



New Mexico Public Regulation Commission's Grid Modernization Webinar Series
June 30, 2022 Webinar #9
Evaluation Methods for Grid Investments and DERs

Meeting Objectives

- Review of NM Grid Mod objectives and the PRC
- Present AMI as the next step in NM Grid Mod
- Offer procedural recommendations for filing, reviewing and approving AMI proposals

In Attendance

- 41 individuals
- 22 distinct participating organizations represented

Meeting Agenda is available [here](#)

Presentation Material

Art O'Donnell, US DOE Solar Innovator supporting NM Public Regulation Commission

- Advanced Metering as a Bridge to Grid Modernization [Slides](#)
- Grid Modernization and the NM PRC: Advanced Metering as a Bridge to Grid Modernization [Document](#)

Presentation messages

- AMI is considered a foundational element of grid mod, but approval of utility proposals to date have been subject to “fits and starts” with particular difficulties in justifying the cost/benefit analysis and potential ratepayer impacts.
- The cost/benefit conundrum: beyond the operational benefits, energy savings and non-energy benefits attributable to AMI are difficult to quantify and uncertain.
- The Commission has directed IOUs to describe potential benefits (such as enabling time of use rates and demand response programs) in upcoming AMI applications.
- The Commission has not decided on its evaluation methodology but the use of both *Lowest Reasonable Cost* and *Total Resource Cost* has worked in other states. This allows the evaluation method to match to the expenditure purpose and better focus the regulatory review.

- AMI is a first step (the “bridge”). Beyond AMI, grid mod requires IOUs to enable two-way power flows, customer choice, and encourage DER to provide grid services to the benefit of the system and customers.

Stakeholder Facilitated Discussion (Grounding; Reflection; Interpretation; Decisional)

Considerations for Grid Mod Notice of Proposed Rulemaking (NOPR):

- A balance of benefits to shareholders and customers needs to be achieved. Any grid mod application that gives the majority of benefits to shareholders is not acceptable. The Commission will look at how the utilities are sharing savings.
- Forward thinking in rules is imperative, as is taking into account the variability in utility customers, which possess different interests and needs.
- There is still uncertainty and a variety of approaches to assess cost and benefits; NOPR should be cautious about how specifically it defines costs and benefits and instead provide flexibility.
- Conducting a cost benefit analysis on all parts of grid mod (holistic approach) makes sense, but various evaluation standards have been applied in the past making holistic evaluation a challenge.
- The NORP needs to clearly address cost allocation, with costs assigned to cost causers.

Regarding PRC regulatory and utility planning processes (and also potentially addressed in the NOPR):

- As some utilities operate in multiple states. NM needs to create a positive investment climate to help ensure investment here.
- Deployment of AMI is critical to support economic development efforts as businesses want the ability to manage load and EVs.
- There will always be advances in metering technology. This should not paralyze utility investment, yet, should be factored into the metering equipment selected. The benefits of AMI, (e.g., supporting future integration of DER and improved system operations), merit prompt pursuit of deployment.
- AMI allows a utility to send signals to home management systems (such as a NEST thermostat and the “Green Button” platform). A home management system connected to appliances can act on utility signals (e.g., increase thermostat 1 degree or manage water heater), to the benefit of customers and system operations.

Additional Recommended Input Concerning the NOPR (from the presentation; excerpted and generalized):

- The NM PRC has taken the initiative to direct regulated utilities regarding when to file an application and direct what the application, at a minimum, must address. Applications should be filed as related to the Grid Modernization Act and address:
 - How the program includes automatic meter reading and remote fault detection;

- Identify demand response and grid management programs being considered for implementation, and how they work with smart meter capabilities;
- How the application impacts cumulative rate increases over past 5 years;
- Mitigation of rate shock impacts;
- The use smart meters beyond automatic meter reading and fault detection;
- A discussion of updated rate design options consistent with variable availability options that use smart meter capabilities and should include time-of-use options; and
- Identify demand response and grid management options being considered to use smart meter capabilities, including how they interact with rate design principles.
- Additional items to consider, as currently being proposed in proceedings before the PRC:
 - The sequencing of AMI installation, starting with new service and meter replacements;
 - Seek federal funding under the Infrastructure Act;
 - Consider component-specific depreciation schedules (such as 15 years for meters/10 years for IT);
 - Recover stranded costs of legacy meters over 10 years; no rate of return on meters removed;
 - Propose an AMI Opt-Out fee schedule;
 - Propose a process for customer authorization of data sharing with 3rd Parties, such as via the Green Button platform;
 - Propose an ongoing utility/stakeholder advisory process to develop the next phases of grid modernization; and
 - Consider the use of pilot programs, particularly for customer rate options.