several conditions that led to creation of the New Mexico Energy Affordability and Grid Reliability Council, and it charges the Council with a broad mandate, including:

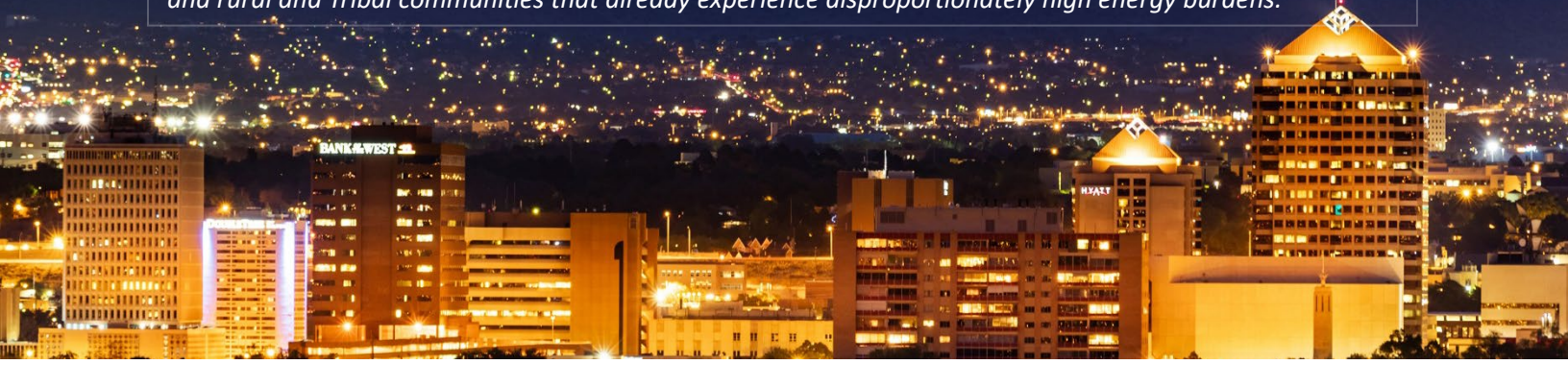
- Evaluating strategies to protect residential, rural, Tribal, and small business customers from being disproportionately burdened by capital investments needed to meet growing energy demand.
- Recommending affordable rate design approaches.
- Assessing financing and project delivery mechanisms.
- Advancing zero carbon electricity generation and storage.
- Balancing cost containment, reliability, emissions reduction, economic development, and grid sustainability.
- Improving transparency in infrastructure investment planning.
- Evaluating opportunities to streamline permitting while preserving environmental review, Tribal consultation, public transparency, and regulatory safeguards.

The executive order directed the Council to develop clear legislative, regulatory, or administrative recommendations. As such, this report is intended to provide a practical basis for action.

Central Problem Statement Addressed by the New Mexico Energy Affordability and Grid Reliability Council

The Council developed the following central problem statement to guide the development of recommendations presented in this report:

New Mexico must meet growing electricity demand and modernize its electric system while maintaining reliable service, enhancing system resilience, ensuring energy affordability, meeting clean energy requirements, and supporting responsible economic development. The central challenge is how to plan, finance, and deliver the necessary infrastructure with greater transparency, coordination, and accountability without shifting unreasonable costs or risks to customers, particularly low-income households and rural and Tribal communities that already experience disproportionately high energy burdens.



1.3 Interconnected Goals

The Council's work was grounded in the recognition that affordability, reliability, economic development, and clean energy progress cannot be considered in isolation. As shown in Figure 1, these goals can be considered the four legs of a stool: success in one goal cannot come at the expense of the other goals without weakening the overall system. For example:

- A strategy that supports economic development but shifts costs to existing customers could undermine affordability.
- A strategy that minimizes near-term costs but delays needed reliability or resilience investments could increase long-term risk.
- A strategy that advances clean energy goals without sufficient attention to resource adequacy, transmission, storage, and dispatchable capacity could create reliability and cost challenges.

Well-planned investments in modern grid infrastructure, flexible loads, storage, and transparent cost allocation are needed to help New Mexico pursue these goals together.

Figure 1. Balancing New Mexico's energy goals: the four-legged stool.





Chapter 2:

New Mexico's Electricity System: Current Conditions and Emerging Challenges

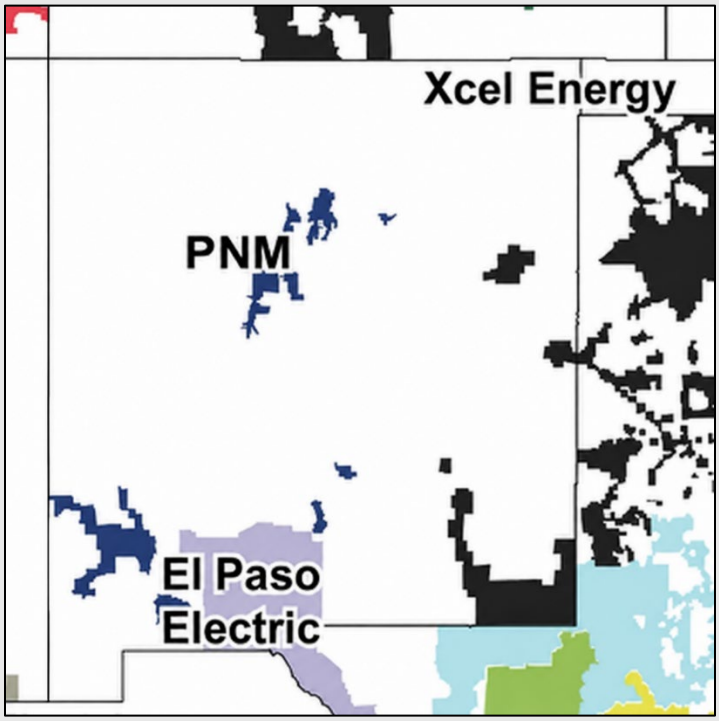
2.1 Current Conditions

2.1.1 Utilities Serving New Mexico

New Mexicans get their electricity from a mix of IOUs, rural electric co-ops, municipal utilities, and Tribal utilities. The three major IOUs are the Public Service Company of New Mexico (PNM), Southwestern Public Service Company (an Xcel Energy company) (SPS), and El Paso Electric (EPE). The three IOUs serve the majority of customers in the state, totaling approximately 788,000 customer accounts.

New Mexico is also served by 19 distribution electric co-ops and two generation and transmission co-ops. The co-ops serve approximately 218,500 customer accounts. Several New Mexico municipalities run their own electric utilities, including Aztec, Farmington, Gallup, Los Alamos County, Raton, Springer, and Truth or Consequences. Additionally, parts of New Mexico are served by Tribally owned or operated electric utility authorities, separate from the co-ops counted above, including the Navajo Tribal Utility Authority, the Jicarilla Apache Nation Power Authority, and the Pueblo of Acoma Utility Authority. Figure 2 and Figure 3 present service territory maps of New Mexico's IOUs and co-ops, respectively.

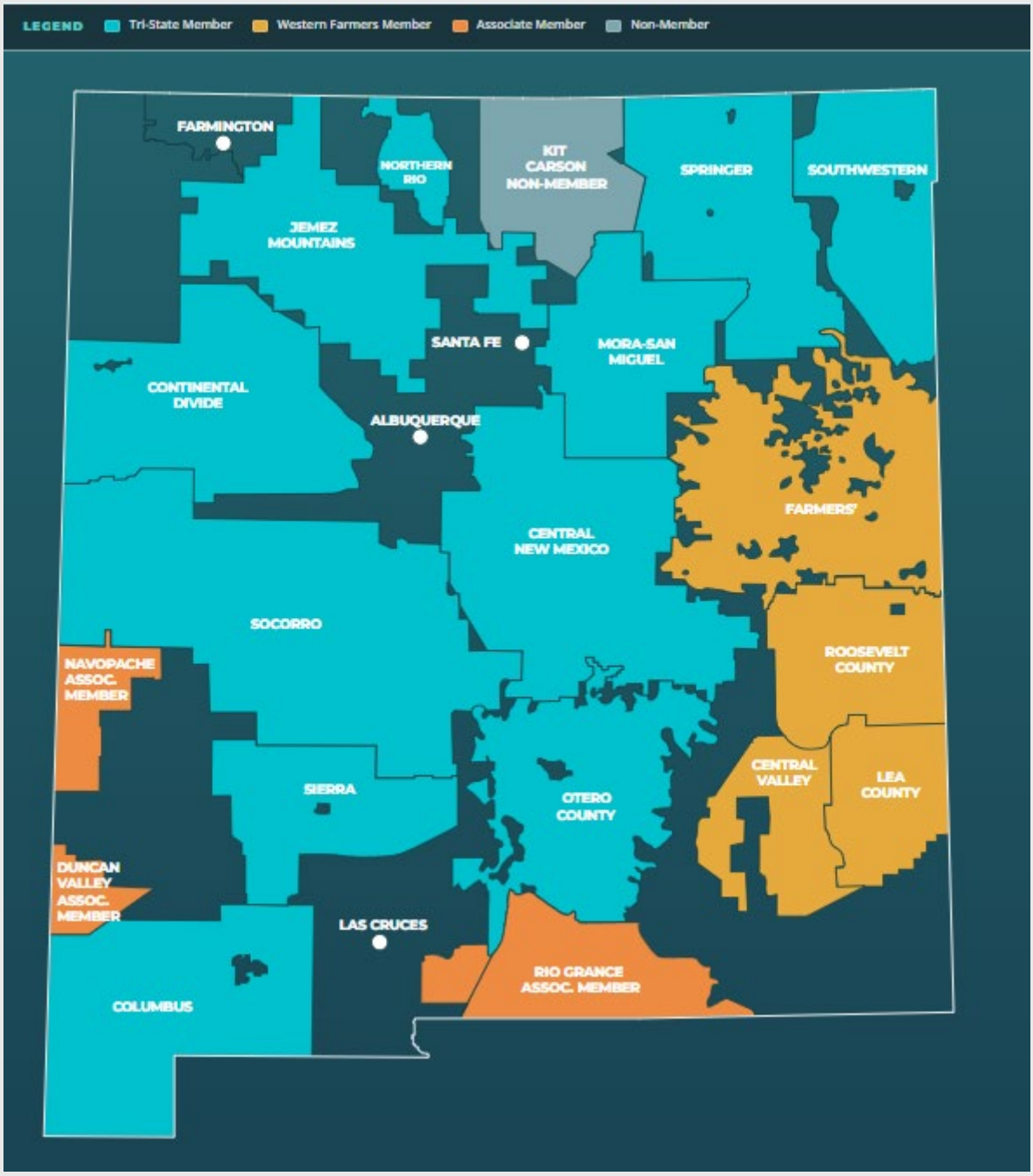
Figure 2. Service territory of New Mexico's IOUs.



Source: Edison Electric Institute.[2]

[2] Edison Electric Institute, *EEI U.S. Member Company Service Territories* (2024). https://www.eei.org/-/media/Project/EEI/Documents/About/EEI-Member-Map.pdf.

Figure 3. Service territory of New Mexico's electric co-ops.



Source: New Mexico Rural Electric Cooperative Association.

Ownership, governance, regulation, customer density, and cost recovery can differ substantially between different types of utilities. IOUs are shareholder owned, and their rates are regulated by PRC. Co-ops are nonprofit and member owned; they serve most of New Mexico's land area, often in rural areas with fewer customers per mile of line. Municipal and Tribal utilities have different governance structures and are regulated differently from IOUs.

When developing recommendations, the Council considered utility diversity. A policy option that works for an IOU might not apply the same way to a co-op, municipal utility, or Tribal utility authority. Likewise, rural and Tribal communities face different affordability, infrastructure, and resilience challenges from higher-density urban areas.

2.1.2 Electricity Generation in New Mexico

New Mexico's electricity generation mix is diverse and changing. In 2025, wind was the largest electricity generation resource in New Mexico, accounting for 36.5 percent of the state's annual generation. Wind is followed by resources like natural gas, coal, and solar. The remaining generation came from smaller shares of hydroelectric, geothermal, biomass, petroleum, and other resources.[3]

Renewable resources make up a larger share of generation in New Mexico (52.9 percent) than in the United States as a whole (23.9 percent)[4] and are expected to grow as the state works to meet future renewable energy goals established by the 2019 ETA.[5] New Mexico is also a net exporter of electricity, meaning the state generates more electricity than it consumes within its borders in aggregate. As a net exporter of electricity, New Mexico's planning challenge includes aligning generation, transmission capacity, and customer demand so electricity is available where and when it is needed.

Since 1990, the share of generation from wind, natural gas, and solar has increased, while the share from coal has dropped significantly, as shown in Figure 4.

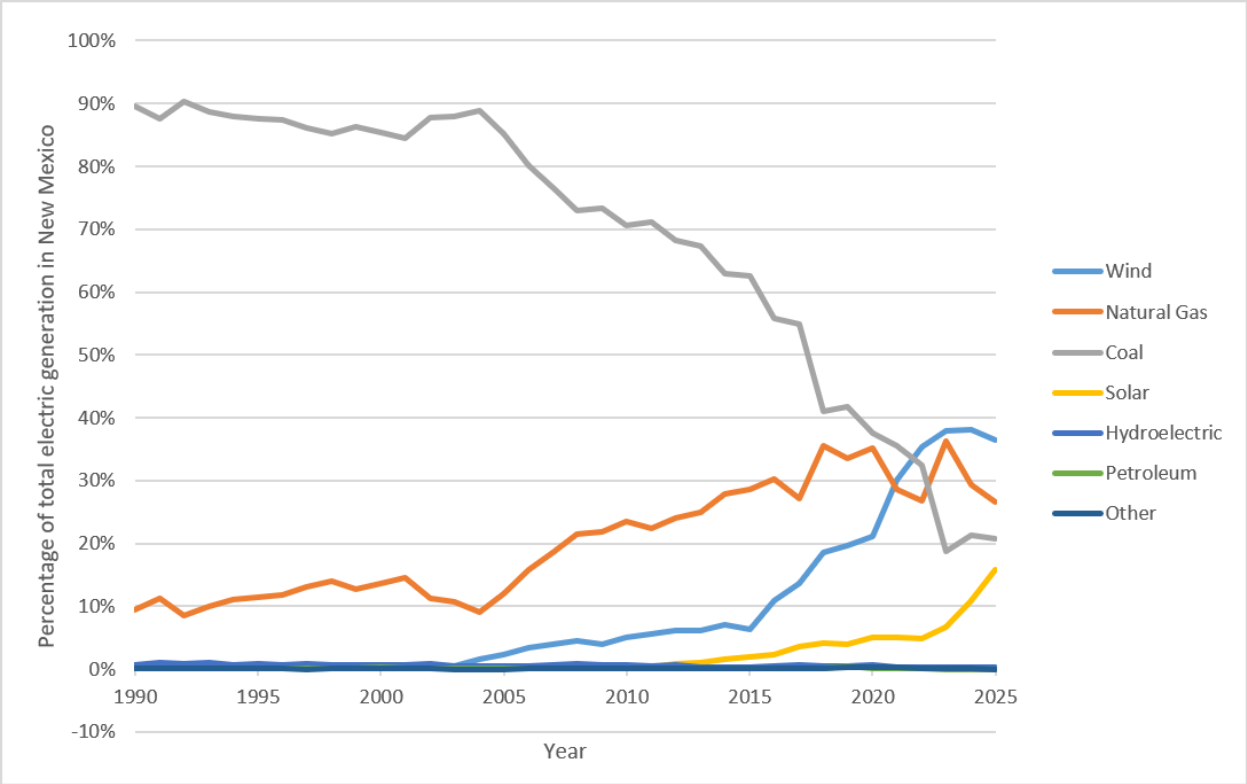
[3] U.S. Energy Information Administration (EIA), *EIA-923 Power Plant Operations Report* (2026). Net generation by state by type of producer by energy source (EIA-906, EIA-920, and EIA-923). https://www.eia.gov/electricity/data/state/.

[4] EIA, *EIA-923 Power Plant Operations Report* (2026). Net generation by state by type of producer by energy source (EIA-906, EIA-920, and EIA-923). https://www.eia.gov/electricity/data/state/.

[5] The ETA establishes the following requirements:

- By 2030: At least 50% of electricity supplied by IOUs and rural electric co-ops must come from renewable energy resources.
- By 2040: At least 80% of electricity supplied to consumers by IOUs must be from renewable energy resources.
- By 2045: 100% of electricity supplied to consumers by IOUs must be from zero carbon resources.
- By 2050: 100% of electricity supplied to consumers by rural electric co-ops be from zero carbon resources, composed of at least 80% renewable energy; provided that (1) achieving the target is technically feasible; (2) providing reliable electric service while implementing the target is feasible for rural electric co-ops; and (3) implementing the target will not cause electric service to become unaffordable.

Figure 4. New Mexico electric generation by source (1990–2025).



Source: EIA.[6]

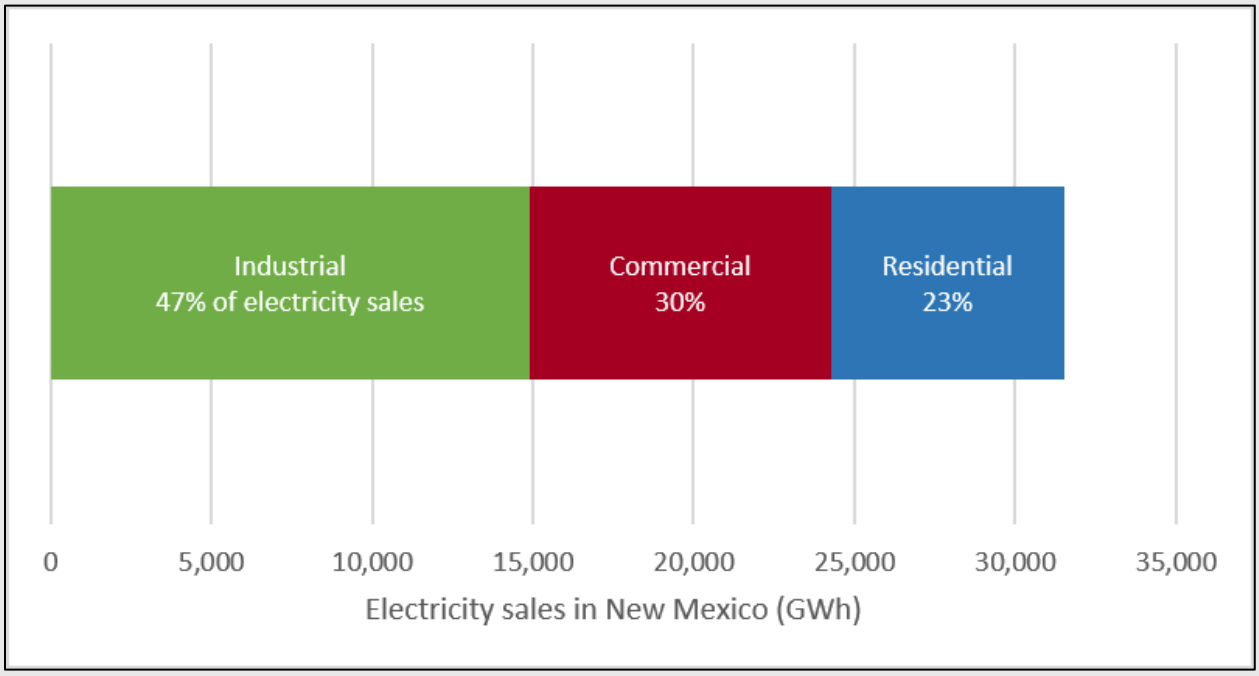
Some existing coal- and gas-fired power plants in the state are scheduled for retirement, while utility resource plans have identified substantial additions of renewable resources, storage, dynamic balancing resources, and firm generation over time. This transition creates both opportunities and planning challenges. New resources can reduce emissions and diversify supply, but they must be integrated in a way that preserves reliability, manages costs, and provides sufficient capacity when customers need electricity.

2.1.3 Electricity Demand and End Uses

New Mexico's electricity demand comes from residential, commercial, and industrial customers (Figure 5). In 2025, industrial customers accounted for nearly half of electricity sales (47 percent), followed by commercial (30 percent) and residential (23 percent) customers.[7]

[6] EIA, *EIA-923 Power Plant Operations Report* (2026). Net generation by state by type of producer by energy source (EIA-906, EIA-920, and EIA-923). Date range: 1990–2025. https://www.eia.gov/electricity/data/state/.
[7] EIA, *EIA-861 Annual Electric Power Industry Report* (2026). Annual sales to ultimate customers by state and sector. https://www.eia.gov/electricity/data/state/.

Figure 5. Total electricity sales by customer type (2025).



Source: EIA.[8]

Future energy demand is expected to grow, but the scale, timing, and location of that growth remain uncertain. New Mexico's three major IOUs are all evaluating significant load growth scenarios, including growth from data centers, manufacturing, electrification of oil and gas operations and in other industrial processes, transportation electrification, and broader economic development. Because major utility infrastructure can take years to plan, permit, and build, utilities and regulators must make planning decisions before all future load is certain.

This uncertainty is one of the central challenges across the country, including in New Mexico. Planning too slowly could leave the state without sufficient capacity, transmission, or distribution infrastructure to serve credible growth. Planning too aggressively could lead to overbuilding, stranded costs, or rate impacts if projected load does not materialize.

2.1.4 Transmission, Distribution, and Dispatch Coordination

New Mexico's transmission and dispatch context is geographically and institutionally complex. Most of New Mexico is in the Western Interconnection, while eastern and southeastern New Mexico are tied to the Eastern Interconnection through the Southwest Power Pool (SPP). Most of the state is not served by an independent system operator or regional transmission organization (RTO) that centrally dispatches all generation and transmission.

Transmission and distribution constraints matter because generation, grid capacity, and demand (i.e., load) are not always located in the same place. New generation infrastructure may be built where wind, solar, geothermal, land, or fuel resources are available (and near existing interconnections), while new large loads will likely be located where land, resource inputs (including water), economic incentives, and customer needs align. Connecting these

[8] EIA, *EIA-861 Annual Electric Power Industry Report* (2026). Annual sales to ultimate customers by state and sector. https://www.eia.gov/electricity/data/state/.

resources and loads requires transmission upgrades, substations, distribution capacity, interconnection studies, and coordinated planning.

2.1.5 Role of State Policy, Regulation, and Utility Planning

New Mexico's IOUs are vertically integrated—meaning they generate and transmit electricity in addition to distributing it to customers—and are regulated by PRC. PRC oversees matters such as rate cases, integrated resource plans (IRPs), Certificates of Public Convenience and Necessity (CCNs), Renewable Energy Act compliance, and certain customer protections. Co-ops, municipal utilities, and Tribal utilities are governed differently, which means statewide policy must account for a diverse regulatory landscape.

PRC requires IOUs to evaluate and procure cost-competitive energy resources. DERs, demand response, flexible loads, and energy storage are considered alongside supply-side resources. However, there is still room for utilities to explore the full potential of aggregated distributed technologies and demand-side management that could provide substantial cost relief to ratepayers. As smart meters become more prevalent, regulators and stakeholders should continue looking to emerging technologies that unlock savings for ratepayers and should address regulatory barriers to implementing those technologies with updated policies and regulatory frameworks. Over the past few years, state agencies have worked to propose how these policies and frameworks can be updated through documents such as the Energy, Minerals and Natural Resources Department's Comprehensive Energy Transition Strategy, or CETS, which proposes a menu of concrete actions for legislators and agencies.

IRPs are one of the state's core utility planning tools. Through the IRP process, IOUs evaluate future demand, existing resources, resource needs, cost-effectiveness and reliability of portfolios under various growth and resource scenarios using generic resource pricing, and action plans over a long-term planning horizon. IRP acceptance does not itself approve construction or guarantee cost recovery, but the process helps frame future procurement.

Permitting is also part of the affordability and reliability discussion. Generation, transmission, storage, and grid infrastructure can take years to plan, permit, finance, and construct. Delays or uncertainty can affect project costs, resource adequacy, and economic development timelines. The Council's charge therefore includes evaluating ways to improve permitting predictability and coordination while preserving environmental review, Tribal consultation, public participation, and regulatory integrity.

New Mexico's Renewable Portfolio Standard (RPS) predates the 2019 ETA, which increased renewable energy requirements and established zero carbon requirements and targets for IOUs and rural electric co-ops. As amended by the ETA, New Mexico's RPS includes the following requirements:

- By 2030, at least 50 percent of electricity supplied by IOUs and co-ops must come from renewable energy resources.
- By 2040, at least 80 percent of electricity supplied to consumers by IOUs must be from renewable energy resources.
- By 2045, 100 percent of electricity supplied to consumers by IOUs must be from zero carbon resources.
- By 2050, 100 percent of electricity supplied to consumers by co-ops must be from zero carbon resources, composed of at least 80 percent renewable energy, provided that (1) achieving the target is technically feasible, (2) the co-op is able to provide reliable electric service while implementing the target, and (3) implementing the target will not cause electric service to become unaffordable.

