

LFC Requester:

Julisa Rodriguez

**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto:billanalysis@dfa.nm.gov)*(Analysis must be uploaded as a PDF)***SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared:** January 23, 2026 *Check all that apply:*  
**Bill Number:** SB 39 Original  Correction   
 Amendment  Substitute

**Sponsor:** Senator Jeff Steinborn **Agency Name and Code** 430 – Public Regulation Commission  
**Short Title:** Microgrid Oversight Act **Number:** \_\_\_\_\_  
**Person Writing** Scott Cameron  
**Phone:** (505)490-2696 **Email** jerri.mares@prc.nm.gov

**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
 Duplicates/Relates to Appropriation in the General Appropriation Act

## **SECTION III: NARRATIVE**

### **BILL SUMMARY**

#### Synopsis:

Section 1 of the Bill establishes the short title as the Microgrid Oversight Act (“MOA”).

Section 2 of the Bill contains definitions. These definitions are largely consistent with existing terms used in the existing microgrid statute, Section 62-17-12, and the Renewable Energy Act (“REA”), Section 62-16-3.

- Section 2(A) defines the “commission” as the public regulation commission.
- Section 2(B) defines “electric public utility” consistent with the Public Utility Act.
- Section 2(C) defines “microgrid.” This definition eliminates the use of microgrid controller as part of the definition, as compared to the existing definition of qualified microgrid in the current microgrid statute.
- Section 2(D) defines “renewable energy” as energy produced by renewable energy resources. This is consistent with the REA.
- Section 2(E) defines “renewable energy resource.” The definition is identical to the one used by the REA.
- Section 2(F) defines “self-source generation resource.” No changes from the existing definition in the current microgrid statute.
- Section 2(G) defines “zero carbon energy.” This is a new term related to the following definition.
- Section 2(H) defines “zero carbon resource.” This is similar to the term “net-zero carbon resource” used in the existing microgrid act, Section 62-17-12, and the REA, Section 62-16-3. Unlike those terms, it does not include in the definition resources “that reduce methane emitted into the atmosphere in an amount equal to no less than one-tenth of the tons of carbon dioxide emitted into the atmosphere, as a result of electricity production.”

Section 3 establishes the Commission’s oversight over microgrids, including general authority over “approval and operation of microgrids”, the collection of fees, allowing the Commission to enter premises occupied by microgrids, establishing rules regarding microgrid Renewable Portfolio Standards (“RPS”) requirements, and requiring the Commission to approve new microgrids only if the operator provides evidence that the microgrid will be compliant with “current” microgrid RPS requirements. This appears to be the only requirement for approval.

Section 4 requires microgrids to comply with RPS requirements; these requirements are largely analogous to the RPS requirements in the REA. This Section also requires microgrid operators to file annual compliance reports with the Commission.

Section 5 amends existing statutory language regarding microgrids and recompiles it to the MOA. The most significant amendments are contained in Sections 5(B)-(C), which change the standard for when microgrids can sell energy to electric utilities and when microgrids can purchase electricity from public utilities - no increase in rates or otherwise adversely affect ratepayers. New Section 5(D) also removes a net-zero carbon requirement as the RPS standards in Section 4 render this requirement duplicative.

## **FISCAL IMPLICATIONS**

The Bill represents a possibly significant increase in the Commission’s responsibilities—potentially as large as the increase from Community Solar, depending on the demand for microgrids. These impacts include mandatory new proceedings (approval of microgrids and approval of rates related to microgrids), at least one new mandatory rulemaking, and in-person inspections. These implications are discussed in further detail below.

## **SIGNIFICANT ISSUES**

Section 3(B)(1) authorizes the Commission to collect fees from microgrids but does not provide details on how those fees would be determined or administered. If the intent is to establish an oversight and inspection fee analogous to Commission inspection/oversight fees, additional administrative clarification would be needed.

Section 3(C) requires the Commission to approve “new microgrids” that are compliant with “current” RPS requirements. There is uncertainty regarding what microgrids qualify and under what rules. For instance, is a microgrid which is currently under construction be a “new microgrid” that requires approval and would it be subject to the rules in existence when completed, which may or may not be the new rules contemplated by the Bill, the rules that are “current” now, or some other standard?

SB 39 requires microgrids to comply with Commission directives and renewable portfolio standard requirements, but it does not expressly describe enforcement tools for noncompliance (e.g., administrative remedies or penalties). This may create uncertainty about how the Commission ensures compliance after a microgrid is approved.

The bill does not address whether, and under what conditions, a microgrid may purchase power other than through standard retail utility service. If the bill is read to authorize wholesale transactions, clarifying the allowable procurement arrangements could help avoid regulatory confusion.

The bill’s “no rate increase/no adverse impact” approval standard could conflict with the PRC’s interconnection framework under 17.9.569 NMAC and with [2025] HB 93’s approach to microgrid-related cost allocation/cost sharing. Read strictly, SB 39 could restrict the PRC’s ability to use established interconnection cost-sharing rules, even where the Commission finds they produce net benefits for customers.

## **PERFORMANCE IMPLICATIONS**

SB 39 represents a significant increase in the Commission’s administrative responsibilities—potentially as large as the increase from Community Solar. Under the Bill, the Commission would have significantly expanded jurisdiction and responsibilities with respect to microgrids (which are currently regulated by the Commission to the extent they seek to sell power to public utilities). These responsibilities would be expanded to oversight of “approval and operation.”

In terms of new proceedings, the Commission would need to have new, separate proceedings to approve any new microgrid. The demand for microgrids is uncertain, but the number of proceedings could be substantial.

In addition, the new standard for the purchase of microgrid energy and sale of energy to microgrid incorporates no-adverse-affect language. This is appropriate language given the context, but these standards are challenging to administer. Thus, anytime a microgrid wanted to begin to sell energy to a public utility or purchase energy from a public utility, the Commission would be required to undertake a complex ratemaking proceeding. Again, the demand for microgrids is uncertain, but the number of proceedings could be substantial.

SB 39 contemplates Commission verification of annual compliance reports. Depending on the number of microgrids, this compliance verification burden could be significant.

The Bill also contemplates in person inspect of microgrids. This would require additional staff to perform these inspections. For electric systems, PRC rules generally place the inspection obligation on the utility rather than PRC staff.

### **ADMINISTRATIVE IMPLICATIONS**

SB 39 requires the Commission to promulgate rules regarding microgrid RPS requirements. For example, the bill does not address REC definitions, tracking and retirement, or protections against double counting (e.g., through a third party such as WREGIS). These compliance and verification requirements would need to be created in rulemaking.

Although not expressly required by statute, additional rules to flesh out the regulation of microgrids would likely be required as well. This would likely entail 1-2 rulemakings.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

None noted.

### **TECHNICAL ISSUES**

None

### **OTHER SUBSTANTIVE ISSUES**

None

### **ALTERNATIVES**

None

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Status quo

### **AMENDMENTS**

N/A