

Overlap of NM Energy Transition Act and PNM WEIM Participation

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Talk to us. →



AGENDA

- Introductions
- NM ETA
- Measuring methodology possibilities
- Effect on PNM WEIM participation
- Partnering with CAISO
- Next steps

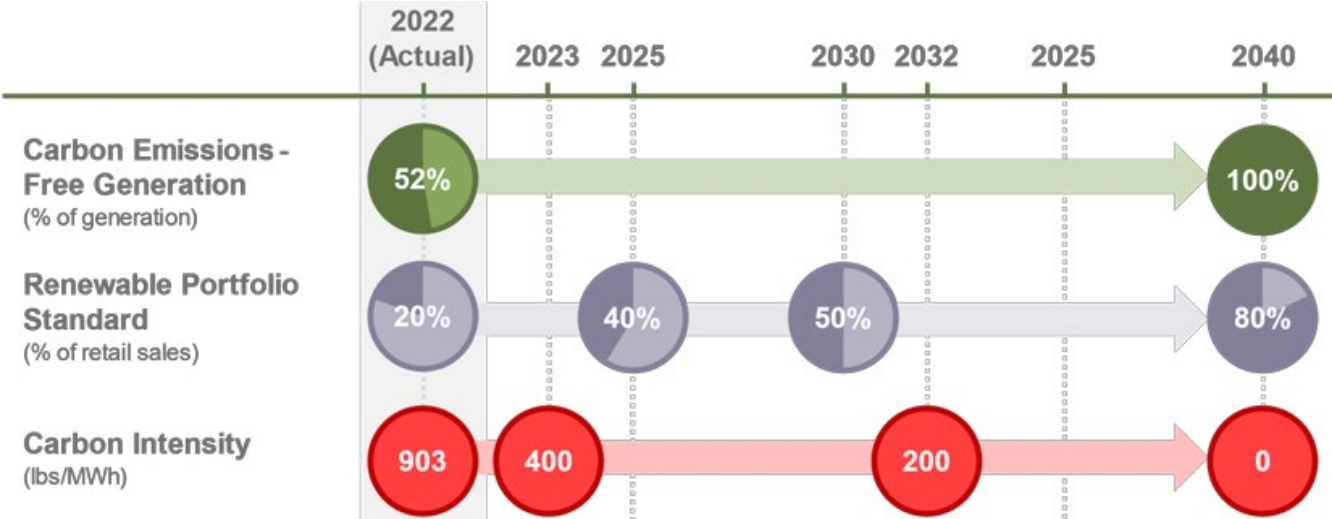
NEW MEXICO ENERGY TRANSITION ACT (ETA)

Section 10. D. of New Mexico Energy Transition Act (SB0489):

For a qualifying utility that receives approval of a financing order and issues sources of energy transition bonds, the qualifying utility's generation and sources of energy procured pursuant to power purchase agreements with a term of twenty-four months or longer, and that are dedicated to serve the qualifying utility's retail customers, shall not emit, on average, more than four hundred pounds of carbon dioxide per megawatt-hour by January 1, 2023, and not more than two hundred pounds of carbon dioxide per megawatt-hour by January 1, 2032 and thereafter. Compliance shall be measured and verified every three years with the first period commencing on January 1, 2023. The commission shall adopt rules to implement the requirements of this subsection.

- PNM is currently subject to the ETA section 10.D as of November 2023
- Section 10. D outlines a non-priced GHG reduction program
- Details on how to calculate, measure, and report were not part of ETA language and will come from a rulemaking by NMRPC
- This program is separate from the Renewable Portfolio Standard requirements also in the ETA
- PNM may be the first utility subject to compliance from a state-legislated non-priced GHG reduction requirement

ENERGY TRANSITION ACT (CONTINUED)



As the compliance period has already begun, PNM is operating under a plan that meets a conservative calculation methodology

- Summing total CO2 emissions and Dividing by PNM retail load MWh
- Assuming yearly average
- Operating plan with monthly carbon usage
- Allows for gas usage needs in peak months and must-run transmission related dispatches

THREE OPTIONS FOR MEASUREMENT PROVIDE VARYING LEVELS OF CARBON INTENSITY

Option 1

$$\frac{\text{Total CO2 (lbs)}}{\text{Retail load (MWh)}}$$

= 610 lbs/MWh
Calendar Year
2023

Option 2

$$\frac{\text{Total CO2 (lbs)}}{\text{Total PNM Generation (MWh)}}$$

= 568 lbs/MWh
Calendar Year
2023

Option 3

$$\frac{\text{Total CO2 (lbs)}}{[\text{Retail load} + \text{Off system sales}] \text{ (MWh)}}$$

= 423 lbs/MWh
Calendar Year
2023

* Based upon year end 2023 data; retail load grossed up for 8.5% losses

INTERACTION OF ETA WITH PNM WEIM PARTICIPATION

- PNM is struggling with passing WEIM resource sufficiency tests
 - In February, PNM had 74% of all flex ramp failures
 - Estimated benefits from participation were cut by ~75% compared to February of 2023
- To qualify for flex ramp capacity, units must be bid in
- When flex ramp failures occur, WEIM transactions are limited in the direction of failure and WEIM benefits are reduced
- PNM is working to strategically bid in gas units to pass tests but not be dispatched more than monthly allowance
- This is difficult, because even with high bid prices, resources may still get dispatched
- Balancing is also more challenging

PARTNERING WITH CAISO

- CAISO has worked closely with PNM to understand the existing tools that are available for controlling dispatch
- CAISO alerted PNM to the “use limited resource status” application
 - This could be a reasonable tool to limit PNM units, however, it is not an exact match for our needs
 - Use Limited Resource status applies to individual units, whereas PNM’s requirement is at the portfolio level
 - The expected yearly time horizon also creates challenges
 - For this reason, PNM wants calculation methodology to allow for evolution once more robust market data is available
- PNM is willing and committed to being involved in market design and policy evolutions through the GHG working group

CONSIDERATIONS FOR CALCULATION METHODOLOGY

- Because this topic has rapidly evolved in regional market discussions, PNM hopes to have input into the calculation methodology
- PNM supports a GHG calculation methodology that follows the intent of the ETA, but recognizes the need for market participation
 - PNM customers are the direct beneficiaries of WEIM saving through PNM's fuel clause
 - WEIM supports fewer renewable curtailments
 - Regional markets are, in the long run, the only way for us to meet our carbon goals
- PNM believes the calculation should consider WEIM transactions and future day-ahead market transactions
- PNM would support a rulemaking that is flexible over time and allows for changes if market design and reporting frameworks evolve