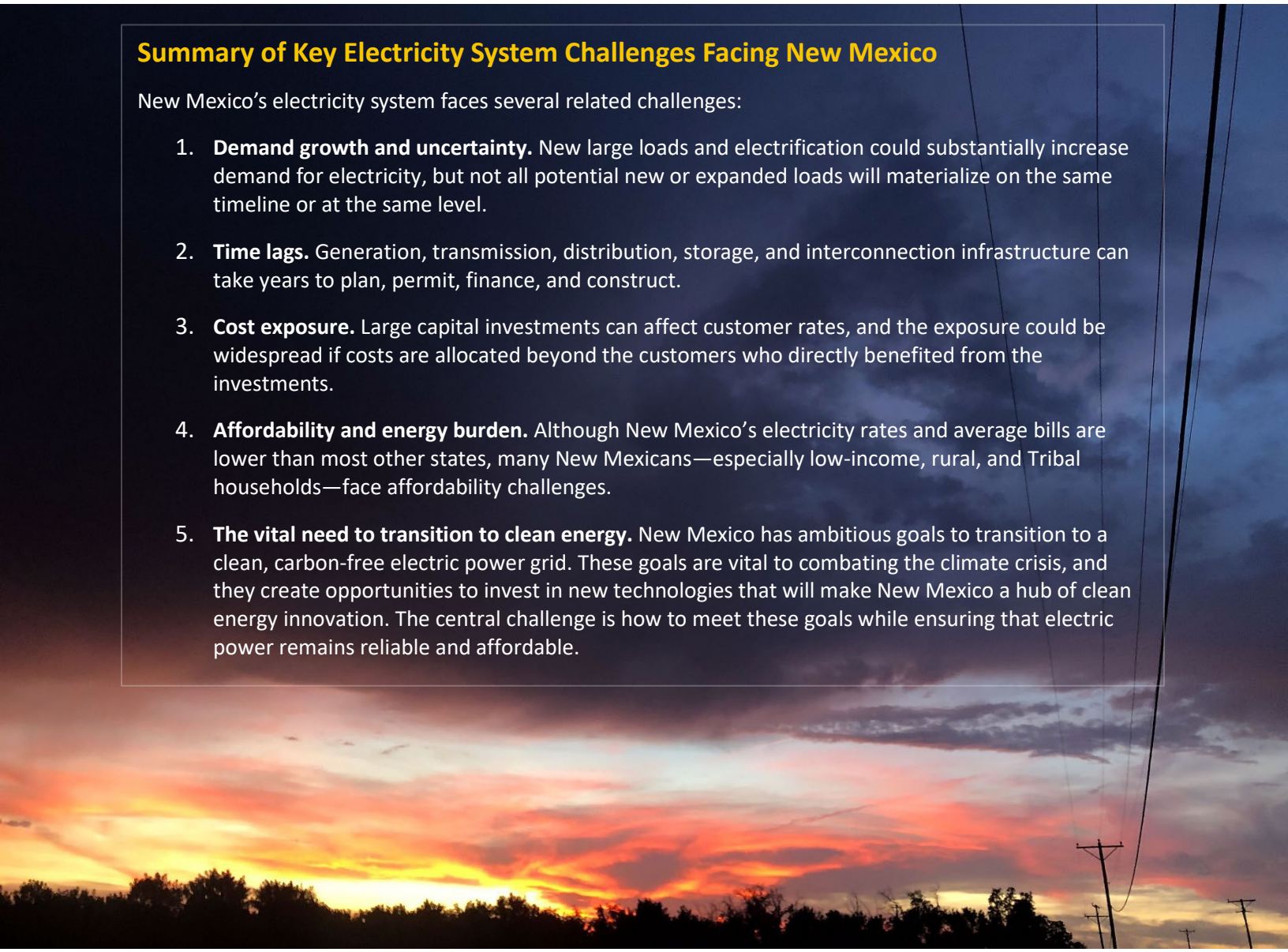
In evaluating recommendations, the Council considered New Mexico's RPS alongside the practical requirements of maintaining reliable electric service and keeping electricity affordable for customers. As utilities add renewable and zero carbon resources to meet statutory milestones, planning decisions should account for resource adequacy, transmission needs, storage and firm capacity requirements, and the potential bill impacts of compliance pathways.

2.2 Emerging Challenges

2.2.1 Electricity Rates, Bills, and Affordability

New Mexico's average residential electricity rates and bills are moderate or low compared with national and regional averages, but they are likely to increase (as shown in Figure 8). In 2025, average residential electric rates in New Mexico were in the bottom half nationally, and average residential electric bills were the lowest in the nation. However, lower average bills largely reflect lower average household consumption, not necessarily that bills are affordable relative to income. New Mexico median income is typically among the lowest in the nation, so a moderate bill can still represent a sizable share of a household's income.

On the following pages, Figure 6 and Figure 7 show how New Mexico's residential rates and bills in 2025 compared with other states. Figure 8 shows how residential rates for the major IOUs in New Mexico have shifted over time and how they have been projected to continue growing. Recent rate increases have been driven by growth in the utility rate base and the authorized return utilities earn on it.

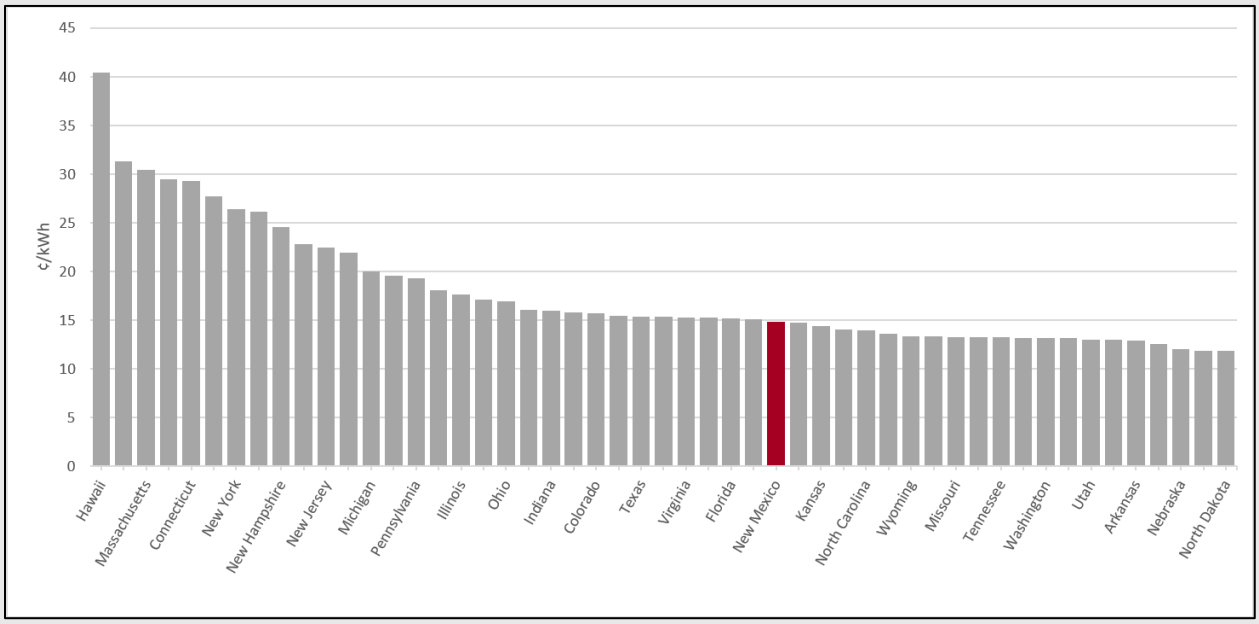


Summary of Key Electricity System Challenges Facing New Mexico

New Mexico's electricity system faces several related challenges:

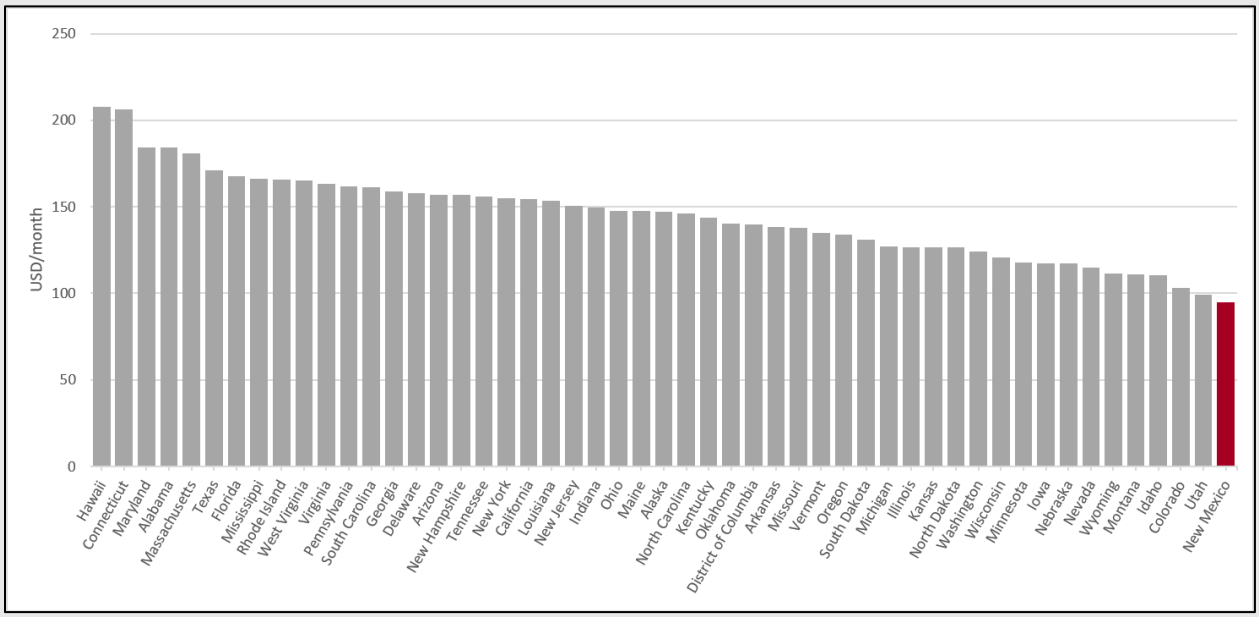
1. **Demand growth and uncertainty.** New large loads and electrification could substantially increase demand for electricity, but not all potential new or expanded loads will materialize on the same timeline or at the same level.
2. **Time lags.** Generation, transmission, distribution, storage, and interconnection infrastructure can take years to plan, permit, finance, and construct.
3. **Cost exposure.** Large capital investments can affect customer rates, and the exposure could be widespread if costs are allocated beyond the customers who directly benefited from the investments.
4. **Affordability and energy burden.** Although New Mexico's electricity rates and average bills are lower than most other states, many New Mexicans—especially low-income, rural, and Tribal households—face affordability challenges.
5. **The vital need to transition to clean energy.** New Mexico has ambitious goals to transition to a clean, carbon-free electric power grid. These goals are vital to combating the climate crisis, and they create opportunities to invest in new technologies that will make New Mexico a hub of clean energy innovation. The central challenge is how to meet these goals while ensuring that electric power remains reliable and affordable.

Figure 6. Average residential electric rate for New Mexico (2025).



Source: EIA.[9] Rates are presented in cents per kilowatt-hour.

Figure 7. Average residential electric bill for New Mexico customers (2025).

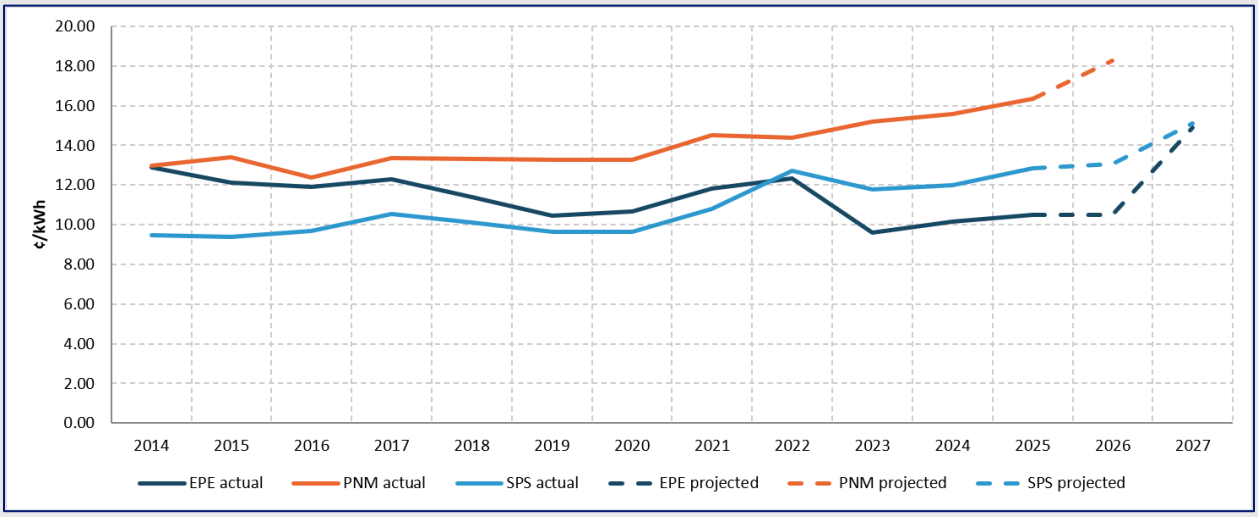


Source: EIA.[10] Rates are presented in U.S. dollars per month.

[9] EIA. *EIA-861 Annual Electric Power Industry Report* (2026). Annual sales to ultimate customers by state and sector. Date range: 2010–2025. https://www.eia.gov/electricity/data/state/.

[10] EIA, *EIA-861 Annual Electric Power Industry Report* (2026). Annual sales to ultimate customers by state and sector. Date range: 2010–2025. https://www.eia.gov/electricity/data/state/. Average monthly bills are computed by dividing total annual retail

Figure 8. Residential rates for New Mexico electric IOUs, 2014–2025 plus near-term projections.



Source: PRC. Rates shown are nominal rates, not adjusted for inflation, and are presented in cents per kilowatt-hour.

Lower comparative rates and bills do not mean electricity is affordable for all households. Low-income, rural, and Tribal populations in New Mexico face significant energy burdens. These households often have less efficient housing, higher energy use per square foot, and less ability to absorb bill increases. Affordability analysis therefore needs to consider not only average rates and bills but also household income, energy burden, geography, housing condition, and customer vulnerability, while also guarding against cost shifting from one customer to another.

Energy burden is expressed as a percentage and is defined as annual household expenditure on energy used in the home divided by annual household income. Energy in the home includes electricity and gas for heating, cooling, cooking, and other uses—but not transportation fuels. Households that spend more than 6 percent of their annual income on energy used in the home are considered to have a high energy burden by the U.S. Department of Energy, U.S. Department of Housing and Urban Development, and American Council for an Energy-Efficient Economy.[11] Roughly a third of New Mexican households earn between 0 percent and 200 percent of the Federal Poverty Level.[12] On average, these households spend roughly 9 percent of their annual income on energy costs.[13] Energy burden is more severe among New Mexico's rural and Tribal low-income populations, with many of the state's lowest income households spending 20 percent of their income or more on electricity and gas.[14]

Rates and bills are affected by several types of cost drivers. Some of these factors include capital investments for new generation infrastructure, transmission expansion, distribution modernization, aging infrastructure replacement, reliability and resilience investments, and wildfire mitigation; clean energy transition costs; inflation;

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revenue by the number of customers, then dividing by 12 to get a monthly figure. Revenue and customer count data come from the EIA Form EIA-861 survey.

[11] U.S. Department of Energy (DOE), *Low-Income Energy Affordability Data (LEAD) Tool* (accessed October 2026). https://www.energy.gov/cmei/scep/low-income-energy-affordability-data-lead-tool.

[12] DOE, *Low-Income Energy Affordability Data (LEAD) Tool* (accessed October 2026). https://www.energy.gov/cmei/scep/low-income-energy-affordability-data-lead-tool.

[13] DOE, *Low-Income Energy Affordability Data (LEAD) Tool* (accessed October 2026). https://www.energy.gov/cmei/scep/low-income-energy-affordability-data-lead-tool.

[14] DOE, *Low-Income Energy Affordability Data (LEAD) Tool* (accessed October 2026). https://www.energy.gov/cmei/scep/low-income-energy-affordability-data-lead-tool.

labor and materials costs; financing costs; and volatility of fuel and purchased power costs. Different cost drivers affect bills on different timelines, and some costs may appear in rates years after an investment decision is made.

2.2.2 Large Loads: Manufacturing, Electrification, and Data Centers

Large loads—such as data centers, advanced manufacturing facilities, and large industrial operations—and the electrification of buildings and transportation are becoming defining issues in electric planning in New Mexico.

New Mexico's electricity planning must account for individual large customers, including data centers and manufacturing facilities, as well as demand growth from transportation and building electrification across many customers. These uses can differ in their scale, timing, infrastructure needs, operating flexibility, and economic contributions. This section uses the term "large load" broadly; specific thresholds and distinctions among uses remain matters for the processes identified in the recommendations. Large loads can also create infrastructure and cost-allocation challenges. Serving large-load customers may require dedicated facilities, network upgrades, new



How the Council Defined Energy Affordability

For the purposes of this report, *energy affordability* means households have the financial means to obtain safe, reliable energy to meet their essential needs. For commercial and industrial customers, energy affordability means access to reliable electricity at competitive rates that support economic development and growth.

Affordable energy is supported by fairly and equitably allocating costs to protect customers—particularly low-income households and Tribal and rural communities—from disproportionate costs and risks. Affordability for one customer class should not be achieved by shifting costs to another.

Progress on household energy affordability in New Mexico can be measured by one or both of the following metrics:

- Reducing the share of households whose annual household (non-transportation) energy costs equal or exceed 6 percent of household income.
- Determining whether average residential electricity bills increase faster than the broader economy rate of inflation in a given year, keep pace with inflation, or decline relative to inflation.

generation, transmission expansion, storage, and other reliability-related investments. If the cost of those investments is not appropriately assigned or secured, existing customers could face stranded-cost or cost-shifting risks.[15]

Nationally, utilities and regulators are increasingly using large-load tariffs, minimum demand commitments, collateral requirements, exit fees, and cost-sharing mechanisms to address these risks. These tools are intended to assign customer-specific costs to the customers that cause them, reduce stranded-cost risk, and limit cost shifting to other ratepayers. At the same time, rate design and interconnection policies must be structured carefully so they do not unnecessarily discourage beneficial economic development or prevent large customers from helping to support broader system investment.[16] The Council's recommendations address many of these potential solutions.

2.2.3 Resource Adequacy and Reliability Needs

Resource adequacy is the ability of an electric grid to meet the power demand of end users at all times, even when unexpected equipment failures, extreme weather, or surges in electricity use occur. For New Mexico, resource adequacy is becoming more complex as load grows, older resources retire, intermittent renewable generation increases, and severe weather and wildfire risks intensify.

All three New Mexico electricity IOUs have indicated that resource adequacy is either currently a concern or will be in the near future. EPE notes it will rely on short-term energy purchases, delayed plant retirements, and resources identified in previous requests for proposals until it can secure new large-scale generation additions.[17] SPS anticipates a gap in resource adequacy by the end of the decade,[18] and similarly, PNM is expecting an increase in resource needs on the same timeline, citing load growth and plant retirements as key drivers of the issue.[19]

Renewable resources such as wind and solar provide significant energy, but their output varies by time of day, season, and weather. As the share of intermittent renewable generation grows, utilities must plan for complementary resources and operational tools, including storage, demand response programs, flexible generation, transmission access, and strategies to balance resources. Changing daily load curves and renewable generation profiles increase the need for resources that can fill gaps between renewable supply and customer demand.

Reliability planning is also affected by the timing and certainty of large loads. Data centers and other large customers may request service on timelines that are shorter than the time needed to build generation, transmission, or distribution upgrades. Therefore, utilities face a planning challenge: they must prepare for credible growth while screening out speculative requests and avoiding unnecessary infrastructure commitments.

2.2.4 Wildfire, Resilience, and Grid Hardening

Wildfire and extreme weather are increasingly important issues for electricity planning. New Mexico's wildfire risk is intensifying due to prolonged drought, rising temperatures, and extreme weather exacerbated by climate change.

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[15] Satchwell, Andrew, Natalie Mims Frick, Peter Cappers, et al., *Electricity Rate Designs for Large Loads: Evolving Practices and Opportunities.* (Lawrence Berkeley National Laboratory, Energy Markets & Planning Department, 2025). https://eta-publications.lbl.gov/sites/default/files/2025-01/electricity_rate_designs_for_large_loads_evolving_practices_and_opportunities_final.pdf.

[16] Satchwell, Andrew, Natalie Mims Frick, Peter Cappers, et al., *Electricity Rate Designs for Large Loads: Evolving Practices and Opportunities.* (Lawrence Berkeley National Laboratory, Energy Markets & Planning Department, 2025). https://eta-publications.lbl.gov/sites/default/files/2025-01/electricity_rate_designs_for_large_loads_evolving_practices_and_opportunities_final.pdf.

[17] EPE, *2025 Integrated Resource Plan* (2025): 6–7. https://www.epelectric.com/files/24-00260-UT-2025-09-02-EPE-Integrated-Resource-Plan-Report.pdf.

[18] Xcel Energy, *2023 Integrated Resource Plan* (2023): 120–121. https://www.xcelenergy.com/staticfiles/xe-responsive/Company/Rates%20&%20Regulations/Resource%20Plans/2023%20SPS-IRP%20Plan.pdf.

[19] PNM, *2023 Integrated Resource Plan* (2023): 7. https://www.pnm.com/documents/d/pnm.com/pnm-2023-irp-final-pdf.

Wildfire-related damage to electricity infrastructure can impose significant costs on utilities and ratepayers, disrupt electric service, and require reinvestment to restore and harden the grid. Rising insurance premiums and reduced coverage, an increase in vegetation management efforts coupled with an increase in fire related litigation also affect affordability.

Grid resilience investments can include hardening infrastructure, improving vegetation management, modernizing distribution and transmission systems, adding monitoring and control technologies, improving emergency response, and planning for redundancy or backup service in vulnerable areas. These investments can reduce risk and improve reliability, but they also require funding and may affect customer utility rates.



Chapter 3:

Council Recommendations: Ratepayer Protection

New Mexico's ability to modernize its electric system, serve growing demand, and support economic development will depend in part on how fairly and transparently the costs of new infrastructure are assigned and how effectively the state manages pressures on customer rates. Large-load customers—including data centers, advanced manufacturing facilities, and other large industrial operations—can differ significantly in their operating characteristics, infrastructure needs, economic contributions, and ability to provide flexibility or other benefits to the grid. Some may bring substantial investment, jobs, tax base, and additional system revenue, while others may impose greater demands on generation, transmission, distribution, storage, or reliability-related infrastructure. Because the costs and benefits associated with large loads are not uniform, planning and cost allocation approaches should reflect those differences. If the costs and risks of serving new large loads are not appropriately assigned, secured, or planned for, existing residents and businesses could be left shouldering extra costs.

Ratepayer protection also involves addressing broader pressures on customer bills and the underlying conditions that contribute to household energy burden. Rate design and infrastructure financing approaches can affect how and when utility costs are recovered from customers, while broadening access to energy-efficient housing and consumer assistance resources can help reduce energy burden for vulnerable households. The Council's recommendations therefore focus on three related areas: managing large-load growth and protecting existing customers; reducing rate and financing pressures; and addressing household energy burden and affordability. Across these areas, the recommendations seek to protect residential, rural, Tribal, small business, frontline, and vulnerable customers from cost shifts and avoidable cost increases while preserving the ability to support beneficial economic development and needed grid investment.

Ratepayer Protection Recommendations

Managing Large-Load Growth and Protecting Existing Customers
Recommendation A-1: Enact legislation that establishes statewide large-load development principles and ratepayer protections
Recommendation A-2: Support continued development of a large-load tariff and framework for customer protection proposed by the New Mexico Public Regulation Commission's Large Load Tariff Working Group
Recommendation A-3: Authorize the New Mexico Public Regulation Commission to establish a framework to incentivize verifiable large-load demand flexibility
Recommendation A-4: Require utilities to model flexible large-load scenarios
Recommendation A-5: Develop benefit criteria and partnership incentives for large-load development
Reducing Rate and Financing Pressures
Recommendation A-6: Implement alternative rate designs
Recommendation A-7: Broaden availability of energy infrastructure securitization
Addressing Household Energy Burden and Affordability
Recommendation A-8: Develop a coordinated energy-efficient housing strategy
Recommendation A-9: Increase utilization of existing consumer assistance programs and resources to help vulnerable populations reduce energy burden

3.1 Managing Large-Load Growth and Protecting Existing Customers

Recommendation A-1: Enact legislation that establishes statewide large-load development principles and ratepayer protections

Recommended action	**Enact legislation that establishes statewide large-load development principles and ratepayer protections.** • Establish statewide principles for serving new and incremental large electric loads that protect existing customers and grid reliability while supporting beneficial economic development. • Define "large loads" by size and/or function. The Council does not specify a definition in these recommendations.
Problem statement	Large-load development can bring investment, employment, tax revenue, and additional utility revenues, but can also require significant infrastructure investment. If projects are speculative, delayed, downsized, or terminated before utility commitments are recovered, existing customers may face stranded-cost or repayment risks. The PRC Large Load Tariff Working Group found broad support for protecting existing customers from unreasonable costs and identified recurring risk areas such as project readiness and forecasting, long-term customer commitments, financial security, cost allocation, and protection from cost shifts. New Mexico is addressing many of these issues through utility-specific tariffs and PRC proceedings, but legislation could establish durable statewide policy principles while preserving regulatory flexibility.
Implementing party(ies)	**Lead implementing entity:** New Mexico Legislature. **Supporting partners:** Governor; EDD; PRC; IOUs and, where applicable, rural electric co-ops; EMNRD; consumer representatives; prospective large-load customers; local and Tribal governments where relevant to economic development projects.
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☒ Regulatory ☒ Administrative ☒ Utility tariff or contract ☒ Budget or appropriation ☐ Financing or investment ☒ Interagency agreement ☒ Local or Tribal coordination ☐ Pilot or demonstration ☐ Further study or data development

	☐ Other (please describe below) **Details:** • Legislation should establish high-level statewide principles rather than prescribe detailed tariff terms. • Core principles could include: (1) new large loads should bear costs attributable to serving them and existing customers should be held harmless from costs and financial risks caused by new large loads; (2) utilities and regulators should address stranded-asset and repayment risks through appropriate customer commitments, financial security, minimum revenue responsibility, exit protections, or similar mechanisms; (3) large-load development should not compromise system reliability; (4) state policy should recognize differences among large loads, including operating characteristics, infrastructure requirements, economic benefits, and ability to provide demand flexibility or other grid benefits; and (5) implementation should support beneficial economic development rather than impose a general prohibition or moratorium. • The legislation should direct PRC to establish rules identifying minimum standards for large-load tariffs incorporating the principles outlined above. • The legislation should establish a functional definition of a new or incremental "large load" based on the scale or characteristics of demand that create material system planning, infrastructure, reliability, or financial exposure. • The law should authorize individual utilities (subject to PRC approval and other applicable oversight) to establish specific megawatt thresholds reflecting system size and customer characteristics rather than imposing a single numerical threshold statewide. These thresholds should be applied to the combined load of a customer or the site so the envisioned protections will still apply even if the applicant splits the project into multiple smaller applications for electric service. • In any proceeding to serve a new large load, the utility should bear the burden of showing, through a cost-of-service analysis, that existing customers are held harmless.
Projected benefits	**Affordability across various customer classes and income groups:** Establishing statewide cost- and risk-allocation principles could reduce the likelihood that costs attributable to new large loads, project failure, or premature departure are shifted to residential, small business, rural, Tribal, or other existing customers. **Reliability and resilience:** Statutory principles can require large-load growth to be evaluated alongside system capacity, project readiness, infrastructure needs, and reliability implications. **Economic development:** A clear statewide policy can provide developers, utilities, communities, and regulators with greater certainty about expectations while preserving a pathway for large projects that provide economic benefits and appropriately addressing their system impacts. **Clean energy and environmental sustainability:** Conditioning selected state incentives on measurable commitments has the potential to encourage projects to contribute to clean energy, demand flexibility, water conservation, or related state objectives where relevant.

Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Requirements that are insufficiently protective could leave existing customers exposed to large-load costs, while requirements that are overly broad or rigid could prevent large loads from contributing revenues that help spread shared fixed costs. **Reliability and resilience:** A statutory framework should not substitute fixed legislative requirements for utility-specific engineering and reliability analysis. **Economic development:** Highly prescriptive statutory requirements, a rigid statewide megawatt threshold, or conditions poorly matched to different industries could discourage otherwise beneficial projects or disadvantage industries with limited ability to provide flexibility. **Clean energy and environmental sustainability:** Large-load growth may require additional generation and infrastructure, with associated emissions, land, water, and other environmental impacts. Incentive conditions related to clean energy, water conservation, or load flexibility should be measurable and appropriately tailored so they produce meaningful benefits and do not inadvertently encourage reliance on behind-the-meter fossil-fired generation.
Implementation steps	**Current readiness:** ☐ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☒ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • The New Mexico Legislature can develop legislation that defines the scope of covered large loads; establishes core ratepayer protection, cost responsibility, reliability, and economic development principles; specifies the relationship between statutory principles and PRC authority; and identifies targeted amendments to the Strategic Economic Development Site Readiness Act. • EDD, PRC, utilities, consumer interest organizations, economic development organizations, and large-load representatives can inform drafting so that legislation complements—not duplicates or preempts—ongoing PRC large-load tariff proceedings. • PRC, EDD, EMNRD, and other agencies as appropriate can work together to recommend the necessary thresholds for defining large loads for the purposes of this recommendation.

	Long-term steps (1–5 years): • It will be necessary to implement any required EDD rules or program criteria; incorporate statutory principles into relevant PRC proceedings and utility proposals; monitor large-load development, state incentive awards, infrastructure commitments, and impacts on existing customers; and periodically determine whether statutory or regulatory adjustments are warranted based on implementation experience.
Resource, capacity, and authority requirements	• Legislative drafting will require coordination among legislative staff, EDD, PRC, utilities, and relevant stakeholders. • EDD would need administrative capacity to incorporate any new criteria into the Strategic Site Readiness Program and evaluate commitments attached to state grants, loans, or incentives. The Strategic Economic Development Site Readiness Act already authorizes EDD to administer a fund supporting site characterization and predevelopment, including for utility infrastructure, and its advisory committee recommends grant and loan approvals and program criteria. • Additional appropriations would depend on whether the legislation expands funding or merely changes eligibility and award criteria. PRC authority and responsibilities should be drafted carefully so statutory principles complement ongoing tariff and ratemaking authority. Transmission-related provisions should be consistent with applicable federal and regional laws and processes and acknowledge state jurisdictional limitations.
Level of support among Council	Full consensus of the Council.

Recommendation A-2: Support continued development of a large-load tariff and framework for customer protection proposed by the New Mexico Public Regulation Commission's Large Load Tariff Working Group

Recommended action	**Support continued development of a large-load tariff and framework for customer protection proposed by the New Mexico Public Regulation Commission's Large Load Tariff Working Group.** • Support continued development and adjudication of investor-owned, utility-specific large-load tariffs. Together with PRC and/or legislative guidance, establish a common framework for protecting existing customers from unreasonable costs and risks associated with new large loads. • Define "large loads" by size and/or function. The Council does not specify a definition in these recommendations. • The framework should establish the objectives and risk categories that each utility proposal must address, while generally allowing utilities to propose customer- and system-specific numerical thresholds, rate structures, and implementation mechanisms. • Define the eligibility threshold (a megawatt floor) and the extent to which it captures co-located and partially behind-the-meter configurations. • Include protections against stranded-asset and repayment risks, such as demand charges, early termination fees, and collateral requirements. • Prevent cost shifts by directly assigning all network upgrade costs and customer-specific facility costs to large-load customers, and by ensuring that the cost of incremental generation and transmission capacity procured to serve large-load customers is recovered from those customers rather than socializing the costs into rates paid by all customers.
Problem statement	Large-load customers can bring investment, jobs, tax base, and additional utility revenues that may contribute toward fixed system costs, but they can also require substantial generation, transmission, distribution, and other infrastructure investment. If projected load is delayed, substantially reduced, or never materializes—or if a customer defaults or leaves before utility investments are recovered—residential, small business, and other existing customers may face stranded-cost or cost-shifting risks. The PRC Large Load Tariff Working Group identified broad support for protecting existing customers from unreasonable costs. The objective is to establish consistent customer protection principles while retaining sufficient flexibility to reflect differences among utilities, customers, projects, and system conditions. Additionally, the large-load tariff should send the correct market signal to large-load customers, reflecting their true cost of interconnection, while also incentivizing large loads to invest in flexible, grid modernization-enabled solutions.
Implementing party(ies)	**Lead implementing entity:** PRC. **Supporting partners:** IOUs; PRC Utility Division staff; Attorney General and other consumer representatives; existing and prospective large-load customers and industry representatives; EMNRD and other relevant state agencies; other participants in the PRC Large Load Tariff Working Group.

Implementation pathway(s) and details	**Pathways:** ☐ Legislative ☒ Regulatory ☐ Administrative ☒ Utility tariff or contract ☐ Budget or appropriation ☐ Financing or investment ☐ Interagency agreement ☐ Local or Tribal coordination ☐ Pilot or demonstration ☒ Further study or data development ☐ Other (please describe below) **Details:** • Implementing entities should continue utility-specific tariff development and adjudication while PRC develops principle-based guidance or minimum customer protection requirements applicable to large-load proposals. • PRC, EDD, EMNRD, and other agencies as appropriate should work together to develop the necessary thresholds for defining large loads for the purposes of this recommendation. • The PRC Large Load Tariff Working Group found that New Mexico's IOUs are currently at different stages of large-load tariff development, so the process should allow those individual proceedings to continue. • The framework should address, as applicable: (1) eligibility and applicability; (2) credible project information, studies, load forecasts, and development milestones; (3) meaningful long-term customer commitments; (4) load-ramp and development requirements; (5) minimum billing or demand responsibility; (6) creditworthiness, collateral, or other financial security; (7) protections for early termination or material load reductions; (8) responsibility for appropriately attributable customer-specific and incremental costs; (9) protection of existing customers from unreasonable cost shifts; (10) enforceable customer-specific agreements where needed; and (11) appropriate technical and reliability requirements. • The PRC Large Load Tariff Working Group identified these types of protections as a portfolio that can address risks throughout the planning, construction, and service life cycle rather than relying on a single tariff provision. • Utility-specific proceedings should also address treatment of existing customers and expansions, aggregation, interconnection, confidentiality, shared system costs, and other implementation issues.
Projected benefits	**Affordability across various customer classes and income groups:** A tariff and framework can help ensure that costs and financial risks appropriately attributable to new large loads are not unreasonably shifted to residential, small business, or other existing

	customers. Minimum revenue commitments, financial security, and exit protections can reduce exposure to stranded investments if projected load does not materialize. **Reliability and resilience:** Multi-year commitments and collateral can give planners a firmer basis for load forecasts, reducing both overbuild and underbuild against speculative interconnection requests. **Economic development:** Clear and predictable customer protection principles can provide prospective large-load customers greater visibility into service expectations while preserving utility flexibility to account for different operating characteristics and projects. Where large loads develop as projected and cover their attributable costs, their revenues may also contribute toward shared fixed system costs. **Clean energy and environmental sustainability:** A flexible framework can preserve opportunities for clean energy procurement and demand flexibility. A clear large-load tariff reduces pressure to build speculative gas capacity for load that may never materialize.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Requirements that are too weak could leave existing customers exposed to stranded-cost or nonpayment risks; requirements that are unnecessarily stringent could discourage beneficial large-load development and the potential contribution those customers may make toward expanding the ratepayer base and spreading fixed system costs. **Reliability and resilience:** Overly rigid terms could push large loads to fully behind-the-meter configurations where the utility has less visibility into their operation and would miss out on the associated new revenue. **Economic development:** High-collateral, minimum-demand, contract-term, or exit requirements could make New Mexico less competitive for some projects, particularly for newer companies with limited credit histories. Conversely, case-by-case treatment without common principles could create uncertainty for prospective customers. **Clean energy and environmental sustainability:** Requirements that discourage grid-connected service could increase incentives for some customers to pursue behind-the-meter or self-supply arrangements that might not align with the state's clean energy goals.
Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☐ Legislative action needed ☐ Longer-term direction only

	Near-term steps (0–12 months): • PRC should continue the Large Load Tariff Working Group and ongoing utility-specific tariff proceedings. • Using the Large Load Tariff Working Group's preliminary recommendations, PRC should determine an appropriate procedural vehicle for establishing principle-based customer protection guidance or minimum requirements. • Utilities should be required to demonstrate how their proposals address the identified risk categories while retaining flexibility in specific thresholds and contract terms. • PRC and utilities should also review whether interconnection policies and related agreements adequately address large-load project readiness, cost responsibility, financial security, and development milestones. **Long-term steps (1–5 years):** • PRC should implement approved utility-specific tariffs; monitor customer growth, cost allocation, defaults or project reductions, interconnection experience, and effects on existing customers; and periodically reassess whether additional standardization is warranted. • PRC should implement an iterative approach in which implementation experience informs whether more detailed statewide provisions should later be adopted.
Resource, capacity, and authority requirements	• Implementation would require PRC staff and hearing examiner time, plus cost-of-service consultant support, as well as participation costs for the Attorney General and consumer advocates. • Likely no appropriation is required, though PRC might need to contract technical support to run a proceeding of this scope on a compressed schedule.
Level of support among Council	Full consensus of the Council.

Recommendation A-3: Authorize the New Mexico Public Regulation Commission to establish a framework to incentivize verifiable large-load demand flexibility

Recommended action	**Authorize the New Mexico Public Regulation Commission to establish a framework to incentivize verifiable large-load demand flexibility.** • Allow IOUs to offer meaningful incentives to large-load customers that can reliably reduce, shift, or otherwise manage grid demand during system risk hours or system-stressed periods, while protecting other customers from cost and reliability risks. • Define "large loads" by size and/or function. The Council does not specify a definition in these recommendations. • Identify potential incentives, such as a separate flexible tariff or class and expedited interconnection and speed-to-power incentives. Each utility will determine the details of its offering, and PRC will evaluate. • Define large-load flexibility as a demonstrated ability to adjust electricity consumption by curtailing, shifting operation, or using on-site generation/storage that reduces demand during grid-critical peak hours. • Cap flexibility incentives at the verified avoided costs the flexibility produces and ensure the cost is paid for by the large load customer, not by other customers.
Problem statement	Large loads can materially increase system demand and may contribute to the need for additional electric capacity, transmission, and distribution investments. Some investments serve primarily to keep the grid operational during periods of peak demand, so reducing peak demand can obviate the need for certain costly investments. Some large-load customers may be able to help in this effort, as they can reduce or shift grid consumption during specified critical periods through operational changes, storage, behind-the-meter resources, or other means. Current large-load service frameworks do not necessarily provide a consistent way to recognize and compensate dependable, verifiable flexibility or to incorporate that capability into interconnection and system planning. A well-designed framework could allow utilities and customers to use flexibility where it provides system value, while ensuring that promised flexibility is measurable, enforceable, and does not shift costs or reliability risks to other customers.
Implementing party(ies)	**Lead implementing entity:** New Mexico Legislature. **Supporting partners:** IOUs; PRC; prospective and existing large-load customers; consumer representatives; EDD and EMNRD, as appropriate; regional organizations where wholesale market participation or transmission service is implicated.
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☐ Regulatory ☐ Administrative ☒ Utility tariff or contract

	☐ Budget or appropriation ☐ Financing or investment ☐ Interagency agreement ☐ Local or Tribal coordination ☒ Pilot or demonstration ☒ Further study or data development ☐ Other (please describe below) **Details:** • Legislation is required to authorize PRC to take the recommended actions. • PRC, EDD, EMNRD, and other agencies as appropriate should work together to develop the necessary thresholds for defining large loads for the purposes of this recommendation. • PRC should develop principle-based guidance directing each utility to propose tariff, rider, contract, or pilot mechanisms that reward verified and dependable reductions in system peak demand or other defined grid needs. • The framework should preserve utility-specific flexibility and address several core elements: (1) define what qualifies as dependable flexibility, (2) specify measurement and verification requirements, (3) establish consequences for nonperformance, (4) allow incentives that reasonably reflect demonstrated system value, which could include rate treatment or other benefits, and (5) ensure that flexible customers continue to bear appropriately attributable costs and do not receive duplicate compensation for the same service.
Projected benefits	**Affordability across various customer classes and income groups:** Reliable peak reduction may defer or reduce some generation or network investments and help make greater use of existing infrastructure, potentially moderating costs that would otherwise be passed along to retail customers. **Reliability and resilience:** Verified flexible load can function as a dispatchable resource, giving operators an additional tool during peak or stressed system conditions. **Economic development:** A flexibility option may provide some large-load customers a pathway to earlier or more cost effective service when full firm capacity is not immediately available, potentially improving "speed to power." **Clean energy and environmental sustainability:** Shifting or reducing demand during peak periods can reduce reliance on gas peaking units and improve utilization of renewable resources.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** If incentives exceed the actual value of the flexibility provided, participating customers could under-contribute to system costs and shift costs to others. Measurement, telemetry, administration, and verification can also create costs.

	Reliability and resilience: The principal risk is relying on flexibility that is unavailable when needed. Eligibility for incentives should therefore be based on demonstrable capability, with enforceable performance obligations and appropriate nonperformance consequences. **Economic development:** None noted. **Clean energy and environmental sustainability:** Large-load customers could satisfy curtailment obligations by switching to on-site fossil-fired generation, which would increase emissions of local air pollutants and greenhouse gases. PRC should consider how qualifying flexibility is delivered and whether additional guardrails are appropriate.
Implementation steps	**Current readiness:** ☒ Ready for near-term action ☒ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☐ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–36 months):** • The existing PRC Large Load Tariff Working Group, a related docket, or another stakeholder process can be used to define the objectives and minimum characteristics of verifiable flexibility. • IOUs can develop approaches to model flexible large-load service offerings, including interconnection rules and operating requirements, and develop associated tariffs. • IOUs can offer flexible large-load service to prospective customers in the interconnection process and present prospective customers with the opportunity to take service under a flexible large-load tariff. **Long-term steps (3–5 years):** • Evaluate pilot or initial tariff performance and, where successful, establish flexible-load offerings across IOUs.
Resource, capacity, and authority requirements	• Implementation would require PRC staff and rate design expertise, utility engineering and planning support, and measurement and verification capability. • Utilities might need telemetry, communications, dispatch, or data systems to verify performance. Some of these capabilities could build on existing supervisory control and data acquisition, advanced metering infrastructure, or customer energy management systems. • A dedicated state appropriation is likely not needed, but utility implementation costs and appropriate cost recovery would need to be addressed in PRC proceedings.

	• If flexible loads participate in wholesale markets or affect transmission service, coordination with the Federal Energy Regulatory Commission (FERC) and the applicable regional market provider will be necessary.
Level of support among Council	Full consensus of the Council.

Recommendation A-4: Require utilities to model flexible large-load scenarios

Recommended action	**Require utilities to model flexible large-load scenarios.** • Require IOUs to evaluate alternative large-load growth scenarios, including scenarios in which qualifying large loads provide verifiable demand flexibility, and to account for project readiness and potential duplication of large-load requests in IRPs and other relevant system planning processes. • Define "large loads" by size and/or function. The Council does not specify a definition in these recommendations. • Repeat modeling of large-load scenarios at set intervals. For the purposes of this recommendation, the Council suggests tying this modeling to the IRP cycle.
Problem statement	Large-load growth can materially affect generation, transmission, distribution, and resource-adequacy needs, but the timing, magnitude, and operating characteristics of new loads are uncertain. Treating all projected large loads as fully firm and inflexible may overstate future infrastructure needs, while assuming flexibility that cannot be reliably delivered could create reliability risks. Forecasts may also overstate aggregate demand if the same prospective customer or project is simultaneously pursuing service or interconnection at multiple locations or with multiple utilities and those requests are treated as independent future loads. Utilities therefore need better information and consistent methods for distinguishing credible from speculative or potentially duplicative demand and for evaluating how verifiable flexibility could affect system needs.
Implementing party(ies)	**Lead implementing entity:** PRC. **Supporting partners:** IOUs; prospective and existing large-load customers; EMNRD; EDD; consumer representatives; technical or modeling experts as appropriate.
Implementation pathway(s) and details	**Pathways:** ☐ Legislative ☒ Regulatory ☐ Administrative ☐ Utility tariff or contract ☐ Budget or appropriation ☐ Financing or investment ☐ Interagency agreement ☐ Local or Tribal coordination ☐ Pilot or demonstration ☒ Further study or data development

	☐ Other (please describe below) **Details:** • PRC can require IOUs, through IRPs or another appropriate planning process, to evaluate a reasonable range of large-load scenarios. Modeling should (1) distinguish committed or highly credible projects from more speculative requests based on objective indicators of project readiness; (2) evaluate alternative timing, ramp, and load-growth assumptions; (3) model scenarios in which qualifying large loads provide verifiable demand flexibility; (4) quantify, where practicable, effects on generation, transmission, distribution, storage, resource adequacy, and avoided or deferred investments; and (5) account for the possibility that the same prospective project is pursuing service at multiple locations. • Detailed customer information should remain protected where confidentiality is warranted, while regulators should have access to information needed for planning oversight. • Advanced analytical or artificial intelligence-enabled tools may be evaluated where they improve scenario analysis or load shape modeling, but outputs should remain auditable and supported by transparent assumptions. • PRC, EDD, EMNRD, and other agencies as appropriate can work together to develop the necessary thresholds for defining large loads for the purposes of this recommendation. • PRC can also prescribe a reasonable interval for repeating full or partial modeling, balancing need and cost. There are differences of opinion among Council members regarding the optimal frequency of this modeling, but the prevailing recommendation is to tie this modeling to the IRP process for efficiency.
Projected benefits	**Affordability across various customer classes and income groups:** Better treatment of speculative and potentially duplicative requests can reduce the risk of premature or unnecessary customer-funded investments, while flexible load modeling can identify opportunities to defer capital expenditures. **Reliability and resilience:** Multiple scenarios can help utilities understand the consequences of both higher-than-expected load growth and nonperformance of anticipated flexibility, improving resource adequacy and system planning. **Economic development:** More accurate forecasts can help utilities direct infrastructure investment toward projects with a higher likelihood of proceeding and identify service options for customers capable of providing flexibility. **Clean energy and environmental sustainability:** Better load shape, project probability, and flexibility assumptions can improve estimates of the generation, storage, transmission, and clean energy resources needed to serve new demand and reduce the risk of unnecessary infrastructure development.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** More sophisticated modeling and disclosure requirements will require utility and PRC resources. Poor assumptions could still lead to under- or over-investment.

	Reliability and resilience: Utilities should not discount projects solely because they are pursuing multiple sites; some parallel requests could represent legitimate contingency planning. Likewise, flexibility should be credited only where it is measurable and sufficiently dependable. **Economic development:** Applicants may regard information about alternative sites or utility requests as commercially sensitive. Disclosure requirements should therefore be limited to information necessary for planning and protected from unnecessary public disclosure. The process should also avoid creating burdens that materially delay legitimate site-selection activity. **Clean energy and environmental sustainability:** Incorrect assumptions about project timing, load profile, or flexibility could lead to misstatement of future clean energy, storage, and transmission requirements.
Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☐ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • PRC should determine how utilities may incorporate flexible large-load scenarios and project readiness assumptions into existing IRP or related planning requirements. • PRC should also determine the appropriate mechanism for requiring utilities to obtain and periodically update parallel request disclosures from large-load applicants. **Long-term steps (1–5 years):** • PRC and IOUs can incorporate standardized large-load scenario analysis into recurring utility planning; compare forecasts with actual project development and flexibility performance; refine project readiness categories and modeling assumptions; and evaluate whether parallel request disclosures materially improve forecast accuracy and infrastructure planning.
Resource, capacity, and authority requirements	• Implementation would require PRC regulatory and modeling expertise, as well as utility load forecasting, engineering, resource planning, and data analysis capacity. • Utilities would also need procedures to collect, update, protect, and incorporate information into forecasting. • Consultant or technical support may be useful in developing consistent scenario methodologies.

Level of support among Council	Full consensus of the Council. One member urged PRC to require an interim update between IRPs if large-load requests change materially, as load requests can move faster that the three-year cycle, but supported this recommendation as a step in the right direction.

Recommendation A-5: Develop benefit criteria and partnership incentives for large-load development

Recommended action	**Develop benefit criteria and partnership incentives for large-load development.** • Align state and local economic development support for large-load projects with measurable public benefits and create opportunities for large-load customers to use private capital to support shared infrastructure, grid modernization, emerging energy technologies, and other investments that benefit New Mexico. • Define "large loads" by size and/or function. The Council does not specify a definition in these recommendations. • Develop a consistent framework for prioritizing discretionary state and local economic development support for large-load projects that provide measurable benefits to New Mexico. • Discretionary incentives should be delivered through state and local economic development programs, not through discounted electric rates. Any economic development electric rate offered to a large-load customer should recover at least that customer's incremental cost of service, be limited in duration, and be subject to clawback if commitments are not met.
Problem statement	Large-load projects can require substantial electric infrastructure while also bringing significant private capital, jobs, tax revenue, and opportunities to support grid modernization and emerging technologies. Existing ratepayer protections should ensure that large loads bear appropriately attributable costs; however, merely avoiding cost shifts does not necessarily maximize the broader value that large-load development can provide to the state. New Mexico can use discretionary economic development incentives, site readiness programs, and public-private partnerships to favor projects that provide additional measurable benefits—such as high-quality job creation, infrastructure investment, verifiable demand flexibility, clean energy development, water conservation, technology demonstration, and other benefits that improve grid utilization and economic competitiveness. The objective is to give state support to projects that produce greater overall value.
Implementing party(ies)	**Lead implementing entity:** New Mexico Legislature; EDD. **Supporting partners:** Local governments; PRC; EMNRD; IOUs and co-ops; Strategic Economic Development Site Advisory Committee; Taxation and Revenue Department, where applicable; Tribal governments where relevant; economic development organizations; large-load customers and technology developers.
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☐ Regulatory ☒ Administrative ☐ Utility tariff or contract ☒ Budget or appropriation

	☒ Financing or investment ☒ Interagency agreement ☒ Local or Tribal coordination ☐ Pilot or demonstration ☐ Further study or data development ☐ Other (please describe below) **Details:** • PRC, EDD, EMNRD, and other agencies as appropriate should work together to develop the necessary thresholds for defining large loads for the purposes of this recommendation. • For locally issued Industrial Revenue Bonds, tax incentives, or other tools requiring statutory changes, the legislature could establish or authorize comparable large-load public benefit criteria. • EDD should develop a transparent benefit framework or scorecard for evaluating large-load projects seeking discretionary state support. • Criteria should include goals for quality and quantity of jobs, wages and workforce investment, private capital investment, contribution to shared or enabling infrastructure, impacts on grid capacity and reliability, verified demand flexibility, investment in emerging grid or clean energy technologies, clean energy commitments, water use and conservation, and community or regional benefits. • Projects providing stronger measurable benefits could receive greater priority, subject to program-specific eligibility and available funding. • The framework should build on existing programs rather than create a new large-load subsidy. The Local Economic Development Act (LEDA) already considers job creation, wages, capital investment, community impact, and environmental sustainability outcomes and uses performance and clawback provisions. The Strategic Site Readiness Program already evaluates economic impact and infrastructure viability and can fund predevelopment infrastructure, including electric facilities. • Where legally permissible, program guidelines and scoring could give additional weight to projects that provide verified grid or other public benefits. • Large loads could also serve as infrastructure partners, contributing private capital to shared benefit infrastructure, storage or non-wires solutions, technology demonstrations, or emerging clean energy resources. Such contributions should be in addition to—not a substitute for—costs the customer is otherwise responsible for under applicable tariffs or agreements.
Projected benefits	**Affordability across various customer classes and income groups:** Private large-load capital could help finance infrastructure or grid solutions that provide broader system benefits, reducing the amount that might otherwise require public or ratepayer funding. Conditioning discretionary incentives on measurable benefits also helps ensure that public support produces identifiable value.

	Reliability and resilience: Incentives can encourage large loads to provide verifiable demand flexibility, storage, grid-supporting infrastructure, non-wires solutions, or emerging technologies that reduce peak impacts or improve system utilization. **Economic development:** A transparent framework can prioritize projects based on factors such as employment, wages, capital investment, infrastructure contributions, and broader community benefits rather than treating all large loads as economically equivalent. It could also give developers greater certainty about what New Mexico values when awarding discretionary support. **Clean energy and environmental sustainability:** Incentives and partnerships can encourage additional clean energy investment, energy storage, technology demonstrations, water conservation, and other measures that reduce or mitigate the environmental impacts associated with serving large new loads.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Economic development incentives have an opportunity cost. If anticipated jobs, infrastructure benefits, or grid savings are overstated, public support could exceed the benefits ultimately delivered. The framework should avoid double counting benefits and should not provide incentive credit for costs that a large load is already obligated to bear. **Reliability and resilience:** Claimed flexibility or infrastructure benefits might not materialize or might be less dependable than conventional system resources. Utilities or other qualified entities should validate material grid benefits, and incentive agreements should include measurable performance requirements. **Economic development:** More stringent conditions could make New Mexico less competitive for some projects or disadvantage industries that cannot readily provide flexibility or other preferred benefits. Criteria should therefore recognize differences among industries, projects, regions, and communities rather than imposing a single project profile. **Clean energy and environmental sustainability:** Poorly designed criteria could reward nominal commitments without producing meaningful environmental benefits. Clean energy commitments should address whether resources are actually additional and available when needed, and water criteria should distinguish water withdrawal from consumptive use where appropriate. Emerging technology projects could fail to achieve anticipated performance. Verification and performance-based requirements can reduce these risks.
Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☐ Legislative action needed ☐ Longer-term direction only

	Near-term steps (0–12 months): • EDD can convene relevant state agencies, utilities, local governments, Tribal representatives, economic development organizations, consumer interests, and prospective large-load sectors to identify the public benefit criteria most appropriate for discretionary state support. • Implementing parties should inventory existing programs—including LEDA and the Strategic Site Readiness Program—to determine which criteria can be incorporated administratively and where statutory amendments would be required. • Implementing parties should develop a common evaluation framework, verification standards, and provisions for repayment or clawbacks when material commitments are not met. • Implementing parties should apply the framework initially through programs where existing authority permits. **Long-term steps (1–5 years):** • Statutory changes should be adopted where needed for incentive programs. • Other actions include integrating net benefit criteria across relevant state programs; establishing repeatable mechanisms for large-load infrastructure and technology partnerships; and periodically reviewing results using actual employment, investment, grid benefit, environmental performance, and other outcomes to refine the framework.
Resource, capacity, and authority requirements	• Implementation would require EDD staff capacity for economic and public benefit evaluation, monitoring, and enforcement; utility or technical expertise to validate claimed grid benefits; and coordination with EMNRD, local governments, and other agencies. • Existing LEDA administration already includes project feasibility review, job and capital investment information, security considerations, performance requirements, and clawbacks, providing an administrative foundation for this approach. • The Strategic Site Readiness Program likewise already evaluates infrastructure needs and can support electric and other infrastructure improvements. • Additional administrative resources could be needed if reporting and verification requirements expand substantially, but this recommendation does not necessarily require creation of a new incentive fund. • Legislative and legal review would be needed before imposing new conditions on local industrial revenue bonds, tax credits, or programs whose existing statutes do not explicitly authorize the proposed criteria.
Level of support among Council	Near consensus of the Council (at least 10 members in support, but not all 13).

3.2 Reducing Rate and Financing Pressures

Recommendation A-6: Implement alternative rate designs

Recommended action	**Implement alternative rate designs.** • Provide PRC and utilities with flexibility to design rates that balance the need to attract capital investment with customers' ability to pay. • Continue to enhance TOU rate availability for all utilities, load flexibility for all rate classes to reduce peak, and TOU pricing that encourages consumption at times of renewable abundance and discourages consumption during periods when the grid is more reliant on non-renewable resources; structure TOU as opt-out rather than opt-in. • Continue to enhance infrastructure riders for timely recovery to mitigate rate shock; pair this with the historical test-year model. • Review cost causation assignment, including direct assignment of resources and infrastructure upgrades for large-load customers. • Clarify PRC authority to set performance-based rates and savings sharing mechanisms to align business incentives and allow recovery mechanisms that encourage less capital-intensive and non-capital investments that realize customer savings (e.g., virtual power plants, off-system sales, software).
Problem statement	Flexible, innovative rate design has the potential to lower customer bills, provide appropriate incentives to utilities, and attract new capital investment. New Mexico should continue to enhance the availability of alternative rate designs to all electric distribution companies with options such as TOU rates, infrastructure riders, load flexibility, cost causation reassignment, performance-based rates, and savings sharing mechanisms.
Implementing party(ies)	**Lead implementing entity:** PRC. **Supporting partners:** IOUs; Attorney General Utility Division and consumer advocates; low-income and senior advocacy organizations; potential for voluntary expansion to co-ops.
Implementation pathway(s) and details	**Pathways:** ☐ Legislative ☒ Regulatory ☐ Administrative ☒ Utility tariff or contract ☐ Budget or appropriation ☐ Financing or investment

	☐ Interagency agreement ☐ Local or Tribal coordination ☐ Pilot or demonstration ☐ Further study or data development ☐ Other (please describe below) **Details:** • PRC should open a rate design docket with an order describing alternative rate designs permitted by IOUs and requesting comments on additional potential rate design types. • PRC should conduct a review of cost causation assignment for all New Mexico IOUs.
Projected benefits	**Affordability across various customer classes and income groups:** Properly designed alternative rate designs have the potential to lower costs for both customers and utilities. **Reliability and resilience:** Alternative rate designs can be formulated to encourage the development of peak supply and demand resources. **Economic development:** Some alternative rate designs can provide price signals to electric vehicle charging, commercial refrigeration, and industrial process loads to consume when power is abundant and cheap. **Clean energy and environmental sustainability:** Alternative rate designs can be formulated to encourage the development of clean energy resources.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Both alternative rate design and cost causation reassignment have the potential to shift costs across rate classes and increase the energy burdens of low-income or other vulnerable customer groups. Customers with inflexible loads can face higher bills. This falls hardest on households with medical equipment, poor building efficiency, or no ability to shift their power usage, and it is the central equity objection to default TOU rates. Protections are essential. **Reliability and resilience:** Done poorly, alternative rate design could shift new resource development away from peak supply and demand resources. A poorly designed rate structure could also create a new secondary peak at the start of the off-peak period, which should be monitored. **Economic development:** Small commercial customers might lack the staff or other resources necessary to respond to the signal. **Clean energy and environmental sustainability:** If peak windows are misaligned with actual net load, some alternative rates could shift consumption into hours with higher emissions.

Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☐ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • PRC will open a rate design docket. • PRC will review cost causation assignment. **Long-term steps (1–5 years):** • Utilities would file new rate designs. • There is a potential need for customer education campaigns around the adoption of new rate designs. Education should begin before rates take effect, not after.
Resource, capacity, and authority requirements	• PRC may require additional funding for staff or outside consultants to conduct reviews. • Other potential costs include utility billing system changes and customer education. Low-income protections could be funded through existing assistance programs. • No new statutory authority is anticipated. Co-op adoption is voluntary and would depend on board action and metering capability; hence, this recommendation focuses on IOUs.
Level of support among Council	Near consensus of the Council (at least 10 members in support, but not all 13). One member did not support this recommendation because it pairs infrastructure riders with opt-out time-of-use (TOU) rates and no customer protections. In their words, riders shift cost-recovery risk from shareholders to customers and let rates rise between rate cases with less review; if used, they should be limited to specific PRC-approved investments, subject to prudence review and true-up, and reflected in a lower authorized return. Opt-out TOU should include first-year bill protection, a penalty-free return to the standard rate, and added protection for customers with medical needs or low incomes, because the Council's own risk analysis finds that "protections are essential." Two other members voted “yes” to preserve most of the measures in this recommendation but also urged caution around the use of infrastructure riders. In their words: • The increased use of infrastructure riders is not yet ripe for recommendation. Further guardrails are needed to ensure that utilities are not skirting regulatory review.

	• Infrastructure riders are detrimental to ratepayers because they allow utility companies to raise rates automatically without undergoing a full, formal regulatory review. Riders are already widely deployed for utility cost recovery in New Mexico. Expanding riders further could pass large sums of capital expenditures through to New Mexico ratepayers without the regulatory oversight provided by a full rate case.

Recommendation A-7: Broaden availability of energy infrastructure securitization

Recommended action	**Broaden availability of energy infrastructure securitization.** • Through legislation, authorize securitization as a potential financing mechanism for defined categories of prudent energy infrastructure investment by IOUs. Legislation could allow categories of investment such as wildfire mitigation, grid hardening and resilience, cybersecurity, transmission, and advanced technologies. Securitization is best suited to costs already incurred where savings are most certain. • Allocate securitization charges to all customer classes, including new large loads, based on cost causation.
Problem statement	New Mexico faces substantial infrastructure investment needs to maintain reliability, improve resilience, modernize the grid, and meet state energy requirements. Traditional utility cost recovery can require customers to bear financing costs over the life of major investments. Securitization can give utilities access to lower-cost financing by using dedicated, non-bypassable customer charges to support highly rated bonds, potentially reducing financing costs or moderating near-term rate impacts compared with traditional utility financing. Securitized costs are thus removed from the rate base so that no equity return is earned on them, and the resulting savings flow to customers. New Mexico's existing ETA securitization authority is focused on costs associated with abandonment of qualifying generating facilities rather than broader infrastructure investment, so additional authority would be needed to allow for broader use of securitization.
Implementing party(ies)	**Lead implementing entity:** New Mexico Legislature (to establish expanded statutory authority). **Supporting partners:** PRC; IOUs; State Board of Finance and other entities involved in financing review as appropriate.
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☒ Regulatory ☐ Administrative ☐ Utility tariff or contract ☐ Budget or appropriation ☒ Financing or investment ☐ Interagency agreement ☐ Local or Tribal coordination ☐ Pilot or demonstration ☐ Further study or data development ☐ Other (please describe below)

	Details: • The legislature could amend the ETA or establish a complementary securitization framework defining eligible infrastructure investments and applicable consumer protections. • Legislation should clearly bound eligible costs rather than creating open-ended securitization authority. A utility seeking securitization would apply to PRC for a financing order. The framework should require PRC to determine that (1) securitization is expected to provide customers net savings compared with traditional cost recovery, (2) the underlying investment and costs are prudent and otherwise eligible for recovery, and (3) the same costs cannot be recovered through both securitization charges and another rate mechanism. • PRC would review individual utility applications and approve financing orders under the statutory framework. • Additional protections could include a bond term no longer than the useful life of the financed investment; periodic true-ups of the securitization charge; and public reporting on bond issuance, charges, financing costs, and realized savings. • These provisions build on mechanisms already present in New Mexico's ETA, including financing orders, separate non-bypassable charges, periodic adjustment mechanisms, post-issuance reporting, and a statutory maximum maturity for existing energy transition bonds.
Projected benefits	**Affordability across various customer classes and income groups:** Securitization can lower the financing component of eligible infrastructure costs and spread recovery over an appropriate period, provided PRC determines that securitization produces net customer savings compared with conventional recovery. **Reliability and resilience:** Energy infrastructure securitization could provide a lower-cost financing option for wildfire mitigation, system hardening, transmission, and other investments needed to maintain reliable service. **Economic development:** Lower financing costs and more predictable recovery could facilitate infrastructure necessary to accommodate new business development in New Mexico. **Clean energy and environmental sustainability:** Securitization could facilitate transmission, advanced technologies, and investments needed to support clean energy development.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Securitized costs are recovered through dedicated customer charges that generally remain in place until the bonds and associated financing costs are paid. Once bonds are issued, the financing structure is intentionally difficult to alter, which can limit future regulatory flexibility. Transaction costs also reduce potential savings. For these reasons, eligibility should be limited to investments for which securitization produces demonstrable net customer benefits. **Reliability and resilience:** No notable concerns.

	Economic development: Long-term securitization charges remain an element of customer bills and could affect rate competitiveness for businesses even when they are lower than alternative financing costs. **Clean energy and environmental sustainability:** Broad eligibility could end up financing investments with negative environmental effects; thus, eligibility standards should remain tied to defined state infrastructure and policy objectives.
Implementation steps	**Current readiness:** ☐ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☒ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • The legislature can develop proposed statutory language defining eligible project categories, financing-order standards, customer savings tests, prudence review processes, cost allocation requirements, bond term limitations, true-up procedures, reporting requirements, and protections against duplicate recovery. • Legislators can determine whether expansion is best implemented by amending the existing ETA securitization provisions or through a separate, complementary statutory framework. **Long-term steps (1–5 years):** • Following legislative authorization, PRC could establish any necessary procedural requirements, utilities could identify eligible investments and seek financing orders, and approved securitizations would be subject to ongoing charge true-ups and public reporting. • Implementation experience should be reviewed periodically to assess actual savings and whether eligibility or safeguards require refinement.
Resource, capacity, and authority requirements	• New statutory authority would be required because current ETA securitization provisions are tied to qualifying generating facility abandonment. • PRC review would require legal, utility finance, accounting, and bond market expertise; outside financial advisers or bond counsel may be appropriate for individual financing proceedings. • Utility transaction and issuance costs could be included among approved financing costs, subject to prudence and customer benefit review.

	• No general state appropriation is necessarily inherent in the concept, although additional PRC capacity might be needed depending on how the statute is designed. If transmission investments are made eligible, legal analysis should address the interaction between state retail cost recovery and federal/FERC jurisdiction over transmission rates and cost allocation.
Level of support among Council	Full consensus of the Council.

3.3 Addressing Household Energy Burden and Affordability

Recommendation A-8: Develop a coordinated energy-efficient housing strategy

Recommended action	**Develop a coordinated energy-efficient housing strategy.** • Coordinate and sustain funding for weatherization, rehabilitation, and residential energy efficiency programs, including Community Energy Efficiency Development. • Provide flexible funding to address health, safety, structural, and code issues that prevent homes from receiving energy improvements. • Prioritize existing affordable housing, rural and Tribal communities, older manufactured homes, and households with high energy burdens. • Phase in practical efficiency expectations for state-supported new construction and major rehabilitation, including manufactured and modular housing. • Evaluate investments based on lifetime housing costs, including utility, maintenance, and replacement costs, rather than construction costs alone. • Use a whole home approach that considers insulation, air sealing, ductwork, and efficient heating and cooling before or alongside solar, storage, and other technologies. • Expand training for energy auditors; weatherization workers; electricians; heating, ventilation, and air conditioning (HVAC) technicians; and contractors, especially in rural and Tribal communities. • Test retrofitting and financing approaches through small pilots with willing utilities, co-ops, housing providers, and contractors; track energy use, utility bills, comfort, air quality, and maintenance costs over two to three years. • Consider basic electric vehicle-ready electrical capacity in new state-supported housing where practical, rather than requiring an installed charger at every unit. • For state-funded housing, consider efficient heat pumps, variable capacity equipment, lower-impact refrigerants, proper installation, and performance tracking where these measures are practical and cost effective.
Problem statement	New Mexico's rural housing stock needs significant improvement for health and safety, affordability of utility bills, comfort, and energy efficiency. Coordinated planning, assistance, and standards for improving energy efficiency across all housing stock have the potential to simultaneously address multiple problems affecting local communities' well-being. Funding should be sourced from legislative appropriation and not utility rates to avoid adding to an existing energy affordability concern.
Implementing party(ies)	**Lead implementing entity:** EMNRD; DWS. **Supporting partners:** New Mexico Indian Affairs Department; utilities; local and Tribal housing entities; electric co-ops; workforce partners; qualified contractors.

Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☐ Regulatory ☒ Administrative ☐ Utility tariff or contract ☒ Budget or appropriation ☐ Financing or investment ☐ Interagency agreement ☒ Local or Tribal coordination ☒ Pilot or demonstration ☐ Further study or data development ☐ Other (please describe below) **Details:** • Legislation should appropriate funding for new energy efficiency programing; health, safety, and code improvements; state-sponsored training programs for contractors; and grants or loans to support efficiency measure implementation. • This action would require coordination across state, local, and Tribal agencies. • The implementing parties should develop new standards, training programs, and pilots.
Projected benefits	**Affordability across various customer classes and income groups:** Energy efficiency reduces utility bills. **Reliability and resilience:** Efficiency measures can be aimed at peak reduction to improve system reliability. **Economic development:** Funding creates jobs for electricians, HVAC technicians, and workers in related fields, while training builds the workforce and helps ensure that there are ample trained New Mexicans to benefit from these jobs. **Clean energy and environmental sustainability:** Efficiency improvements can reduce annual and peak electricity usage and associated emissions. Weatherization can also reduce on-site fuel consumption (like gas for space heating) and associated emissions.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Without a designated appropriation, the cost of these programs could end up being shifted to other ratepayers, as it is in other states that apply a system benefits charge to utility bills to fund residential energy efficiency programs. **Reliability and resilience:** No substantial concerns noted.

	Economic development: No substantial concerns noted. **Clean energy and environmental sustainability:** No substantial concerns noted.
Implementation steps	**Current readiness:** ☐ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☒ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • Funding for plan elements should be secured via legislative appropriation. **Long-term steps (1–5 years):** • Implementing parties would carry out new standard development, training programs, state and Tribal coordination efforts, and pilot programs.
Resource, capacity, and authority requirements	• Budget appropriation would be needed to fund new energy efficiency programs, training, and pilots. • Implementation would require EMNRD and DWS staff time for coordination.
Level of support among Council	Full consensus of the Council.

Recommendation A-9: Increase utilization of existing consumer assistance programs and resources to help vulnerable populations reduce energy burden

Recommended action	**Increase utilization of existing consumer assistance programs and resources to help vulnerable populations reduce energy burden.** • Increase utilization of utility and rural co-op programs for reducing bills (e.g., efficiency and weatherization programs, budget billing, arrearage and payment plans) and increase utilization of community benefit and assistance resources that help cover the cost of bills (e.g., the Low Income Home Energy Assistance Program). • Address content and communications gaps and reduce barriers to information by strengthening the provision of language translation, in-person communications, and hard-copy informational materials. This includes creating targeted plans and hosting in-person events to reach rural and Tribal communities. • Support and increase funding for EMNRD's "Energy Coaches" and create and fund additional community outreach and education positions in each energy-related assistance agency (e.g., New Mexico Health Care Authority, PRC, EMNRD) to provide an on-the-ground presence at community events. • Create a centralized virtual coordination hub of community assistance programs and utility programs to increase information sharing across state agencies and provide outreach personnel with statewide information. • Create a centralized, public-facing coordination hub for community resources with an ombudsman-like office and one-stop-shopping for consumers. This hub could be hosted and kept up to date by PRC or EMNRD.
Problem statement	The efficiency and scale of benefits of existing electric utility programs can be improved by increasing their utilization. Substantial barriers exist to program utilization, including lack of internet, lack of English language proficiency, and lack of background knowledge. Barriers can be reduced by targeting in-person events to rural and Tribal communities, funding dedicated staff to provide assistance, and bringing disparate programs and resources together in one convenient location for "one-stop-shopping."
Implementing party(ies)	**Lead implementing entity:** EMNRD; PRC. **Supporting partners:** IOUs; co-ops.
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☐ Regulatory ☒ Administrative ☐ Utility tariff or contract ☐ Budget or appropriation ☒ Financing or investment

	☒ Interagency agreement ☒ Local or Tribal coordination ☐ Pilot or demonstration ☐ Further study or data development ☐ Other (please describe below) **Details:** • Legislation could appropriate funding to grow the "Energy Coach" outreach program and support outreach positions at other energy-related agencies. • Targeted outreach plans can be developed to reduce key barriers and address needs of rural and Tribal communities. • PRC or EMNRD can create and staff a new resource hub.
Projected benefits	**Affordability across various customer classes and income groups:** Existing utility programs can help to address energy affordability if resources exist to connect customers to programs. In-person events, dedicated agency staff, and improved and coordinated online resources can help to make these connections. **Reliability and resilience:** No notable impacts. **Economic development:** Increasing utilization of energy efficiency programs would create more business for electricians, HVAC technicians, and workers in related fields. **Clean energy and environmental sustainability:** Efficiency programs lead to lower energy usage and, therefore, lower emissions from electricity generation. Weatherization can also reduce on-site fuel consumption (like gas for space heating) and associated emissions.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Without a designated appropriation, the cost of promoting these programs could end up being shifted to other ratepayers, as it is in other states that apply a system benefits charge to utility bills to fund residential energy efficiency programs. **Reliability and resilience:** No substantial concerns noted. **Economic development:** No substantial concerns noted. **Clean energy and environmental sustainability:** No substantial concerns noted.
Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration

	☐ Additional technical or legal analysis needed ☒ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • The legislature can fund this work through budget appropriations. • Targeted outreach plans can be developed to reduce key barriers and address needs of rural and Tribal communities. • Dedicated community outreach and education personnel should be designated in each energy-related assistance agency. **Long-term steps (1–5 years):** • EMNRD would increase Energy Coach staffing. • EMNRD or PRC would design, create, launch, and staff the new public-facing resource hub.
Resource, capacity, and authority requirements	• Budget appropriation would be needed to increase funding for the Energy Coach program; designate dedicated community outreach and education personnel; develop outreach planning documents; and create, develop, and staff hubs. • Implementing parties would need to hire additional staff, including EMNRD Energy Coaches; new dedicated staff in other energy-related agencies; and one new, full-time equivalent staff member to administer the hub.
Level of support among Council	Full consensus of the Council.



Chapter 4:

Council Recommendations: Grid Modernization and Reliability

Grid modernization and reliability are central to New Mexico's ability to serve growing electricity demand while maintaining affordable and resilient electric service. As demand increases from large loads, electrification of buildings and transportation, and other economic activity, the state will benefit from evaluating not only new generation, transmission, and distribution investments, but also opportunities to use existing infrastructure more efficiently. These opportunities include advanced grid management and transmission technologies, improved use of assets, demand flexibility, DERs, storage, and better planning and information tools. A relatively small number of high-demand hours can drive the need for significant system investment. It is therefore worthwhile to explore flexible resources, energy efficiency, customer demand response, storage, and other approaches that can help reduce peak demand and make more effective use of existing grid capacity.

A central challenge to grid modernization is to make timely and prudent infrastructure investments without overbuilding, shifting unnecessary costs to customers, or compromising reliability as the mix of energy resources and patterns of electricity demand change. Renewable generation, storage, transmission access, firm and flexible resources, wildfire resilience, regional coordination, and the timing and certainty of large-load growth all affect whether the grid can meet customer needs under normal and stressed conditions. Modernization also depends on access to cost-effective financing and the ability to test, demonstrate, and deploy emerging technologies that may improve grid performance over time. The Council's recommendations therefore focus on improving system planning and grid utilization, expanding distributed and flexible resources, strengthpening resilience and wildfire preparedness, and developing financing and technology-deployment pathways that can support needed infrastructure while limiting long-term cost pressures on customers.

Grid Modernization and Reliability Recommendations

Improving System Planning, Regional Coordination, and Grid Utilization
Recommendation B-1: Promote cost-effective regional coordination and market participation
Recommendation B-2: In addition to expanding the transmission grid, increase utilization of existing transmission via grid-enhancing technologies
Recommendation B-3: Require utilities to report regularly and apply metrics on grid asset utilization
Recommendation B-4: Establish a statewide large-load information portal
Expanding Distributed and Flexible Grid Resources
Recommendation B-5: Support buildout of battery storage and distributed energy resource aggregations
Strengthening Grid Resilience and Wildfire Preparedness
Recommendation B-6: Mitigate wildfire risks through funding mechanisms, insurance affordability, liability protections, vegetation management authority, and coordination across agencies and utilities
Financing Grid Modernization and Accelerating Technology Deployment
Recommendation B-7: Create and fund a New Mexico Energy Fund to provide low- or no-cost funding for electric utilities to invest in energy and infrastructure projects and programs that bring benefits to the state
Recommendation B-8: Establish a state-backed transmission and emerging energy infrastructure finance facility through the New Mexico Finance Authority
Recommendation B-9: Replicate aspects of the federal Transmission Facilitation Program and other innovative public-private transmission equity finance models
Recommendation B-10: Establish a state investment and utility partnership pathway to support emerging energy technologies

4.1 Improving System Planning, Regional Coordination, and Grid Utilization

Recommendation B-1: Promote cost-effective regional coordination and market participation

Recommended action	**Promote cost-effective regional coordination and market participation.** • Support actions by IOUs to join regional markets or coordinating bodies if doing so will provide demonstrated benefits to customers. • Require IOUs to periodically conduct a cost-benefit analysis of available regional market options and resource adequacy programs. • Demonstrate commitment to this goal by having state agencies maintain an active presence in Western regional governance discussions.
Problem statement	New Mexico's power grid is fragmented rather than being coordinated centrally or regionally like the power grids in many other states. SPS and some adjacent co-ops participate in the SPP, an RTO within the larger Eastern Interconnection. The Tri-State Generation and Transmission Association, which supplies wholesale power to many other New Mexico co-ops, recently joined SPP's expansion into the Western Interconnection. PNM, EPE, and other New Mexico co-ops within the Western Interconnection are not part of an RTO, although PNM has taken steps toward joining a day-ahead market. With this fragmented approach, New Mexico could be missing out on opportunities for efficiency and pooling of resources. RTOs offer the potential to centralize some planning and operations and to optimize for least cost by taking advantage of regional transfer capability and competitive procurement for builds. However, there can also be financial and operational downsides to joining a regional organization. Thus, it is important to compare the benefits and costs in each case. That is why this recommendation calls for analysis, rather than presuming that joining the available markets is automatically the right answer for New Mexico's utilities and their customers.
Implementing party(ies)	**Lead implementing entity:** PRC and IOUs. **Supporting partners:** EMNRD; RETA; Western market operators and regional planning bodies; regional resource adequacy programs (e.g., California Independent System Operator, Regional Organization for Western Energy, SPP).
Implementation pathway(s) and details	**Pathways:** ☐ Legislative ☒ Regulatory ☐ Administrative ☐ Utility tariff or contract ☐ Budget or appropriation ☐ Financing or investment

	☐ Interagency agreement ☐ Local or Tribal coordination ☐ Pilot or demonstration ☒ Further study or data development ☐ Other (please describe below) **Details:** • The scope of options includes day-ahead markets, full RTOs, and other similar regional markets and coordinating bodies. • PRC should require IOUs to evaluate the benefits and costs of joining regional market and resource adequacy program options. If a recent analysis has been conducted that meets PRC's requirements, that analysis could be accepted to fulfill this requirement in lieu of requiring a duplicative analysis. Utilities already participating in an RTO would report on realized benefits. These analyses could be repeated with the IRP cycle or some other frequency determined by PRC, as market offerings and rules change over time. • PRC will determine the parameters and requirements for the analyses and reports described above. • State agencies should participate directly in Western regional governance processes, where New Mexico's interests are otherwise represented by others.
Projected benefits	**Affordability across various customer classes and income groups:** Regional planning and dispatch can reduce utilities' operating costs, while shared reserves can reduce the need to "overbuild" for peak demand or system stress. **Reliability and resilience:** Access to a larger and geographically diverse resource pool and regional resource adequacy programs can reduce real-time loss-of-load risk. **Economic development:** Deeper markets could improve the value of New Mexico renewable exports and continue to attract resource investment. **Clean energy and environmental sustainability:** Regional dispatch can help reduce renewable curtailment and improve utilization of variable resources.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Membership and implementation costs are significant and can be front-loaded. **Reliability and resilience:** Coordination could create greater dependence on regional operations and on the policies and resource adequacy of neighboring states. **Economic development:** Some planning and operational decisions could shift to regional bodies, potentially reducing direct state control over certain elements.

	Clean energy and environmental sustainability: Market design could favor incumbent fossil resources in the absence of carbon-free firm-generating resources, depending on how products are defined.
Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☐ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–36 months):** • PRC will lay out specifications and requires New Mexico IOUs to perform a market participation cost-benefit analysis or report on realized benefits from their existing RTO participation. • Pertinent state agencies will establish an active presence in Western regional governance discussions if they are not involved already. **Long-term steps (3–5 years):** • IOUs should conduct analyses periodically. • IOUs coould pursue participation in regional markets if the studies show that doing so would offer net financial benefit to New Mexico ratepayers.
Resource, capacity, and authority requirements	• PRC already has the authority to require utilities to conduct these studies. • Utilities will incur systems, staffing, and market implementation costs, as well as consultant costs to conduct the required analysis. • Joining a regional market will require FERC filing and legal costs. • PRC and EMNRD will need staff capacity for regional proceedings. • No state appropriation is strictly required, but agency capacity to participate meaningfully in Western governance processes is a real constraint and worth funding deliberately. Cost recovery for utility study and participation should be recoverable subject to PRC prudence review.
Level of support among Council	Near consensus of the Council (at least 10 members in support, but not all 13). One member who supported this recommendation did so with the additional assertion that the cost-benefit analysis should be quantitative and filed publicly, and any net market benefits, including off-system sales revenue, should be credited to retail customers.

Recommendation B-2: In addition to expanding the transmission grid, increase utilization of existing transmission via grid-enhancing technologies

Recommended action	**In addition to expanding the transmission grid, increase utilization of existing transmission via grid-enhancing technologies.** • Apply GETs to the greatest possible extent, with respect to reliability and cost-benefit constraints. • Require analysis and reporting by IOUs and require justification if a new build is selected instead of applying GETs.
Problem statement	Serving expanded loads and adding new generation resources to different parts of the grid will require investment in additional transmission capacity. Ratepayers will bear the cost of these investments. One way to reduce such costs is by applying established and emerging technologies that make it possible to transmit more power through existing transmission infrastructure.
Implementing party(ies)	**Lead implementing entity:** PRC; IOUs, as transmission owners. **Supporting partners:** RETA; regional market operators and planning bodies; FERC.
Implementation pathway(s) and details	**Pathways:** ☐ Legislative ☒ Regulatory ☐ Administrative ☐ Utility tariff or contract ☐ Budget or appropriation ☐ Financing or investment ☐ Interagency agreement ☐ Local or Tribal coordination ☐ Pilot or demonstration ☒ Further study or data development ☐ Other (please describe below) **Details:** • GETs include technologies like dynamic line rating, advanced power flow control, topology optimization, and advanced reconductoring. PRC can require transmission owners to evaluate GETs before transmission expansion. This recommendation is additive to new builds, not a substitute for them. This recommendation would reinforce FERC Orders No. 1920 and 2023, which

	already require transmission providers to evaluate GETs and other alternative transmission technologies as potential solutions before relying solely on traditional transmission upgrades. • PRC can require a written justification in any CCN application where a traditional build is selected over a grid-enhancing alternative above a defined cost threshold. • Transmission owners should report on implementation of ambient-adjusted ratings under FERC Order 881 as a baseline. This FERC order already requires such reporting and establishes what capability exists. • Adding GETs to existing transmission assets should not require a CCN. • PRC can determine an appropriate frequency at which to require these evaluations and reports.
Projected benefits	**Affordability across various customer classes and income groups:** GETs can increase the deliverable capacity of lines already in the ground at a small fraction of new-build costs, thus reducing spending on new investments that would be passed along to ratepayers. **Reliability and resilience:** Deploying GETs can improve real-time visibility into actual line capacity and congestion relief at specific constrained facilities. **Economic development:** GET investment can unlock interconnection headroom for increasing load and generation on a timeline that permitting and construction cannot match. **Clean energy and environmental sustainability:** GETs can reduce renewable curtailment and speed up the interconnection of new renewable generation.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** These are software- and operations-heavy solutions on which utilities earn no return under traditional ratemaking. **Reliability and resilience:** Dynamic ratings require reliable communications and clearly defined fallback procedures. If a dynamic rating becomes temporarily unavailable, system operators should automatically revert to a conservative, predetermined rating to maintain safe operation. **Economic development:** These technologies relieve constraints incrementally and are not a substitute for the major transmission that large new loads and renewable export will require. Clean energy and environmental sustainability: No notable impacts.
Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☐ Legislative action needed

	☐ Longer-term direction only **Near-term steps (0–12 months):** • PRC will require a GET alternatives analysis in transmission certificate filings and requires utilities to report current ambient-adjusted rating implementation. **Long-term steps (1–5 years):** • GETs will be deployed at identified constrained facilities, with a standing requirement that alternatives be evaluated before any transmission upgrade above a cost threshold, and with results tracked against the counterfactual.
Resource, capacity, and authority requirements	• Utility capital for sensors, controls, and software, in addition to implementing operator training and integrating energy management systems. Costs are modest relative to transmission construction and recoverable through rates. • PRC staff and technical consultant support for review. • This recommendation intersects with FERC authority on transmission rating practices and cost recovery for transmission facilities.
Level of support among Council	Full consensus of the Council.

Recommendation B-3: Require utilities to report regularly and apply metrics on grid asset utilization

Recommended action	**Require utilities to report regularly and apply metrics on grid asset utilization.** • Establish consistent reporting by IOUs on their use of existing distribution assets and use this information to inform system planning, grid modernization, and investment decisions. At a minimum, consider feeder capacity use and hosting capacity. Reporting should provide feeder- and substation-level information where technically appropriate and useful. • Educate stakeholders on publicly reported utility data, locations, and the frequency of reporting. • Review available reporting and identify gaps.
Problem statement	Utilities and regulators need consistent information on how effectively existing grid infrastructure is being used before determining where additional investment is necessary. Without comparable information at appropriate system, feeder, and substation levels, it can be difficult to identify constrained assets, available capacity, or opportunities to improve the use of existing infrastructure. Grid utilization metrics could improve transparency, support integrated system planning, help target modernization investments, and identify circumstances in which new capital investments could be deferred or avoided. PRC already requires certain reporting, but this recommendation would make reporting more regular.
Implementing party(ies)	**Lead implementing entities:** • IOUs would collect, assess, and report utilization data. • EMNRD would review available reporting, identify gaps, and educate stakeholders. • PRC would establish or approve reporting standards and determine if the information is already being collected and reported, and if not, what information is necessary and how it should be incorporated into relevant planning and regulatory processes. **Supporting partners:** No additional partners noted.
Implementation pathway(s) and details	**Pathways:** ☐ Legislative ☒ Regulatory ☐ Administrative ☐ Utility tariff or contract ☐ Budget or appropriation ☐ Financing or investment ☐ Interagency agreement ☐ Local or Tribal coordination

	☐ Pilot or demonstration ☒ Further study or data development ☐ Other (please describe below) **Details:** • PRC should first assess existing utility data and reporting requirements to determine what grid utilization information is already available and where gaps remain. For example, FERC already requires some of this information to be reported, and utilities should avoid duplicating effort. For this reason, the recommendation focuses on the distribution system and not the transmission system, which already has regular reporting required by FERC. • Based on that assessment, PRC could establish common definitions, metrics, reporting frequency, format, and appropriate granularity for IOUs through regulatory action. • Consideration should be given to feeder capacity utilization (e.g., peak feeder loading as a percentage of normal and/or emergency rating, system load factors, system loss rate) and hosting capacity.
Projected benefits	**Affordability across various customer classes and income groups:** Better visibility into existing grid capacity could identify opportunities to improve grid asset utilization, defer or avoid unnecessary capital expenditures, and better target investments ultimately recovered from customers. **Reliability and resilience:** Utilization and constraint information could help identify where capacity limitations exist and where modernization or other solutions are most needed. **Economic development:** Greater visibility into available capacity could improve planning for new large loads and help identify locations or solutions that may accommodate growth more efficiently. **Clean energy and environmental sustainability:** Utilization information could support consideration of storage, distributed generation, virtual power plants, demand flexibility, GETs, and other alternatives that make greater use of existing infrastructure.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Utilities could incur costs to collect, validate, standardize, and report information, particularly where existing monitoring or data systems are insufficient. These costs could ultimately be borne by customers. However, utilities are already collecting much of this information—or they will be able to once the planned rollout of advanced metering infrastructure and DER management systems is complete—so the net cost increase could be minimal. **Reliability and resilience:** No substantial risks are noted. **Economic development:** No substantial risks are noted. Although publicly reported capacity information could be misunderstood as indicating that a location is immediately available for interconnection, this misconception could be addressed easily with disclaimers. **Clean energy and environmental sustainability:** No substantial risks are noted.

Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☐ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • PRC, working with IOUs, can identify the grid asset utilization metrics that utilities already collect; review existing reliability, interconnection, distribution-planning, and related reporting requirements; determine data gaps and administrative costs; and propose standardized metrics and reporting protocols. **Long-term steps (1–5 years):** • PRC can establish ongoing reporting requirements through an appropriate process and incorporate utilization information into relevant utility planning and investment reviews.
Resource, capacity, and authority requirements	• Implementation requires PRC staff capacity to assess existing requirements, develop common metrics, review utility reporting, and determine how utilization information should be used in planning and regulatory proceedings. • Utilities could require staff time, data-management capability, and potentially additional monitoring where information is not already collected.
Level of support among Council	Near consensus of the Council (at least 10 members in support, but not all 13). Members who did not support this recommendation voiced concerns about the administrative burden and the fact that there are already PRC requirements in this area.

Recommendation B-4: Establish a statewide large-load information portal

Recommended action	**Establish a statewide large-load information portal.** • Create a public-facing portal that consolidates appropriately public information on large-load development, forecast ranges, project status, infrastructure planning, and flexible-load participation. • Define “large loads” by size and/or function. The Council does not specify a definition in these recommendations.

Problem statement	Information about prospective large-load development is distributed among utilities, state agencies, economic development programs, and individual project processes. This fragmentation can make it difficult for regulators, utilities, state planners, communities, and the public to understand the aggregate level and geographic distribution of potential demand, distinguish committed projects from speculative requests, or identify when the same project may be represented in multiple utility planning pipelines.
Implementing party(ies)	**Lead implementing entity:** EMNRD, for developing and administering the statewide information portal. **Supporting partners:** PRC; EDD; IOUs; electric co-ops and municipal utilities where appropriate; large-load applicants; and other state agencies holding relevant infrastructure or economic development information. PRC would have a primary role in establishing reporting requirements for regulated utilities and large-load applicants within its jurisdiction.
Implementation pathway(s) and details	**Pathways:** ☐ Legislative ☒ Regulatory ☒ Administrative ☐ Utility tariff or contract ☐ Budget or appropriation ☐ Financing or investment ☒ Interagency agreement ☐ Local or Tribal coordination ☐ Pilot or demonstration ☒ Further study or data development ☒ Other (please describe below) **Details:** • EMNRD, PRC, EDD, and other agencies as appropriate should work together to develop the necessary thresholds for defining large loads for the purposes of this recommendation. • EMNRD, PRC, EDD, utilities, and other relevant entities should establish common definitions, data fields, project status categories, update schedules, confidentiality standards, and protocols for submitting information to a statewide portal. • The statewide portal should include, to the extent appropriate for public disclosure: (1) aggregate large-load development by region or utility; (2) forecast ranges; (3) standardized project readiness categories; (4) expected in-service timing; (5) associated infrastructure planning information; and (6) flexible-load capacity that is enrolled, dispatched, compensated, and credited toward avoided or deferred investment.

Projected benefits	**Affordability across various customer classes and income groups:** Better information can reduce the risk that utilities plan and invest based on duplicative or speculative load requests, thereby reducing potential unnecessary capital expenditures ultimately borne by customers. **Reliability and resilience:** More accurate statewide visibility into load location, timing, project maturity, and potential duplication can improve generation, transmission, and distribution planning. **Economic development:** A common information source can improve coordination among utilities and state economic development agencies, and it can provide developers and communities greater visibility into infrastructure constraints and project pipelines. **Clean energy and environmental sustainability:** Better information about the scale, timing, location, and operating characteristics of prospective loads can improve planning for generation, transmission, storage, and clean energy resources. It can also help identify opportunities for using flexible demand to reduce infrastructure needs.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Developing and maintaining the portal will require state and utility resources. Reporting should therefore rely on existing data wherever practicable. **Reliability and resilience:** Incomplete, outdated, or inconsistently categorized project information could create misleading impressions about future system needs; clear update requirements and status definitions will be necessary. **Economic development:** Public disclosure could expose commercially sensitive project information or discourage developers from considering multiple potential locations. The portal should therefore distinguish between information required for regulator or planner use and information suitable for public disclosure, emphasizing aggregated data where confidentiality is warranted. **Clean energy and environmental sustainability:** Public data will improve transparency but will not by itself ensure that large-load growth is served with clean resources or that environmental impacts are minimized. Resource planning, permitting, and environmental review are still needed.
Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☐ Legislative action needed ☐ Longer-term direction only

	Near-term steps (0–12 months): • EMNRD, PRC, EDD, and utilities can inventory existing large-load information, establish common definitions and project status categories, identify public versus confidential data, and design a prototype portal. **Long-term steps (1–5 years):** • Actions include launching and maintaining the statewide portal; integrating standardized reporting from utilities and agencies; monitoring the accuracy and timeliness of project status information; incorporating flexible-load performance reporting; and periodically refining disclosure and confidentiality requirements based on implementation experience.
Resource, capacity, and authority requirements	• Implementation would require EMNRD data management, cybersecurity, portal development, and analytical capacity; PRC regulatory and legal expertise; utilities' data and reporting support; and EDD coordination regarding economic-development projects. • Whichever agency takes ownership of the portal (potentially EMNRD) would need staff resources to maintain it. • Consultant support may be useful for data architecture, privacy, and cybersecurity.
Level of support among Council	Near consensus of the Council (at least 10 members in support, but not all 13). Council members who did not support this recommendation felt that it was unclear who the portal would serve and how much benefit it would offer, especially if information is limited by non-disclosure agreements.

4.2 Expanding Distributed and Flexible Grid Resources

Recommendation B-5: Support buildout of energy storage and distributed energy resource aggregations

Recommended action	**Support buildout of energy storage and distributed energy resource aggregations.**
	• Strategically locate new storage and DER aggregations (also called virtual power plants) as a non-wires alternative remedy by targeting hosting capacity, overload, and congestion constraints at the distribution level to defer or avoid costly, traditional upgrades where possible and with demonstrated customer benefit over other alternatives.
	• Encourage PRC to effectuate a rulemaking on distribution planning that includes requirements regarding targeting new hosting capacity, overload, and congestion constraints. This rulemaking should:
	  ○ Look for opportunities to encourage IOUs to site storage and DER aggregations where they will be more cost effective than traditional upgrades.
	  ○ Encourage new storage to be screened as a non-wires alternative before proposing a traditional upgrade, and reward it when it is selected if it is more cost-effective than alternatives.
	  ○ Establish screening criteria and a cost-effectiveness threshold for when a non-wires alternative must be evaluated.
	  ○ Engage utilities to identify hosting capacity, overload, and congestion constraints at the distribution level.
	• Direct PRC to examine whether implementing a shared savings performance incentive mechanism for energy storage systems and/or DER aggregations that are strategically sited as non-wires alternatives could defer or avoid costly, traditional upgrades.
	• Continue to support development of constraint maps required by FERC, and prompt utilities to publish constraint maps so third parties can propose solutions rather than relying solely on utility-identified projects.
	• Support new energy storage and DER aggregations with tax incentives and direct pay where they are cost-effective alternatives, and extend support to storage generally, including behind-the-meter storage and emerging technologies.

Problem statement	New storage and DER aggregation resources have the potential to reduce costly peak energy demand, thereby lowering customer rates and bills. Providing utilities with incentives for optimal storage and DER aggregation siting, and providing utility customers with tax incentives for using storage, can boost storage capacity on the grid and lower peak demand behind the meter. This recommendation acknowledges and builds upon existing efforts to promote storage and DERs.
Implementing party(ies)	**Lead implementing entity:** PRC; New Mexico Legislature (for tax incentives). **Supporting partners:** Storage developers and DER aggregators; RETA for transmission-level applications; local governments and fire authorities for siting and code; the Taxation and Revenue Department; EMNRD; IOUs; and potentially other types of utilities (where appropriate) as direct pay beneficiaries.

Implementation pathway(s) and details	**Pathways:**
	
	☒ Legislative
	☒ Regulatory
	☐ Administrative
	☒ Utility tariff or contract
	☒ Budget or appropriation
	☐ Financing or investment
	☐ Interagency agreement
	☐ Local or Tribal coordination
	☒ Pilot or demonstration
	☐ Further study or data development
	☐ Other (please describe below)
	
	Details:
	
	• Distribution and transmission planning should screen storage and DER aggregations as a non-wires alternative before proposing a traditional upgrade, and reward it when it is selected. The planning process should:
	  ○ Identify hosting capacity, overload, and congestion constraints at both the distribution and transmission level.
	  ○ Continue to publish constraint maps so third parties can propose solutions rather than relying solely on utility-identified projects.
	  ○ Apply higher-return performance incentive mechanisms treatment to storage and DER aggregations sited specifically as non-wires alternatives.
	• The proposed rulemaking should establish screening criteria and a cost-effectiveness threshold.
	• Legislation can establish or expand a state energy storage and DER aggregation tax credit with a refundable or direct pay option, so entities without tax appetite can actually use it. Those framing the legislation should:
	  ○ Cover utility-scale, distributed, and behind-the-meter storage, DER aggregations, and emerging technologies rather than just lithium ion batteries.
	  ○ Include a direct pay or refundability mechanism for co-ops, Tribal utilities, municipal utilities, and nonprofits.
	  ○ Include an annual aggregate cap and a sunset date, with a reporting requirement sufficient to evaluate cost-effectiveness before renewal.
	  ○ Confirm the scope of any existing New Mexico storage or DER aggregations credit first before establishing a tax credit, so the tax credit expands rather than duplicates current law.

Projected benefits	**Affordability across various customer classes and income groups:** Promoting energy storage and DERs defers or avoids conventional upgrades that would otherwise enter the rate base and be recovered from customers over decades. Tax incentives

	can lower installed storage and DER costs, which lowers the capital ultimately recovered from ratepayers. Direct pay can extend access to co-ops serving rural and lower-income customers who are otherwise left out. **Reliability and resilience:** Located capacity can relieve specific grid constraints and provide voltage support and local backup. Tax incentives can accelerate the resources best suited to local constraint relief and to serving New Mexico's evening ramp—the jump in power demand as daylight wanes, solar production slows, and customers arrive home from work, turn on lights, etc. **Economic development:** Storage and DERs relieve interconnection constraints for new loads more quickly than a "wires" solution. Tax incentives can boost storage and DER employment and signal a durable in-state market. **Clean energy and environmental sustainability:** Storage and DER aggregations can absorb midday renewable output and discharge it into the evening, which is the part of the day where New Mexico's electric utilities face the biggest challenge to ramp up and meet demand. Storage and DER aggregations enable high renewable penetration and compliance with increasing RPS targets over time.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** No substantial risks are noted. **Reliability and resilience:** Duration-limited storage may not substitute for a wires solution under all contingencies, particularly extended outages. **Economic development:** No substantial risks are noted. **Clean energy and environmental sustainability:** Battery supply chain and end-of-life management are genuine issues that should be addressed. Unresolved tax credits with end-of-life requirements could have negative consequences.
Implementation steps	**Current readiness:** ☐ Ready for near-term action ☒ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☒ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • PRC can direct IOUs to identify their most constrained circuits and to evaluate storage and DER aggregation non-wires alternatives at each circuit. PRC can then approve one or two pilot deferral projects to build operating experience. • Legislation can be drafted for the 2027 session, which will involve confirming existing credit scope and conducting fiscal impact analysis. The Taxation and Revenue Department will assess direct pay administration requirements in parallel.

	Long-term steps (1–5 years): • PRC can implement a standing non-wires alternative screening requirement in distribution planning. • If pilots show success, the state can proceed to put in place a performance incentive mechanism, a competitive solicitation open to third-party solutions, and a credit with an annual cap and public reporting, evaluating them for uptake and cost per megawatt-hour deployed before the sunset date is reached.
Resource, capacity, and authority requirements	• This recommendation will require utility or third-party capital for storage and DER aggregations, performance incentive cost recovery, PRC staff and independent evaluation support, and data systems for hosting capacity publication. • Federal tax credits for standalone storage, to the extent available under current federal law, materially affect project economics and should be confirmed rather than assumed. • Foregone state revenue requires fiscal impact estimates from the Legislative Finance Committee and Taxation and Revenue Department, as well as an annual aggregate cap. • Administrative capacity at the Taxation and Revenue Department for a refundable or direct pay credit is the main implementation requirement. • For the tax incentive, no new authority is needed beyond amending the tax code.
Level of support among Council	Near consensus of the Council (at least 10 members in support, but not all 13). One Council member who voted yes offered the qualifying statement that utilities should document and provide any avoided cost assumptions used to evaluate DERs and flexible resources and should explain why lower-cost alternatives were not selected. Two members who did not support this recommendation felt that it is not needed because other rules already require the same things. Another questioned the emphasis on DERs given their feeling that the state's energy challenges require more than what DERs can offer.

4.3 Strengthening Grid Resilience and Wildfire Preparedness

Recommendation B-6: Mitigate wildfire risks through funding mechanisms, insurance affordability, liability protections, vegetation management authority, and coordination across agencies and utilities

Recommended action	**Mitigate wildfire risks through funding mechanisms, insurance affordability, liability protections, vegetation management authority, and coordination across agencies and utilities.** • Fund a share of wildlife mitigation and hardening through state appropriations, grants, and low-cost loans, recognizing that reducing wildfire risk benefits the public beyond any one utility's customers. • Provide state-funded grants and low-cost loans to IOUs, rural co-ops, and Tribal utilities for grid hardening. • Improve the availability and affordability of insurance coverage, particularly for rural electric co-ops. New insurance models or state-supported insurance mechanisms could help reduce costs and improve long-term resilience. • Support legislation that protects utilities from lawsuits and provides limitations on damages if the utilities are operating according to their wildfire mitigation plan (WMP). Note that PRC approval of a WMP does not pre-approve cost recovery, and utilities' WMP spending remains subject to prudence review. • Address specific risks of wildfires and wildfire mitigation to rural electric co-ops. • Support legislation that proactively allows utilities to conduct maintenance on trees and vegetation on private property that are deemed dangerous to nearby utility lines, regardless of whether the lines are in the utility's right of way. • Strengthen PRC oversight of utility WMPs and provide liability protection to utilities operating according to their approved WMP, with the goal of controlling insurance costs passed through to customers. • Facilitate interagency coordination during wildfire events. Council members noted that the New Mexico Department of Homeland Security and Emergency Management, EMNRD, utilities, and electric co-ops all play roles in wildfire preparedness and response. Continued coordination among these entities supports prevention, response, and recovery efforts.
Problem statement	Wildfire mitigation requires ongoing policy support, including wildfire funding mechanisms, insurance affordability, liability protections, vegetation management authority, and coordination across agencies and utilities. Wildfire affects more than just a single utility's service area, and rising insurance costs are frequently passed through to customers. Therefore, wildfire mitigation efforts provide statewide benefits. Proactive action on wildfire management seeks to pay protective costs now to prevent ratepayers from paying higher costs later. Progress on wildfire mitigation was made during the previous legislative session. However, additional legislative action may still be necessary to address remaining gaps, particularly related to vegetation management and wildfire prevention activities on private property.

Implementing party(ies)	**Lead implementing entity:** New Mexico Legislature; utilities and co-ops; PRC; EMNRD. **Supporting partners:** None noted.
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☒ Regulatory ☒ Administrative ☐ Utility tariff or contract ☒ Budget or appropriation ☒ Financing or investment ☒ Interagency agreement ☒ Local or Tribal coordination ☐ Pilot or demonstration ☐ Further study or data development ☐ Other (please describe below) **Details:** • PRC review of utility WMPs and implementation progress will strengthen wildfire mitigation planning and oversight. • State-supported funding and financing mechanisms should be developed for cost-effective grid hardening and wildfire mitigation, including grants and low-cost loans for IOUs, co-ops, and Tribal utilities. • Efforts should be made to improve insurance affordability and availability, particularly for rural electric co-ops, including consideration of state-supported or shared-risk approaches. • The proposed legislation should consider liability protections tied to compliance with approved WMPs and other applicable mitigation requirements. • The state could expand vegetation management authority where needed to address hazardous trees and vegetation on private property that threaten electric infrastructure. • Efforts should be made to strengthen coordination among state agencies, utilities, co-ops, and Tribal entities for wildfire prevention, preparedness, response, and recovery. • The proposed state support could raise Anti-Donation Clause concerns. Anti-Donation applicability must be considered. Wildfire mitigation might be of sufficient importance to warrant consideration of some type of exception for public safety.

Projected benefits	**Affordability across various customer classes and income groups:** Improved availability of insurance coverage, liability protections, and risk mitigation tools can lower costs to businesses and households. State-supported mechanisms, such as a wildfire mitigation fund, could help offset wildfire-related costs and reduce financial burdens on utilities and customers. **Reliability and resilience:** Better, more coordinated wildfire mitigation can avoid grid impacts and related power losses. **Economic development:** Utility WMPs can reduce risk and provide liability protections through documented planning and implementation efforts that benefit businesses across the state. **Clean energy and environmental sustainability:** Planning and programming to reduce wildfire has important potential climate and other environmental benefits.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Liability limitations in the absence of a state-backed wildfire fund can shift the costs of wildfire risk onto property owners, thus exacerbating existing affordability issues. **Reliability and resilience:** No substantial risks are noted. **Economic development:** No substantial risks are noted. **Clean energy and environmental sustainability:** No substantial risks are noted.
Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☒ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • Support legislation that provides protection from lawsuits or limitations on damages to utilities operating according to their WMP. • Support legislation that proactively allows utilities to maintain trees and vegetation on private property that are deemed dangerous to the utility lines, regardless of whether the lines are in the utility's right of way. • Strengthen PRC oversight of utility WMPs. • Facilitate interagency coordination during wildfire events. • Examine Anti-Donation Clause applicability; recommend any steps needed to ensure the proposed program conforms to the New Mexico Constitution.

	Long-term steps (1–5 years): • Provide state-funded grants and low-cost loans to IOUs, rural co-ops, and Tribal utilities for grid hardening. • Improve the availability and affordability of insurance coverage, particularly for rural electric co-ops. • Provide liability protection to utilities operating according to their approved WMP.
Resource, capacity, and authority requirements	• Legislative appropriation may be necessary to fund PRC staff oversight and enforcement of WMPs, staffing for interagency coordination, and additional grants and low-cost loans to IOUs, rural co-ops, and Tribal utilities for grid hardening. EMNRD currently administers funding for certain grid-hardening activities and could play an important role in supporting future wildfire resilience efforts. • Legislation is needed to proactively allow utilities to maintain trees and vegetation on private property and provide protection from lawsuits or limitations on damages to utilities operating according to their WMP. • Further effort may be needed to ensure the proposed program fits within constitutional limits regarding the Anti-Donation Clause.
Level of support among Council	Full consensus of the Council. One member who voted “yes” did so with the caveat that they do not support unconditionally limiting utility wildfire liability. In their words, liability limits shift losses to fire victims, who are often the utility's own rural customers, and weaken the incentive to mitigate. Any such protection should require independently verified compliance with an approved mitigation plan, exclude gross negligence and willful misconduct, preserve compensation for victims, and pass insurance savings through to customers.

4.4 Financing Grid Modernization and Accelerating Technology Deployment

Recommendation B-7: Create and fund a New Mexico Energy Fund to provide low- or no-cost funding for electric utilities to invest in energy and infrastructure projects and programs that bring benefits to the state

Recommended action	**Create and fund a New Mexico Energy Fund to provide low- or no-cost funding for electric utilities to invest in energy and infrastructure projects and programs that bring benefits to the state.**
	• Create a fund that provides access to low-interest financing for investor-owned, co-op, municipal, and Tribal utility infrastructure investments and provides grant funding for resilience and public-benefit projects. This funding could cover, for example:
	  ○ Grid hardening investments, wildfire mitigation efforts, energy storage technologies, and transmission and distribution in constrained areas.
	  ○ Pilot projects to demonstrate the value of non-IOU participation in battery storage and other aspects of demand response.
	  ○ Technical assistance for co-op, municipal, and Tribal utilities.
	• Treat infrastructure developed with the assistance of these loans like any other asset owned by the utility, but give these loans special rate treatment so that utilities are not earning a return on the investment.
	• Use grants for co-ops and Tribal utilities to bring down the costs of deploying infrastructure that is required to ensure grid reliability and affordability. A grant component could support projects providing broader public benefits, including wildfire mitigation, cybersecurity improvements, resilience investments, and other initiatives that benefit communities statewide.
	• Through legislation, ensure the proposed funding fits into the Anti-Donation Clause exemption for "provision of essential services" and consider avenues to make co-ops eligible for direct funding or expand the universe of possible fiscal agents with whom co-ops can partner.

Problem statement	IOUs, co-ops, and municipal utilities currently might not propose or implement certain projects that would bring benefit to the state due to a lack of financing or excessive cost of capital investment. State-backed loans would lower the cost of borrowing for IOUs and co-ops. A New Mexico Energy Fund would allow these projects to move forward while assigning them special rate treatment appropriate to a low- or no-cost funding source. State-backed loans help keep projects more affordable while also keeping an evergreen financing tool when the loans are paid back. Rural co-ops face particular challenges when pursuing loans or grants. Co-ops are often required to work through a fiscal agent to access certain funding opportunities, creating additional administrative complexity and delays. A program design that allows utilities, particularly co-ops, to receive funds directly rather than through an intermediary would strengthen the program. Another

	option would be to expand the list of eligible fiscal agents, such as by adding councils of governments. Reducing barriers to accessing financing should be a key component of program design. Financial and technical barriers cause coops not to participate in demand response programs at the generation and transmission level. With financial support and accompanying technical assistance, co-ops could participate in demand response—leading to savings benefits for customers, reducing customer-level needs systemwide, and providing additional benefits that are ultimately realized by co-op members at the distribution level.
Implementing party(ies)	**Lead implementing entity:** New Mexico Legislature; PRC. **Supporting partners:** EMNRD (as potential administrator) and utilities; New Mexico Rural Electric Cooperative Association; the U.S. Department of Agriculture's (USDA's) Rural Utilities Service; potentially NMFA, which could administer the fund similar to how the manage the Public Project Revolving Fund; and SIC, which could also play a role in supporting or capitalizing an energy fund (provided there is sufficient return on investment to meet SIC requirements) but could not administer grant funding.
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☒ Regulatory ☒ Administrative ☐ Utility tariff or contract ☒ Budget or appropriation ☒ Financing or investment ☐ Interagency agreement ☒ Local or Tribal coordination ☐ Pilot or demonstration ☐ Further study or data development ☐ Other (please describe below) **Details:** • Legislative authority is needed to create and fund the New Mexico Energy Fund. • Legislation should also provide certainty that the proposed programs would not violate the Anti-Donation Clause, either by making co-ops eligible to receive funding directly or expanding the list of organizations with whom co-ops could partner as fiscal agents. • A PRC order will be needed to specify rate treatment of projects funded through the proposed new program.

	• It is important to clearly distinguish between the loan and grant components of this recommendation. Loans reduce borrowing costs for infrastructure investments and transmission-related projects, while grants support projects that provide statewide benefits and reduce costs borne by customers. IOUs could be eligible for loans but likely not grants. • Among other priorities, implementation can focus on expanding the use of energy storage, other DERs, and demand flexibility by co-op, municipal, and Tribal utilities. The fund could capitalize pilot projects to demonstrate the value of participation by these types of utilities.
Projected benefits	**Affordability across various customer classes and income groups:** Low- and no-cost financing of designated projects lowers the costs passed onto ratepayers. The fund can also be used to prioritize energy projects expected to lower customer rates and bills, such as demand response. In contrast, utility infrastructure projects are often financed through loans, with interest costs ultimately recovered from ratepayers. **Reliability and resilience:** The fund can help prioritize energy projects expected to address peak demand or provide dispatchable load relief in rural areas. **Economic development:** A new source of funding will benefit developers and could make energy development accessible to a wider range of development entities. Similar financing mechanisms have been established in other states to support utility infrastructure investments while mitigating impacts on ratepayers. Participation by non-IOUs could support rural load growth, including agricultural electrification and oil and gas field loads. **Clean energy and environmental sustainability:** The fund can help prioritize energy projects expected to contribute to meeting state clean energy goals.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Funding from tax revenue is needed to provide project funds. Monies offered as grants, and loans that default, increase burden to taxpayers. Metering, communications, and load control upgrades cost real money for small utilities with thin margins and limited staff, so the payback on their own investments needs to be demonstrated, not just asserted. **Reliability and resilience:** No substantial concerns noted. **Economic development:** "Choosing winners" for loans and grants can obscure the importance of projects that may bring unanticipated benefits. However, if qualifications come through criteria set at PRC focused on reducing the cost of financing for required infrastructure projects, then there might be less concern about "choosing winners" with unregulated private sector companies. **Clean energy and environmental sustainability:** No substantial concerns noted.
Implementation steps	**Current readiness:** ☒ Ready for near-term action

	☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☒ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • Legislation can be introduced to create and fund the New Mexico Energy Fund and to clarify pathways to receiving funding. • EMNRD or the New Mexico Rural Electric Cooperative Association can convene co-ops and their power suppliers to assess needs and identify co-ops to participate in pilot efforts. **Long-term steps (1–5 years):** • PRC can issue an order to specify rate treatment of projects funded through the new funding program.
Resource, capacity, and authority requirements	• The proposed fund will require enabling legislation, appropriations, program structure development, and clear eligibility criteria for loans and grants. • The agency that administers the fund will require additional staffing. • EMNRD or the New Mexico Rural Electric Cooperative Association will require capacity for convening and technical assistance. • Co-op investment in advanced metering infrastructure and load control equipment will be needed. • Legislation to establish the fund should address potential legal considerations, including distinctions between loan programs and grant programs and clarity regarding the Anti-Donation Clause. • Authority to participate in funded programs rests with utility boards; the state cannot require participation and should not present it as a mandate.
Level of support among Council	Full consensus of the Council.

Recommendation B-8: Establish a state-backed transmission and emerging energy infrastructure finance facility through the New Mexico Finance Authority

Recommended action	**Establish a state-backed transmission and emerging energy infrastructure finance facility through the New Mexico Finance Authority.** • Establish a transmission and emerging energy infrastructure finance facility that would issue low-interest loans, credit enhancements, and other financing support to projects the state deems critical to its energy transition and economic development. • Provide legislative authority to NMFA to launch a new energy infrastructure finance facility, and it would fund the facility via legislative appropriation. • Consider issuing a general obligation or severance tax bond to seed a revolving fund for loans, similar to California Senate Bill 254, which was enacted in 2025. • Explore extending loan funding from NMFA to co-ops.
Problem statement	Alternative financing opportunities are necessary to stimulate investment in transmission and emerging energy infrastructure. A state-backed financing facility can bolster financing available from private sources and expand the set of businesses and other entities fostering new energy infrastructure in New Mexico.
Implementing party(ies)	**Lead implementing entity:** NMFA. **Supporting partners:** New Mexico Legislature, for authorization and seed capital; RETA; EMNRD; the State Board of Finance; co-ops and Tribal utilities.
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☐ Regulatory ☐ Administrative ☐ Utility tariff or contract ☒ Budget or appropriation ☒ Financing or investment ☐ Interagency agreement ☐ Local or Tribal coordination ☐ Pilot or demonstration ☐ Further study or data development

	☐ Other (please describe below) **Details:** • The legislature would authorize NMFA to establish a transmission and emerging energy infrastructure finance program offering low-interest loans, credit enhancements, and loan guarantees. • The legislature can seed a revolving fund through general obligation or severance tax bonds, using California Senate Bill 254 (enacted in 2025) as a structural model. • Eligibility for the finance facility should explicitly extend to rural electric co-ops and Tribal utilities, which face the steepest cost of capital and have the least access to alternatives. However, this program might only be useful if the interest rates on these loans are lower than alternative sources of financing, such as USDA's Rural Utilities Service. • The program should include funding for emerging technologies, such as geothermal and long-duration storage, where the financing gap is largest.
Projected benefits	**Affordability across various customer classes and income groups:** Cost of capital is a large share of the lifetime cost of long-lived infrastructure. A meaningful reduction in financing cost can flow directly to customers through a lower revenue requirement. **Reliability and resilience:** The finance facility can accelerate transmission and storage that would otherwise be delayed or scaled back by financing constraints. **Economic development:** An entity like NMFA can unlock projects that the private market will not finance at an acceptable cost, which matters most for co-ops and Tribal utilities with limited balance sheets. **Clean energy and environmental sustainability:** The finance facility can target emerging technologies facing a financing gap that commercial lenders will not close on their own.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Debt service on the seed bonds competes with other state priorities. **Reliability and resilience:** No substantial risks are noted. **Economic development:** There is a risk of subsidizing projects that would have been financed anyway, and project selection can become political. Competitive, criteria-based selection mitigates but does not eliminate these concerns. **Clean energy and environmental sustainability:** Minimal, provided eligibility is defined to exclude fossil-fired generation.
Implementation steps	**Current readiness:** ☐ Ready for near-term action ☐ Ready for pilot or demonstration

	☐ Additional technical or legal analysis needed ☒ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • Legislation can be developed for the 2027 session. • An Anti-Donation Clause analysis and pipeline assessment will need to be conducted. • NMFA and RETA can jointly scope program design and underwriting requirements. This step includes collaborating with others as needed (e.g., PRC) to provide more specificity as to how to assure that savings from the finance facility will flow to customers. **Long-term steps (1–5 years):** • The finance facility's capitalized and first loans will be funded and closed, with repayments recycling into new lending. The program scope could expand to co-ops and additional technologies as experience accumulates.
Resource, capacity, and authority requirements	• The New Mexico Legislature can seed capital through general obligation or severance tax bonds. Comparable state programs have launched in a wide range of sizes, and the right scale for New Mexico depends on the pipeline assessment. • Appropriation or bond authorization is required to fund the financing facility. • NMFA staff responsible for energy project underwriting will likely require new hires or transaction advisory support, legal analysis of the Anti-Donation Clause and NMFA's enabling act, and a Legislative Finance Committee review.
Level of support among Council	Near consensus of the Council (at least 10 members in support, but not all 13). One member supported this recommendation on the understanding that its benefits reach customers. In their words, when a utility finances a project with low-cost state loans, the PRC should set rates based on the actual cost of that financing, and the state-financed portion should not earn a shareholder equity return. Otherwise the savings from public credit could go to shareholders rather than customers.

Recommendation B-9: Replicate aspects of the federal Transmission Facilitation Program and other innovative public-private transmission equity finance models

Recommended action	**Replicate aspects of the federal Transmission Facilitation Program and other innovative public-private transmission equity finance models.** • Provide anchor funding for large-scale transmission lines to speed projects to market, using funds from New Mexico's balance sheet and financing authority to advance strategically important transmission projects. • Use the state as a partial equity partner by purchasing a limited share of transmission capacity, providing low-cost financing, offering loan guarantees, or making strategic investments through RETA or another state entity. • Identify transmission projects critical to reliability, economic development, renewable development, Tribal development, or regional market connectivity. • Select projects for funding through a competitive process, to ensure that a "critical project" designation does not create a sole-source award.
Problem statement	New transmission infrastructure is essential to advance New Mexico's energy, energy affordability, and economic development goals. The need is large, with recent studies pointing to a statewide cost of several billion dollars. Public-private financing and other innovative finance models have the potential to stimulate investment in large-scale transmission development in the near term.
Implementing party(ies)	**Lead implementing entity:** RETA, or another designated state entity. **Supporting partners:** NMFA; the New Mexico Legislature; EMNRD; the State Board of Finance; transmission developers; and Tribal governments, where projects cross Tribal lands.
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☐ Regulatory ☐ Administrative ☐ Utility tariff or contract ☒ Budget or appropriation ☒ Financing or investment ☐ Interagency agreement ☐ Local or Tribal coordination ☐ Pilot or demonstration ☐ Further study or data development

	☐ Other (please describe below) **Details:** • Legislative authority is needed for the state to act as an anchor participant and/or equity partner in transmission projects it deems critical, adapting the structure of the federal Transmission Facilitation Program.
Projected benefits	**Affordability across various customer classes and income groups:** Anchor commitments reduce project risk premiums and financing costs, which can lower the delivered cost of transmission capacity to New Mexico customers. Partial equity ownership can reduce project tax liability that is recovered from ratepayers under wholly private equity ownership models. **Reliability and resilience:** Financing can enable new transmission lines that improve import and export capability and strengthen regional interconnection. **Economic development:** Transmission is the binding constraint on both renewable export and large-load siting. State anchoring can unlock stalled projects, including those serving Tribal and rural development. **Clean energy and environmental sustainability:** New Mexico's wind and solar export potential is limited primarily by transmission capacity, not by resource quality. Investing new transmission can unlock this potential.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Under this proposal, the state takes on merchant risk. If capacity does not resell at the assumed price, taxpayers absorb the difference. This exposure should be capped explicitly in the authorizing legislation. **Reliability and resilience:** No substantial risks are noted. **Economic development:** No substantial risks are noted. **Clean energy and environmental sustainability:** Per FERC open access rules, a transmission line built to serve renewables can also carry fossil-fired generation; the state cannot fully control what flows on new transmission lines. That said, given the RPSs in New Mexico and other Western states, it is likely that new transmission lines will predominantly transmit renewably generated electricity.
Implementation steps	**Current readiness:** ☐ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☒ Legislative action needed ☐ Longer-term direction only

	Near-term steps (0–12 months): • Authorizing legislation can be drafted for the 2027 session with an explicit exposure cap. • Legal review should be conducted of RETA's and other state agencies' authority and of the applicability of the Anti-Donation Clause to the proposed initiative. • RETA or other entities can identify candidate critical projects and the financing gap for each project. **Long-term steps (1–5 years):** • Program administrators should execute the first anchor capacity commitment, resell the capacity and recycle the proceeds, and then evaluate the program against realized costs before expanding further.
Resource, capacity, and authority requirements	• State capital or bonding capacity is needed to make capacity purchases and guarantees. • RETA or another designated state agency will require staffing plus financial and legal transaction advising, which is specialized and not currently in place. • Legislative authorization and appropriation is required for the items noted above, as well as State Board of Finance review. • The state's transmission financing program will intersect with FERC on open access and capacity resale, and with U.S. Department of Energy programs, to the extent that federal co-financing remain available.
Level of support among Council	Full consensus of the Council.

Recommendation B-10: Establish a state investment and utility partnership pathway to support emerging energy technologies

Recommended action	**Establish a state investment and utility partnership pathway to support emerging energy technologies.** • Coordinate among EDD, PRC, RETA, SIC, utility, and national laboratory capabilities to create a partnership pathway for demonstrating and commercializing emerging energy technologies in New Mexico. This action includes connecting promising emerging energy technologies with investment capital, providing grants, providing pilot and demonstration opportunities, and illuminating clear regulatory pathways from research and development (R&D) through commercial deployment. • Limit unnecessary ratepayer exposure. Structure participation to place early-stage technology and commercialization risk on investors, developers, or other funding sources where feasible, rather than unnecessarily shifting those risks to utility customers. For any pilot where costs are eventually recovered from customers, PRC should review costs in advance and cap what can be recovered from customers.
Problem statement	Promising energy technologies can face a gap between research, pilot-scale demonstration, and commercial deployment because utilities, investors, and customers may be reluctant to bear the technical, financing, regulatory, and performance risks of first-of-a-kind projects. New Mexico has existing grant, investment, research, and utility-regulatory tools, but they are not necessarily organized as a single pathway from R&D through to pilot demonstration and commercial deployment. A coordinated program could help energy storage, advanced geothermal, fuel cells, and other technologies demonstrate performance in real-world settings while assigning early-stage risk to the parties best positioned to bear it. Requiring customers to finance early-stage experimentation could expose ratepayers to risks that private investors or technology developers may be better positioned to bear.
Implementing party(ies)	**Lead implementing entities:** EDD for program coordination and grant support; PRC for utility-facing regulatory pathways and rate-treatment issues; SIC and participating IOUs and co-ops, with each retaining responsibility for decisions within their respective authority. SIC participation would remain subject to its fiduciary duties and investment criteria. **Supporting partners:** EMNRD; RETA support for energy storage projects; venture, infrastructure, and other private investors (including those backed by SIC); Sandia National Laboratories, Los Alamos National Laboratory, universities, and other research institutions; technology developers; and large-load customers.
Implementation pathway(s) and details	**Pathways:** ☐ Legislative ☒ Regulatory ☒ Administrative ☐ Utility tariff or contract

	☒ Budget or appropriation ☒ Financing or investment ☒ Interagency agreement ☐ Local or Tribal coordination ☒ Pilot or demonstration ☒ Further study or data development ☐ Other (please describe below) **Details:** • Efforts should begin by building on, rather than duplicating, existing state programs. SIC already operates a New Mexico–focused private equity venture program that may consider state economic benefits alongside investment returns and has targeted hard-science and frontier technologies. Its broader alternative investment portfolio also includes infrastructure and energy investments. SIC's Strategic Venture Capital Program has specifically identified advanced energy and climate technology as an area of focus. EDD could expand or align the existing New Mexico Advanced Energy Award grant program, which already supports R&D and pilot projects intended to move technologies toward commercialization. • New Mexico should establish a coordinated pathway through which utilities and state agencies can identify grid or energy needs and potential demonstration opportunities; research institutions and technology companies can identify promising solutions; and SIC-backed or other private investors can evaluate financing opportunities under their normal investment standards. The pathway should include mechanisms to match projects with demonstration sites and funding, establish cost- and risk-sharing arrangements, and evaluate results. • For utility-facing projects under the partnership pathway, PRC should clarify how pilots, demonstrations, partnerships, and associated costs would be treated under existing regulatory mechanisms. PRC can establish a defined pilot or "testbed" process using existing authority where available. • New Mexico law already permits utilities to seek PRC approval for grid modernization investments, incentives, programs, and projects involving advanced grid technology, and it provides for potential cost recovery, subject to PRC review. It also directs consideration of opportunities for private capital investment. The state should consider new legislation only if it is determined that there is a material gap in existing investment, regulatory, or financing authority. • Large-load customers may participate as project hosts or financial partners where technologies can address their load, reliability, or infrastructure needs with appropriate ratepayer protections.
Projected benefits	**Affordability across various customer classes and income groups:** State grants, private capital, developer funding, or large-load participation could absorb part of the early-stage technology risk before broader utility deployment, reducing the need for customers to finance unproven technologies. Successful demonstrations may also identify technologies that lower future infrastructure or operating costs.

	Reliability and resilience: Demonstrations can provide operational evidence about emerging technologies before they are relied upon at scale and can accelerate deployment of technologies that improve grid capacity, flexibility, resilience, or security. Sandia National Laboratories already uses demonstration projects to validate energy-storage technologies and bridge R&D and commercial implementation. **Economic development:** A clearer pathway from New Mexico research and innovation to demonstration and commercialization could help attract private capital, support technology companies, and strengthen connections among the national laboratories, universities, investors, and the energy sector. SIC already uses venture investments to connect New Mexico with private capital in advanced energy, climate technology, and other technology sectors. **Clean energy and environmental sustainability:** Demonstrations could accelerate deployment of advanced geothermal, storage, fuel cells, grid technologies, and other technologies that are capable of supporting lower-carbon and more efficient electricity systems but face commercialization barriers.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Derisking does not eliminate risk; it reallocates it. State grants require public funding, state investment losses could reduce investment returns, and utility-funded pilots could affect customer rates if costs are approved for recovery. To avoid shifting speculative technology costs disproportionately to ratepayers, program design should clearly establish cost sharing, exposure limits, and which party bears technology or project failure risk. **Reliability and resilience:** Technologies that have not been commercially demonstrated may present performance, interoperability, cybersecurity, or operational risks; pilot projects should remain limited in scale and subject to applicable safety, cybersecurity, engineering, and reliability standards. **Economic development:** Public involvement can create risks of concentrating investment in unsuccessful technologies, duplicating existing programs, or displacing private capital. SIC's investments must remain consistent with its independent fiduciary and investment responsibilities. **Clean energy and environmental sustainability:** Emerging technologies differ significantly in maturity, cost, and environmental impacts. Participation in this demonstration should not itself constitute a determination that a technology is appropriate for commercial-scale deployment, nor should it substitute for applicable environmental, permitting, or Tribal consultation requirements.
Implementation steps	**Current readiness:** ☐ Ready for near-term action ☒ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☐ Legislative action needed

	☐ Longer-term direction only **Near-term steps (0–12 months):** • EDD, SIC, PRC, RETA, utilities, EMNRD, national laboratories and universities, and relevant investment partners will convene to inventory existing investment, pilot, and regulatory mechanisms and identify gaps. • Coordinating agencies can define the types of risks this pathway is intended to address—such as technology, exploration, demonstration, project development, or financing risk—and establish basic criteria for technical merit, ratepayer protection, private cost sharing, environmental considerations, and commercialization potential. • Coordinating agencies can identify a small number of potential demonstration opportunities, including consideration of technologies already emerging from New Mexico's research and investment ecosystem. **Long-term steps (1–5 years):** • Coordinating agencies can establish a repeatable pathway connecting technology identification, investor due diligence, utility demonstration, PRC review where required, performance evaluation, and potential commercial scaling. • Recurring demonstration cohorts or testbed opportunities can be established. • Projects can be matched with utilities, large loads, research institutions, and investors. • Coordinating agencies can create a defined pathway for successful technologies to progress from pilot to broader deployment. • Data can be collected to track private capital leveraged, technology performance, customer exposure, and whether demonstrations progress to commercial deployment. • Coordinating agencies can periodically evaluate whether demonstrated technologies achieved their technical, affordability, reliability, and commercialization objectives; and can refine the model based on results.
Resource, capacity, and authority requirements	• The partnership pathway would primarily require coordination, investment, and regulatory expertise rather than the creation of a large new state program at the outset. As envisioned here, the program would require EDD program management capacity, PRC staff capacity to address regulatory treatment for utility pilots, SIC and its investment managers to evaluate investments under existing investment standards, and technical evaluation support from utilities, laboratories, universities, or consultants. • Existing SIC programs provide a potential source of market-rate investment capital, and existing grid-modernization law provides a potential pathway for certain utility technology projects. • Existing EDD grant infrastructure provides a potential funding platform, but the partnership pathway could need additional appropriations if the state materially expands the scale or number of demonstration projects. • If the state seeks to provide other non-market-rate support—such as first-loss capital, guarantees, insurance, or direct underwriting of exploration risk—additional funding or statutory authority may be required.

	• Utility projects may rely on existing advanced-grid authority where applicable, but legal review should determine whether a formal regulatory "sandbox," temporary waiver mechanism, or special rate treatment would require additional statutory authority. • National laboratories can support technical validation and demonstration through appropriate partnership mechanisms.
Level of support among Council	Full consensus of the Council.



Chapter 5:

Council Recommendations: Clean Energy Progress

New Mexico's clean energy progress is both a statutory commitment and a practical system-planning challenge. The ETA establishes long-term renewable and zero carbon electricity requirements for IOUs and rural electric co-ops. As utilities work toward those requirements, they must also maintain reliable service, manage customer costs, and adapt to changing resource needs, transmission constraints, and the availability of new energy technologies.

The Council's recommendation in this chapter focuses on how New Mexico can preserve its long-term zero carbon objectives while providing greater flexibility in the pathways used to achieve them. Specifically, the recommendation would retain the state's existing ultimate zero carbon targets while broadening interim compliance pathways to include a wider range of zero carbon resources and clarifying PRC's authority to consider variances when they are warranted by reliability, affordability, technical feasibility, or other relevant circumstances. The recommendation aims to allow New Mexico to pursue its clean energy goals in a way that can accommodate emerging technologies and changing system conditions while keeping reliability and customer affordability central to implementation.

The Council also discussed the possibility of requiring large behind-the-meter generation, self-supply arrangements, and microgrid configurations to support the state's clean energy goals by complying with standards such as those established by the ETA. Even with provisions to allow for temporary configurations, some grandfathering of existing arrangements, and time for onramping, this topic proved to have too much divergence of opinion to allow the Council to reach a consensus or near-consensus recommendation. Thus, this chapter presents just one recommendation.

Clean Energy Recommendations

Recommendation C-1: Clarify the Renewable Portfolio Standard and evolve it to a technology-neutral zero carbon standard with more pathways to compliance

Recommendation C-1: Clarify the Renewable Portfolio Standard and evolve it to a technology-neutral zero carbon standard with more pathways to compliance

Recommended action	**Clarify the Renewable Portfolio Standard and evolve it to a technology-neutral zero carbon standard with more pathways to compliance.** • Advance legislation to amend the Energy Transition Act (ETA) in a manner that encourages advancement of advanced zero carbon technologies. • Retain the existing zero carbon targets (100% by 2045 for IOUs and by 2050 for co-ops). • Convert "renewable" targets for 2030 and beyond to be "zero carbon" targets. • Strengthen the provisions of the 2019 ETA that allow PRC to grant variances for reliability, affordability, or availability of advanced technologies. Clarify that PRC may consider requests for a variance at any time and continue to use its discretion in assessing such requests, and emphasize that exceptions must not "swallow the rule."
Problem statement	The renewable generation options currently allowed by the ETA that are cost-effective at scale today are intermittent sources: wind and solar. New Mexico has made great strides toward embracing renewables, with all three IOUs exceeding the state RPS target of 40 percent renewable power mix by 2025.[20] However, the state's three IOUs still rely substantially on gas turbines for reliability, as this firm generating capacity can be dispatched relatively easily to serve customers during periods of peak demand or when intermittent renewable production drops (for example, at night). Under the current trajectory, as New Mexico's utilities continue to source a growing percentage of their power from renewables, they will need renewables to serve increasingly challenging roles in the grid—like replacing the dispatchable fossil-fired firm capacity that currently keeps the grid powered at all hours, day and night. Because wind and solar are inherently intermittent, New Mexico's IOUs have projected that every megawatt of firm capacity they replace will require investing in an estimated 3 to 5 megawatts of new installed renewable and energy storage capacity[21] to transform this intermittent resource into a reliable dispatchable resource, plus new transmission. Moreover, the marginal capacity value (i.e., reliability value) of each new unit of wind or solar added to the grid decreases as their share of total generation increases.[22] For the reasons described above, New Mexico's IOUs have stated that the "next 40 percent" of renewables integration will be more costly and less cost-effective to add to the grid than the "first 40 percent."[23] In modeling shared with the Council, for example, SPS

[20] EIA, *EIA-923 Power Plant Operations Report* (2026). Net generation by state by type of producer by energy source (EIA-906, EIA-920, and EIA-923). https://www.eia.gov/electricity/data/state/.
[21] SPS, presentation to the New Mexico Energy Affordability and Reliability Council, August 12, 2026.
[22] Pham, An, Wesley Cole, and Pieter Gagnon, *Average and Marginal Capacity Credit Values of Long-term Planning for Renewable Energy and Battery Storage in the United States Power Systems* (National Renewable Energy Laboratory, 2024). https://www.osti.gov/servlets/purl/2478444.
[23] EPE, PNM, and SPS, presentation to the New Mexico Energy Affordability and Reliability Council, August 12, 2026.

	asserted that reaching the 80 percent renewables target by 2045 would cost an additional $5.5 billion and add an average of $50 per month to each residential customer's bill.[24] PNM's 2026 IRP identified a $244 million to $281 million net present value cost increase to meet the ETA beyond 2032.[25] This recommendation honors and retains the ETA's ultimate goal of decarbonizing New Mexico's electric power grid, and it enhances affordability and reliability by allowing utilities to choose from a broader array of zero carbon technologies to meet that goal. With the proposed switch to a technology-neutral standard, utilities will have more flexibility to choose the lowest cost technologies to meet their zero carbon goals—including emerging technologies that might not have been considered viable when the 2019 ETA was written. The 2019 ETA sent a market signal that New Mexico would welcome the renewables industry and the jobs it would bring. This proposed revision honors that spirit by sending a larger market signal: New Mexico is open for business and eager to embrace a wide range of zero carbon technologies, including new innovations that could happen right here in the state.
Implementing party(ies)	**Lead implementing entity:** New Mexico Legislature **Supporting partners:** Utilities (IOUs and co-ops); PRC
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☐ Regulatory ☐ Administrative ☐ Utility tariff or contract ☐ Budget or appropriation ☐ Financing or investment ☐ Interagency agreement ☐ Local or Tribal coordination ☐ Pilot or demonstration ☐ Further study or data development ☐ Other (please describe below)

[24] SPS, presentation to the New Mexico Energy Affordability and Reliability Council, citing SPS's 2024 request for proposals, August 12, 2026.
[25] PNM, *2026 Integrated Resource Plan* (2026). https://www.pnm.com/2026-irp.

Details:

Amend New Mexico Statutes Annotated (NMSA) 62-16-4 Section A to convert IOUs' "renewable" targets for 2030 and beyond to allow a broader, technology-neutral set of "zero carbon" resources:

- "(4) no later than January 1, 2030, renewable energy **or zero carbon resources** shall comprise no less than fifty percent of each public utility's total retail sales of electricity to New Mexico customers;
- (5) no later than January 1, 2040, renewable energy **or zero carbon resources** shall supply no less than eighty percent of all retail sales of electricity in New Mexico, provided that compliance with this standard until December 31, 2047, shall not require the public utility to displace zero carbon resources in the utility's generation portfolio on the effective date of this 2019 act; and…"

Amend NMSA 62-15-34 to convert co-ops' "renewable" targets for 2030 and beyond to allow a broader, technology-neutral set of "zero carbon" resources:

- "(3) a distribution cooperative shall have the following targets and requirements for renewable energy and zero carbon resources as a percentage of the distribution cooperative's total retail sales in New Mexico:
  - (a) a requirement of forty percent renewable energy by January 1, 2025;
  - (b) a requirement of fifty percent renewable energy **or zero carbon resources** by January 1, 2030; and
  - (c) a target of achieving the zero carbon resource standard by January 1, 2050~~**, composed of at least eighty percent renewable energy**~~, provided that: 1) achieving the target is technically feasible, 2) the rural electric cooperative is able to provide reliable electric service while implementing the target, and 3) implementing the target shall not cause electric service to become unaffordable; and…"

Amend NMSA 62-16 to clarify that PRC may consider requests for a variance at any time and use its discretion in assessing such requests, clarify the circumstances that could justify granting a variance, and emphasize that exceptions must be in the public interest. One way to work toward this goal would be to amend NMSA 62-16-4 with new text such as the bold wording below: "B. In administering the standards required by Paragraphs (5) and (6) of Subsection A of this section, the commission shall:

- "(1) not jeopardize the operation of a sewage treatment facility that captures and combusts methane gas in the facility's operations;
- (2) maintain and protect the safety, reliable operation and balancing of loads and resources on the electric system;
- (3) prevent unreasonable impacts to customer electricity bills, taking into consideration the economic and environmental costs and benefits of renewable energy resources and zero carbon resources;
- **(4) consider impacts beyond a utility's direct control such as but not limited to technical feasibility concerns, delays in or rejection of siting and permitting approvals, supply chain issues for necessary equipment, and transmission constraints;**

	• **(5) account for additional electric load from beneficial electrification (i.e., the true electrification of transportation, buildings, and industrial processes, and not the addition of data centers or other new large loads) and the greenhouse gas emissions savings associated with those loads as compared to serving the load with nonelectric energy sources.** • ~~(4)~~ **(6)** prevent carbon dioxide emitting electricity-generating resources from being reassigned, redesignated or sold as a means of complying with the standard; • ~~(5)~~ **(7)** in consultation with the energy, minerals and natural resources department, undertake programs not prohibited by law to achieve the standard; • ~~(6)~~ **(8)** in consultation with the department of environment, ensure that the standard does not result in material increases to greenhouse gas emissions from entities not subject to commission oversight and regulation; and • ~~(7)~~ **(9)** in consultation with electricity transmission system operators responsible for balancing New Mexico electricity loads and resources, issue a report to the legislature by July 1, 2020, and each July 1 every four years thereafter. The report shall include…"
Projected benefits	**Affordability across various customer classes and income groups:** A technology-neutral ETA has the potential to reduce ratepayer-funded infrastructure investments by billions of dollars. **Reliability and resilience:** The proposed change could promote reliability by allowing New Mexico's utilities to source a higher share of their power from firm generation resources. **Economic development:** The proposed change could promote in-state investment in new or emerging zero carbon technologies. Some investment in new renewables will continue as well, to keep pace with at least 40 percent as total loads grow. **Clean energy and environmental sustainability:** The proposed change would retain the overall goal of decarbonizing New Mexico's electric power grid. It could also reduce other environmental impacts (e.g., habitat loss and fragmentation, materials, construction) to the extent that it reduces the need to "overbuild" certain infrastructure.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Costs to ratepayers could still increase in the future if current least-cost zero carbon resources become unavailable at some point—for example, if existing nuclear plants close early or are not relicensed—and must be replaced with higher-cost sources. **Reliability and resilience:** This recommendation still phases out natural gas—the resource that New Mexico's utilities currently depend on most for low-cost dispatchable power to meet reliability needs. **Economic development:** The proposed change reduces the market signal that promotes construction of wind and solar in New Mexico. If much of the balance is achieved by procuring existing out-of-state nuclear power, it would reduce the potential to create local jobs and tax base. **Clean energy and environmental sustainability:** Zero carbon does not mean zero impact. In particular, the potential to source more of the state's power from nuclear will raise concerns around waste management and other risks.

Implementation steps	**Current readiness:** ☐ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☒ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • Those with an interest in advancing this recommendation should identify legislative sponsors and support the drafting of a bill. **Long-term steps (1–5 years):** • If supporting legislation is enacted, New Mexico's utilities will implement this recommendation through their power procurements over the years to come. • PRC would implement its part by continuing to provide oversight of the utilities' compliance and by implementing a consistent and appropriately rigorous process for considering requests for variance.
Resource, capacity, and authority requirements	• No additional resource needs are anticipated. • New Mexico's utilities would retain their current roles and practices, including their power procurement processes. • PRC would retain its current roles and authorities.
Level of support among Council	Near consensus of the Council (at least 10 members in support, but not all 13). Council members who did not support this recommendation offered several alternative viewpoints for consideration. For example, one member noted that this change could result in greater reliance on traditional nuclear production, which may be zero carbon but has other negative impacts. Another member noted the same likelihood, shared additional observations about the impact on New Mexico's renewable energy industry, and proposed further study before legislating a change to the ETA: • While transitioning from a renewable energy standard to a broader zero-carbon standard may provide additional compliance flexibility, the potential impacts on utility procurement and New Mexico's renewable energy development should be evaluated before implementation. Allowing existing imported nuclear generation to qualify toward the State's 2030 and 2040 requirements could reduce the amount of new renewable generation that utilities would otherwise procure. Locally developed renewable resources can provide benefits beyond zero carbon electricity, including local economic development, job creation, and reductions in local air emissions. A comprehensive assessment should therefore

evaluate whether expanding eligibility to imported nuclear generation could displace or defer investment in New Mexico renewable resources and consider the broader economic, reliability, affordability, and environmental implications before enactment.

- While a zero carbon framework may merit consideration, the state should first determine whether it can achieve greater technology flexibility without unintentionally reducing investment in New Mexico renewable generation or foregoing the economic and environmental benefits associated with locally developed resources.
- The recommendation does not adequately consider how the amount and configuration of storage, existing firm resources, and imports contribute toward reliability with the additions of wind and solar. Renewables combined with existing grid resources, such as existing firm capacity and imports, all contribute toward reliability. These issues warrant further analysis before being used to support a policy conclusion.

Another member also noted reservations, speaking on behalf of their organization:

- We do not support an amendment of this kind to the 2019 ETA, and maintain that it is too early to conclude that compliance with the ETA poses significant enough risk to ratepayers to justify major statutory changes. This recommendation proposes allowing zero carbon resources to meet the 50 percent and 80 percent standards in 2030 and 2040, referencing a required excessive and costly overbuild of intermittent resources. It cites a justification that utilities forecast a 40 percent cost increase relative to a scenario using gas turbines to serve part of system needs from 2031 to 2045. Ultimately, we do not find these assertions to be fully substantiated, and therefore not able to undergird such a change to landmark legislation. Instead, we assert that strengthening existing measures available in the current ETA will offer a better approach to maintaining affordability amid the transition to cleaner electricity.
- We would dispute the assumptions underlying this recommendation. The cited forecasts may overstate the cost of compliance with the RPS and understate the cost of compliance with the proposed zero carbon standard (ZPS). First, the recommendation compares ZPS to an RPS scenario where gas turbines are not allowed to serve part of the need on the system between 2031 and 2045. But this is not accurate: currently under the ETA, gas turbines (whether or not they reduce methane or carbon dioxide) may serve up to 50 percent of retail sales through 2039 and up to 20 percent through 2044. After 2044, gas turbines may continue to serve up to 20 percent of retail sales if they qualify as zero carbon resources. Second, under this recommendation's proposed ZPS, natural gas generation may require carbon capture or other unproven technology. It is unclear if cited forecasts reflect these costs accurately or at all. Further, the ZPS cost methodology does not clearly account for highly volatile natural gas prices. These costs are projected to rise in coming years. This means fuel costs—passed entirely to ratepayers—could grow substantially under the recommendation's proposed ZPS compliance route. Finally, earlier this year, the PRC found that a request for predetermination of exception to the 2045 zero-carbon requirement in the 2019 ETA (on grounds similar to those cited in this recommendation) failed to demonstrate that compliance with the RPS threatens affordability, reliability, or resource availability by 2045 (Final Order in 25 00066 UT). We do not support the argument being re-proposed here to bolster a change to the ETA.
- We further find the statutory change proposed unwarranted as the state's electric IOUs have not yet exhausted all pathways for compliance with the 2019 ETA. The RPS is one statute within New Mexico's broader energy policy mosaic that

	encourages innovation and cost reduction at the state's electricity monopolies. The 2020 Grid Modernization Roadmap Act, for example, identifies opportunities to use new technologies and regulatory innovations to meet RPS requirements affordably. To date, New Mexico's electric IOUs have not tapped the full potential of these solutions, for example through widespread smart meter deployment. Other measures in the instant report double down on the promise of demand flexibility, modern rate design, and grid technology innovations to support the beneficial electrification of new load affordably. These recommendations should unlock new, affordable RPS compliance pathways for utilities in lieu of a fundamental revision to the 2019 ETA.



Chapter 6: Council Recommendations: Permitting Efficiency

Permitting efficiency is an important part of New Mexico's affordability, reliability, clean energy, and economic development strategies because generation, transmission, storage, and other energy infrastructure can take years to plan, permit, finance, and construct. When multiple agencies and levels of government are involved, a lack of coordination can lengthen project timelines, increase costs, and make it more difficult to deliver infrastructure when it is needed. At the same time, efforts to improve permitting efficiency should preserve environmental review, Tribal consultation, public participation, due process, and other regulatory safeguards.

The Council's recommendations focus on two related opportunities. First, New Mexico can improve coordination among state permitting authorities and, where appropriate, with federal, Tribal, and local entities so that projects move through existing review processes more efficiently without reducing permitting standards. Second, the state can establish a framework for prioritizing strategically important projects that provide clear benefits to New Mexico, such as supporting affordability, reliability, clean energy goals, economic and community benefits, or peak system needs. Together, these recommendations are intended to make the permitting process more coordinated and purposeful while ensuring that infrastructure development advances broader state priorities and delivers benefits to New Mexicans.

Permitting Efficiency Recommendations

Recommendation D-1: Create a state-level infrastructure permitting council
Recommendation D-2: Prioritize permitting of strategically important projects benefitting New Mexico

Recommendation D-1: Create a state-level infrastructure permitting council

Recommended action	**Create a state-level infrastructure permitting council.**
	• Create a state-level council, similar to the federal permitting council, designed to help relevant agencies collaborate in a timely manner and create a permitting process that mirrors the Fast-41 process at the federal level.
	• Recruit high-level officials (e.g., deputy secretaries, chiefs of staff, directors) of all New Mexico state entities involved in permitting infrastructure projects for the council. IOU and co-op representatives could participate as invited in an information-sharing but non-voting role.
	• Ensure the council does not have the authority to alter any existing permitting standards, add requirements, or cut corners with any permitting processes.
	• Implement criteria for prioritization set by the legislature or develop criteria for project selection.
	• Schedule regular council meetings to identify opportunities to speed up the permitting process.
	• Coordinate state permitting with federal, Tribal, and local permitting authorities where appropriate.
	• Aim to reform permitting and regulatory processes as follows:
	  ○ Promote permitting reform and coordination at the state level.
	  ○ Reduce midstream regulatory challenges; review and amend rules that clarify who has legal standing to seek an injunction.
	  ○ Create a predictable and finite appeals process that preserves due process for affected parties, including ratepayers.
	  ○ Recommend improvements to the efficiency of the CCN process (for example, complete application standards and firm scheduling) without reducing PRC's review of need, cost, and prudence, or eliminating the opportunity for public and intervenor participation. The proposed permitting council would have no role in review or approval of CCN applications.
	  ○ Promote earlier and improved Tribal consultation and coordinated permitting processes.
	  ○ Improve processes for early and strategic community engagement to ensure public understanding and support of projects.

Problem statement	Energy infrastructure permitting typically requires permissions from multiple entities that, at present, do not sufficiently coordinate to make the permitting phase smooth, quick, or least cost. Coordination across state agencies involved in permitting would identify and correct gaps and barriers to optimal permitting implementation. Inefficient permitting processes are often time-consuming and costly—pushing up the costs of new projects and ultimately raising customer bills. Efforts to coordinate across federal and local permitting requirements, improving efficiency in appeals and in New Mexico's CCN process, and including Tribal representatives in decision-making regarding permitting improvements can speed up permit approval and thereby reduce costs.

Implementing party(ies)	**Lead implementing entity:** Governor's Office. **Supporting partners:** All state-level agencies involved in energy infrastructure permitting; federal and local offices responsible for permitting relevant to New Mexico energy projects; Tribal partners.
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☐ Regulatory ☒ Administrative ☐ Utility tariff or contract ☒ Budget or appropriation ☐ Financing or investment ☒ Interagency agreement ☒ Local or Tribal coordination ☐ Pilot or demonstration ☐ Further study or data development ☐ Other (please describe below) **Details:** • Legislation is likely required, as it was for the federal permitting council that serves as a model for this recommendation. This legislation should require all necessary agencies to participate in the permitting council. • The Governor's Office would arrange quarterly meetings of high-level officials (e.g., deputy secretaries, chiefs of staff, directors) of all New Mexico state entities involved in permitting infrastructure projects, with the goal of substantially reducing permitting time by promoting interagency coordination without lower standards. IOU and co-op representatives could participate as invited in an information-sharing, non-voting capacity. • The newly formed permitting council will promote coordination and improve standards and requirements with the goal of improved efficiency in permitting. • The council would not be empowered to reduce scrutiny, as permitting agencies' standards would all remain in place. Rather, the council would keep the permitting process from getting stuck or delayed.
Projected benefits	**Affordability across various customer classes and income groups:** Longer permitting processes raise the cost of energy infrastructure projects, and these costs are passed along to customers in rates. A more efficient permitting process can promote energy affordability.

	Reliability and resilience: More efficient permitting can speed needed transmission and peak supply- and demand-side resources to deployment. **Economic development:** A permitting council would benefit energy developers by speeding project approvals and thereby lower costs. More efficient permitting also reduces uncertainty (which can lower the cost of capital). Improved efficiency in permitting benefits energy developers and makes New Mexico more attractive for project siting. **Clean energy and environmental sustainability:** More efficient permitting can lower obstacles to siting new renewable energy projects.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** No substantial risks are noted. **Reliability and resilience:** No substantial risks are noted. **Economic development:** No substantial risks are noted. **Clean energy and environmental sustainability:** No substantial risks are noted.
Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed ☐ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • Legislation in the 2027 session would authorize and fund the permitting council. • The Governor's Office would establish the new permitting council, and the council would begin to meet. **Long-term steps (1–5 years):** • Demonstrated improved metrics for permitting efficiency or modifications to the process to improve efficiency.
Resource, capacity, and authority requirements	• The new council would require staff with expertise in permitting and a budget to support that staff. • The council would also require time contributions from the agency leaders involved.
Level of support among Council	Full consensus of the Council.

Recommendation D-2: Prioritize permitting of strategically important projects benefitting New Mexico

Recommended action	**Prioritize permitting of strategically important projects benefitting New Mexico.**
	• Prioritize zero carbon energy and zero carbon energy interconnection projects needed to meet state policy goals for permitting via legislative initiative.
	• Prioritize energy infrastructure projects demonstrated to lower ratepayer bills.
	• Prioritize new storage, DER aggregations, and other projects expected to provide peak supply or lower peak demand, in concert with existing state rules.
	• Ensure energy infrastructure development delivers benefits to New Mexico by putting guidance and protections in place that ensure New Mexicans are benefitting from new energy infrastructure. Targeted benefits could include:
	  ○ Economic and community benefits.
	  ○ Local jobs and workforce development.
	  ○ Responsible use of resources, especially water.

Problem statement	The permitting phase of energy infrastructure development is often both lengthy and costly, with substantial competition among projects seeking rapid review and permissions. Standards for prioritization of permitting set by the New Mexico Legislature would ensure that permitting queues are ordered such that projects providing the greatest benefits to residents and businesses are first in line for review. New energy infrastructure has the potential to achieve multiple state goals simultaneously. Without a structure in place to ensure that delivering benefits to New Mexico is a top priority, projects that fail to put key opportunities for synergy to work may be given preference.
Implementing party(ies)	**Lead implementing entity:** New Mexico Legislature. **Supporting partners:** EMNRD; PRC.
Implementation pathway(s) and details	**Pathways:** ☒ Legislative ☒ Regulatory ☐ Administrative ☐ Utility tariff or contract ☐ Budget or appropriation ☐ Financing or investment ☐ Interagency agreement ☐ Local or Tribal coordination ☐ Pilot or demonstration

	☐ Further study or data development ☐ Other (please describe below) **Details:** • Legislation would require all state and local permitting entities to follow rules for prioritizing proposed projects that demonstrate no net adverse impact and/or that demonstrate net public benefits, including contributions to state energy goals, expected reductions to utility rates or bills, and provision of peak supply or demand services. • Agencies, including PRC and EMNRD, might need new regulation-setting standards and methods for carrying out prioritization in project approvals.
Projected benefits	**Affordability across various customer classes and income groups:** Prioritizing projects expected to lower rates or bills over other alternatives can ensure that these projects receive prompt consideration and can move forward to address immediate needs. Guidance and protections can ensure that energy infrastructure projects that lower customer bills move forward first. **Reliability and resilience:** Prioritizing projects designed to address peak needs ensures that these projects receive prompt consideration and can move forward to address immediate needs and protect ratepayers from the impacts of power outages, damage to the grid, and consequent effects on businesses and households throughout the state. **Economic development:** Setting priorities in permitting sends clear market signals, allowing developers to set their own priorities for investment. Energy infrastructure can be prioritized to meet the growing needs of new and existing businesses across the state. **Clean energy and environmental sustainability:** Prioritizing projects designed to contribute to state climate goals ensures that these projects receive prompt consideration and can move forward to address immediate needs.
Potential tradeoffs and other risks	**Affordability across various customer classes and income groups:** Adding bureaucracy can raise costs and undermine timely deployment. **Reliability and resilience:** No substantial risks are noted. **Economic development:** "Choosing winners" can obscure the importance of projects that may bring benefits not contemplated by the legislature. Project prioritization also needs to take workforce gaps into account to successfully benefit New Mexico. **Clean energy and environmental sustainability:** No substantial risks are noted.
Implementation steps	**Current readiness:** ☒ Ready for near-term action ☐ Ready for pilot or demonstration ☐ Additional technical or legal analysis needed

	☒ Legislative action needed ☐ Longer-term direction only **Near-term steps (0–12 months):** • The legislature will draft and submit legislation setting a rubric for energy project prioritization. • Legislative authority is needed for agencies to prioritize permitting and other approvals for energy infrastructure projects that provide multiple benefits to New Mexico. **Long-term steps (1–5 years):** • EMNRD, or another appropriate agency, would monitor and evaluate the success with which permitting bodies are applying the prioritization rubric, and determine whether the application of that rubric is having the desired effects. • Agencies, including PRC and EMNRD, may need new regulation-setting standards and methods for carrying out prioritization in project approvals.
Resource, capacity, and authority requirements	• Legislative approval is needed for prioritization requirements. • Funding (via budget appropriation) is necessary for staff that will monitor and evaluate the prioritization rubric.
Level of support among Council	Near consensus of the Council (at least 10 members in support, but not all 13). One member qualified their "yes" vote by cautioning that prioritizing zero-carbon energy and zero-carbon energy interconnection must not come at the expense of deprioritizing reliability and safety priorities.



Chapter 7:
Conclusion

New Mexico's changing electricity system is creating both opportunities and difficult choices. Decisions made now will shape electricity costs, system reliability and resilience, economic competitiveness, and environmental sustainability for years to come. The challenge is not simply to build enough infrastructure to meet future demand, but to plan, finance, and deliver the right investments without shifting unreasonable costs or risks to customers—particularly low-income, rural, and Tribal households that already face high energy burdens.

State agencies, PRC, utilities, co-ops, Tribal entities, and others are already working to improve utility planning, customer protection, clean energy integration, grid modernization, and resilience. But the pace and uncertainty of change mean that additional action is needed. Electricity demand, infrastructure investment, financing, permitting, reliability, affordability, economic development, and clean energy policy are closely connected. Addressing them separately can create unintended costs or risks in other areas. Coordinated action can help the state make needed investments while also taking better advantage of existing grid assets, flexible resources, new technologies, and regional opportunities.

The Council's recommendations provide a path forward across four interconnected areas.

- Ratepayer protection measures are intended to allow beneficial growth while protecting existing customers from unreasonable cost shifting and addressing broader affordability pressures.
- Grid modernization recommendations pair prudent infrastructure investment with better planning, more efficient use of existing assets, flexible resources, resilience measures, and new financing and technology approaches.
- Clean energy recommendations seek to preserve New Mexico's long-term transition toward cleaner electricity but introduce more flexibility as a way to ensure affordability and reliability.
- Permitting recommendations seek to make infrastructure review more coordinated, predictable, and timely while preserving environmental review, Tribal consultation, public participation, and other safeguards.

The next step is implementation. The Governor, legislature, PRC, state agencies, utilities, co-ops, Tribal governments, local governments, and other stakeholders each have roles to play. Some recommendations can build directly on

work already underway; others will require new legislative, regulatory, administrative, financing, or collaborative action. Continued coordination, transparency, and attention to customer impacts will be important as conditions change. The Council's recommendations offer a practical framework for that work: protecting affordability while maintaining reliability, accommodating responsible economic growth, strengthening resilience, and continuing New Mexico's clean energy progress.



Appendix A:

Executive Order Establishing the Council

On April 22, 2026, Governor Michelle Lujan Grisham signed Executive Order 2026-023, "Creating the New Mexico Energy Affordability and Grid Reliability Council," to address the rising cost of electricity in a rapidly changing energy landscape.

Full text of the executive order is available at https://www.governor.state.nm.us/wp-content/uploads/2026/04/Executive-Order-2026-023.pdf.



Appendix B:

Council Membership

The Council consisted of 13 members representing state government, utilities, rural co-ops, consumers, and Tribal communities, as well as independent experts. Lynn Mostoller served as the Council's Chair and Don Tarry served as the Council's Vice Chair.

- **Erin Taylor:** Acting Secretary, New Mexico Energy, Minerals and Natural Resources Department
- **Rob Black:** Secretary, New Mexico Economic Development Department
- **Cholla Khoury:** Chief of Staff, New Mexico Public Regulation Commission
- **Lynn Mostoller:** Executive Director, New Mexico Renewable Energy Transmission Authority
- **Sunalei Stewart:** Deputy Commissioner for Operations, New Mexico State Land Office
- **Don Tarry:** President and Chief Executive Officer (CEO), TXNM Energy (Public Service Company of New Mexico)
- **Kelly A. Tomblin:** President and CEO, El Paso Electric
- **Zoe Lees:** Regional Vice President, Planning and Policy, Xcel Energy
- **Vince Martinez:** CEO, New Mexico Rural Electric Cooperative Association
- **Javier Bucobo:** Vice President of Markets and Regulatory Affairs, Avangrid (grid infrastructure expert)
- **Joseph Yar:** Attorney, Velarde & Yar (consumer/ratepayer advocate)
- **Sandra Begay Keeto:** Retired, Sandia National Laboratories; Member, Navajo Nation (Tribal energy expert)
- **Rep. Meredith Dixon:** New Mexico House of Representatives, District 20 (energy policy expert)



Appendix C:
Council Process and Methodology

The New Mexico Energy Affordability and Grid Reliability Council was organized to fulfill the duties set forth in Executive Order 2026-023 and to develop a final report for the Governor and legislature by November 1, 2026. The Council's work was structured around four core areas:

1. Ratepayer protection
2. Grid modernization and reliability
3. Clean energy progress
4. Permitting efficiency

When developing recommendations across these areas, the Council was directed to balance cost containment, system reliability, emissions reduction, economic development, and long-term grid sustainability goals while preserving environmental review standards, Tribal consultation obligations, public transparency, and regulatory safeguards.

The Council process was designed to support focused deliberation, technical review, and development of recommendations within a compressed timeframe. Because the Council had a substantial scope of work and a limited number of full-group meetings, Council members and support staff used a combination of full-group Council meetings, working groups, reference materials, questionnaires, meeting notes, draft recommendation templates, and iterative reviews to develop options for Council consideration.

Council Organization and Operating Protocols

The Council's Charter and Operating Protocols were adopted by unanimous vote on June 18, 2026. The Charter established the Council's mission, participant structure, member responsibilities, meeting expectations, decision-making approach, facilitation support provided by the state and contractor team, documentation practices, and media protocols.

The Council was structured as a voting body composed of 13 voting members, including a Chair and Vice Chair selected by the Council. The Charter also recognized that additional attendees could support Council meetings, including state and contractor staff, a neutral facilitator and notetaker, invited subject matter experts, staff from Council members' organizations, and proxy designees from Council members' organizations when a Council member was unable to attend. Proxy designees were permitted to vote and participate in deliberations; other additional attendees were not voting or deliberating participants.

Council members were expected to prepare for and participate in meetings, share examples of best practices and data, review draft products, and, where appropriate, volunteer to assist with drafting recommendations or report sections. The Chair was responsible for helping guide discussions, assisting with agenda planning where needed, helping elevate key questions or decision points, and supporting productive and professional meetings. The Vice Chair supported the Chair and assumed the Chair's responsibilities when needed. Neither the Chair's nor Vice Chair's votes counted more than those of other Council members.

The Council's meetings were designed as facilitated working sessions rather than formal parliamentary proceedings. The Charter established that the Council did not need to use strict parliamentary procedure and that members did not need to "go through the Chair" before speaking. At the same time, certain key outputs, including final recommendations and final report approval, required a vote. The process emphasized consensus-building where possible, while allowing for majority recommendations and documentation of differing viewpoints if unanimity could not be reached on critical content.

Facilitation services were provided by Eastern Research Group under contract to the state of New Mexico. The facilitator supported agenda development, meeting design, meeting facilitation, preparation and distribution of meeting summaries, identification of points of agreement and disagreement, draft material preparation, and communication with individual participants as needed. The facilitation role was neutral with respect to outcomes.

Working Group Structure and Methodology

The Council used working groups to allow members to study assigned topics in greater depth than full Council meetings alone would allow. Working groups were intended to develop draft recommendation options for full Council consideration; they were not decision-making bodies and did not replace full Council deliberation.

Three initial working groups were organized around major subject areas:

1. **Group A: Cost Allocation and Ratepayer Protection.** This group focused on questions related to mitigating the rate impacts of large loads and grid modernization, including protection for low-income and Tribal customers.
2. **Group B: Grid Reliability, Large Loads, and Renewables Integration.** This group focused on maintaining reliability while integrating large loads and intermittent generation resources, and on supporting economic development without compromising environmental goals.
3. **Group C: Project Delivery and Implementation Pathways.** This group focused on how New Mexico can efficiently build the infrastructure needed to accommodate load growth and support the clean energy transition, while improving certainty and transparency in the process.

Each working group was asked to consider cross-cutting issues, including affordability; state environmental goals; impacts on Tribal, rural, and low-income customers; implementation feasibility; and public transparency. The working groups were also encouraged to ground their work in clear problem statements before developing recommendation options.

Working group responsibilities included reviewing input from full Council questionnaires and discussions, reviewing Council reference materials, identifying and reviewing additional materials as needed, clearly articulating the

problems or challenges to be addressed, drafting recommendation options using a shared framework, presenting options to the full Council, and revising recommendation options based on full Council feedback.

Working groups were permitted to meet virtually, in person, or in hybrid formats and could also make progress through email, collaborative editing of shared files, individual assignments, or other means. Each working group was expected to identify a group lead to help organize the group, coordinate meeting times, track assignments, and report progress back to the full Council.

Use of Subject Matter Experts and Additional Participants

The Council process allowed for input from additional participants while maintaining clear roles for Council members. Council meetings were structured as working sessions for Council members, with support from state staff, contractor staff, a neutral facilitator and notetaker, invited subject matter experts, and approved proxy designees when a Council member could not attend.

Council members could request additional staff support from their organizations when participation would help provide technical, operational, or administrative support related to the Council's agenda. Council members were generally permitted to request one additional staff support participant for full Council meetings and up to two additional staff support participants for small working group sessions, subject to confirmation by the state team and facilitator and limitations based on meeting format, space, agenda needs, and available resources.

Council members were also encouraged to identify subject matter experts, technical staff, or other individuals who could add value to Council discussions or presentations. Recommended speakers were to be shared with the state team and facilitator for consideration during the agenda development process, with invitations coordinated based on relevance to the agenda, balanced representation, timing, and meeting capacity.

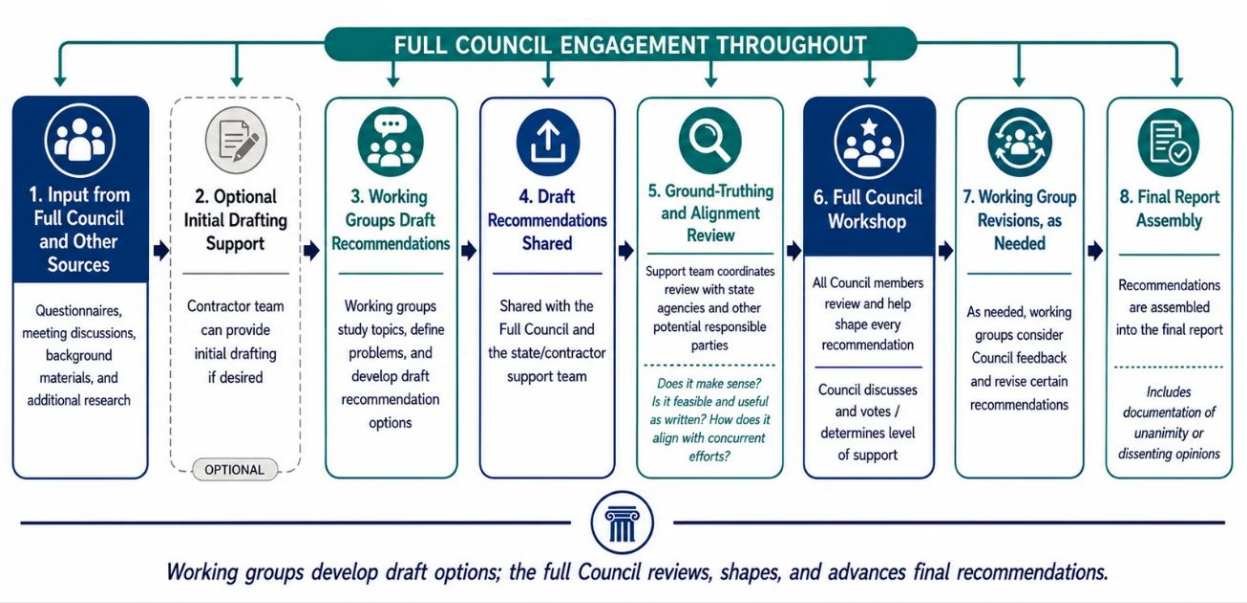
Additional participants had defined roles. Invited presenters could present material and answer Council questions but could not participate in Council discussion or decision-making. Support staff from Council members' organizations could provide information or technical, operational, or administrative support, but had no speaking role unless prompted by their Council member and could not participate in Council decision-making. Proxy designees, by contrast, could participate fully in deliberations and vote when serving in place of an absent Council member.

Development of Findings and Recommendations

The Council's recommendation development process combined full Council engagement with working group drafting and iterative review. Recommendation development began with input from the full Council and other sources, such as questionnaire responses, meeting discussions, background materials, and additional research. Working groups then studied assigned topics, defined problems, and developed draft recommendation options. Draft recommendations were shared with the full Council and state/contractor support team, reviewed for feasibility and alignment, discussed in a full Council workshop, revised as needed, and assembled into the final report.

Figure 9 below illustrates the working groups' role within the larger process of developing recommendations and the Council's final report.

Figure 9. Process for developing recommendations followed by the Council.



The state and contractor support team supported this process by providing questionnaire results, meeting notes, reference materials, shared file access, scheduling assistance, templates, and limited drafting or notetaking support as capacity allowed. Working groups were responsible for organizing and documenting their own discussions, assignments, and draft recommendation options using templates provided by the support team.

Working groups were expected to conduct research, draft problem statements, and develop draft recommendations; provide status updates to the Council; submit draft recommendations for compilation and full Council review; participate in a recommendations workshop; and revise recommendations based on full Council discussion. Individual Council members were then expected to review shared report drafts, with the contractor team implementing changes and consulting with working groups as needed before the final Council meeting.

A recommendation required the support of at least 10 of the 13 Council members to appear in this report. The Charter allowed for majority recommendations with notes and context on differing points of view, separate from consensus recommendations, and stated that lack of unanimity would be noted with space for dissenting opinions or concerns. Within the Council's final report, if a recommendation received 10 to 12 votes, it has been labeled as "near consensus" and alternative viewpoints have been noted. In some cases, Council members who voted yes on a given recommendation also chose to offer qualifying statements—i.e., they voted yes as long as they could make their reservations or preferred additions known.



Appendix D:
Council Meeting Schedule and Topics

The Council held six primary meetings and three supplemental meetings between May and October 2026.

Meeting #1: May 22, 2026 (Virtual)

Focus	Convene the Council, establish roles and norms, and lay groundwork for the meetings ahead.
Topics	• Introductions • Council Charter and operating protocols • Council scope/charge, schedule, and work plan • Identification of trusted data sources, potential guest presenters, and other resources to support upcoming discussions
Speakers	None

Meeting #2: June 18, 2026 (Virtual)

Focus	Establish pillars of sustainable economic development and reliability, with a particular focus on large loads and the infrastructure that serves them.
Topics	• Key concerns and challenges related to large loads, forecasting, reliability, and infrastructure permitting • Pillars of economic development • Large load forecasting and reliability planning • Opportunities for innovation in grid planning • Infrastructure permitting • Advocacy perspective on large loads and other grid challenges
Speakers	• Secretary Rob Black, New Mexico Economic Development Department

	• Laurie Williams, Public Service Company of New Mexico (PNM) • Commissioner Patrick O'Connell, New Mexico Public Regulation Commission (PRC) • Daniel Brooks, Electric Power Research Institute • Lynn Mostoller, New Mexico Renewable Energy Transmission Authority • Deborah Kapiloff, Western Resource Advocates

Meeting #3: July 1, 2026 (In Person)

Focus	Discuss financial considerations, such as allocation of infrastructure project costs, affordability risks, rate design, ratepayer protection, large-load customer policy options, and creative financing opportunities.
Topics	• Definition of energy affordability • Definition of the problems the Council is trying to solve • Infrastructure project funding: how it works and what could be • Overview of ratemaking and customer bills in New Mexico • Utility perspectives on rates • Customer perspectives on affordability • Innovations in rate design • What makes a good recommendation • Working groups and the Council report
Speakers	• Evan Rogers, New Mexico Energy, Minerals and Natural Resources Department (EMNRD) • Lauren Sidner and Steven Berit, Massachusetts Institute of Technology • Jon Clark, New Mexico State Investment Council • Soam Goel, Acceleration Energy and Enersights • Cholla Khoury, PRC • James Schichtl, El Paso Electric • Kyle Sanders, PNM • Zoe Lees, Xcel Energy • Jeremiah Cunningham, Xcel Energy/Southwestern Public Service Company • Vince Martinez, New Mexico Rural Electric Cooperative Association • Dr. Ann Lyn Hall, Prosperity Works • Sandra Begay Keeto, Retired, Sandia National Laboratories; Member, Navajo Nation • Joseph Yar, Velarde & Yar • James Russell, Charles River Associates, Inc.

Meeting #4: August 12, 2026 (Virtual)

Focus	Discuss environmental sustainability, with a focus on the clean energy transition and the infrastructure, planning, and policy considerations needed to advance it while protecting affordability and reliability.
Topics	• The Energy Transition Act (ETA) • New Mexico's Comprehensive Energy Transition Strategy • Progress toward ETA compliance • Environmental advocacy perspective

	• Energy efficiency, peak-shaving, and other technology and policy solutions • Definition of the challenge the Council is addressing • Working group updates
Speakers	• Ben Shelton, EMNRD • Anna Aguilera, EMNRD • Zoe Lees, Xcel Energy • Kasparas Spokas, Clean Air Task Force • Alex Eubanks, Southwest Energy Efficiency Project • Courtney Fieldman, Southwest Energy Efficiency Project • Michael Barrio, Advanced Energy United

Meeting #5: September 2, 2026 (In Person)

Focus	Assess support for proposed recommendations, discuss areas of disagreement or clarification, and identify next steps and roles in fleshing out the selected recommendations.
Topics	• Setting the stage for productive decision-making • Overview of core deliberations • Detailed discussion of individual recommendations • Critical gaps and additional recommendations • Next steps for recommendation development
Speakers	None

Meeting #5a: September 11, 2026 (Virtual)

Focus	Discuss large-load recommendations, particularly areas of disagreement or clarification, and identify next steps and roles in fleshing out the selected recommendations.
Topics	• Proposed large-load recommendations
Speakers	None

Meeting #5b: September 14, 2026 (Virtual)

Focus	Discuss recommendations that could not be addressed due to time during Meeting #5 (September 2), particularly areas of disagreement or clarification. Identify next steps and roles in fleshing out the selected recommendations, as well as potential gaps in recommendations to fill.
Topics	• Proposed recommendations not discussed during Meeting #5 (September 2) • Potential gaps in recommendations to fill
Speakers	None

Meeting #5c: September 17, 2026 (Virtual)

Focus	Discuss renewable portfolio/ETA recommendations, particularly areas of disagreement or clarification, and identify next steps and roles in fleshing out the selected recommendations.
Topics	• Proposed renewable portfolio/ETA recommendations
Speakers	None

Meeting #6: October 14, 2026 (Virtual)

Focus	Discuss comments on draft report, vote on recommendations for inclusion in final report, and identify next steps and roles for finalizing recommendations and report.
Topics	• Discussion of draft report comments • Detailed discussion of recommendations • Next steps for report finalization
Speakers	None

Additional Input

The Council benefited from reviewing supplemental written materials provided by several of the organizations that gave presentations (listed above), as well as written comments provided by The Nature Conservancy and RMI. The Council also benefited from coordination and information sharing with the Comprehensive Energy Transition Strategy (CETS) initiative, a concurrent effort led by EMNRD with numerous partner organizations and an extensive public input process.



Appendix E:
Full List of Council Recommendations

Ratepayer Protection

Managing Large-Load Growth and Protecting Existing Customers
Recommendation A-1: Enact legislation that establishes statewide large-load development principles and ratepayer protections
Recommendation A-2: Support continued development of a large-load tariff and framework for customer protection proposed by the New Mexico Public Regulation Commission's Large Load Tariff Working Group
Recommendation A-3: Authorize the New Mexico Public Regulation Commission to establish a framework to incentivize verifiable large-load demand flexibility
Recommendation A-4: Require utilities to model flexible large-load scenarios
Recommendation A-5: Develop benefit criteria and partnership incentives for large-load development
Reducing Rate and Financing Pressures
Recommendation A-6: Implement alternative rate designs
Recommendation A-7: Broaden availability of energy infrastructure securitization
Addressing Household Energy Burden and Affordability
Recommendation A-8: Develop a coordinated energy-efficient housing strategy
Recommendation A-9: Increase utilization of existing consumer assistance programs and resources to help vulnerable populations reduce energy burden

Grid Modernization and Reliability

Improving System Planning, Regional Coordination, and Grid Utilization
Recommendation B-1: Promote cost-effective regional coordination and market participation
Recommendation B-2: In addition to expanding the transmission grid, increase utilization of existing transmission via grid-enhancing technologies
Recommendation B-3: Require utilities to report regularly and apply metrics on grid asset utilization
Recommendation B-4: Establish a statewide large-load information portal
Expanding Distributed and Flexible Grid Resources
Recommendation B-5: Support buildout of battery storage and distributed energy resource aggregations
Strengthening Grid Resilience and Wildfire Preparedness
Recommendation B-6: Mitigate wildfire risks through funding mechanisms, insurance affordability, liability protections, vegetation management authority, and coordination across agencies and utilities
Financing Grid Modernization and Accelerating Technology Deployment
Recommendation B-7: Create and fund a New Mexico Energy Fund to provide low- or no-cost funding for electric utilities to invest in energy and infrastructure projects and programs that bring benefits to the state
Recommendation B-8: Establish a state-backed transmission and emerging energy infrastructure finance facility through the New Mexico Finance Authority
Recommendation B-9: Replicate aspects of the federal Transmission Facilitation Program and other innovative public-private transmission equity finance models
Recommendation B-10: Establish a state investment and utility partnership pathway to support emerging energy technologies

Clean Energy

Recommendation C-1: Clarify the Renewable Portfolio Standard and evolve it to a technology-neutral zero carbon standard with more pathways to compliance

Permitting Efficiency

Recommendation D-1: Create a state-level infrastructure permitting council
Recommendation D-2: Prioritize permitting of strategically important projects benefitting New Mexico



Appendix F:

New Mexico Comprehensive Energy Transition Strategy

The Energy, Minerals and Natural Resources Department (EMNRD) has developed the state's first Comprehensive Energy Transition Strategy (CETS), which can be seen as a companion document to this report for surfacing policy and legislative solutions for New Mexico's energy future. You are invited to review EMNRD's strategy at www.emnrd.nm.gov/officeofsecretary/nmcets or using the QR code below.