

LFC Requester:

Julisa Rodriguez

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to 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: 2/11/2026

Check all that apply:

Bill Number: SB 235sOriginal Correction Amendment Substitute Sponsor: Sen. Steinborn
Sen. Sedillo-LopezAgency Name
and Code430 – Public Regulation
Commission

Short

Person Writing

Scott CameronTitle: Microgrid Oversight ActPhone: (505)490-2696Email 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
Total						

(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 establishes the short title as the Microgrid Oversight Act (“MOA”).

Section 2 contains definitions. These definitions are largely consistent with existing terms used in the existing microgrid statute, Section 62-17-12.

- Section 2(A) defines the “commission” as the public regulation commission.
- Section 2(B) defines “electric public utility” consist 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 3 requires the Commission to promulgate rules to create a microgrid renewable portfolio standard. It allows the Commission to collect fees to cover the cost of oversight relating to compliance with the standard and to prohibit the operation of a microgrid that fails to meet the requirements of the standard. The Section also requires microgrid owners and operators to submit an annual report to the Commission to verify compliance.

Section 4 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. In short, sales to and purchases by microgrids are prohibited if they would increase rates. New Section 4(D) also removes a net-zero carbon requirement for energy sold by microgrids.

Senate Conservation Committee Substitute:

Substitute Section 1 is unchanged.

Adds four new definitions to Section 2, including the five in the original Bill.

Substitute Section 3 establishes the Commission’s authority over compliance with the Act and removes the requirement that the Commission promulgate rules.

Substitute Section 4 is entirely new and establishes a Microgrid Renewable Portfolio Standard (“MRPS”) that requires microgrid owners to utilize renewable energy for generation in increasing percentages leading up to 100% zero carbon in 2045, the current requirement in statute. The Section also requires microgrid owners and operators to submit an annual report to the Commission to verify compliance with the new MRPS requirements established by the MOA, beginning July 1, 2027. These requirements are largely analogous to the RPS requirements in the REA.

Substitute Section 5 is entirely new and allows owners or operators of microgrids to satisfy up to 10% of the MRPS through the purchase and installation of residential solar energy systems serving low-income households, as defined in the Act and as further described in the Section. The Section

further requires the owner or operator to show the Commission that the associated renewable energy generation has not been otherwise claimed for RPS compliance and how they calculated credit compliance. Lastly, the Section disallows the use of state solar tax credits for systems applied towards alternative compliance.

Substitute Section 6 is the same as Section 4 in the original Bill.

FISCAL IMPLICATIONS

The bill would increase the Commission's administrative responsibilities. While the bill does not require the Commission to pre-approve microgrids, it would necessitate a significant rulemaking to establish renewable portfolio standards and could create significant ongoing oversight obligations. The extent of these responsibilities would depend on the level of microgrid deployment and compliance with RPS standards adopted by Commission rule. These administrative implications are discussed in greater detail below.

Senate Conservation Committee Substitute:

The substitute Bill removes the rulemaking requirement which likely significantly lessens, but does not eliminate, the Commission's administrative responsibilities, as the Commission will still have to review annual reports and determine compliance with the Act. Depending on the number of microgrids, this compliance verification burden could be significant.

SIGNIFICANT ISSUES

None

Senate Conservation Committee Substitute:

The substitute bill enables a microgrid to satisfy up to ten percent of its required renewable portfolio standard by purchasing and installing residential solar energy systems that would serve low-income households (Section 5). However, the statute lacks specificity regarding the long-term ownership of the systems, leaving open the possibility that the microgrid could purchase and own the systems serving these low-income consumers, which may conflict with or subject this activity to the definition of a public utility under NMSA 1978 Section 62-3-3. Additionally, the Act is silent on who must cover the costs associated with grid and interconnection upgrades that may be necessary for the installation of these residential solar systems.

PERFORMANCE IMPLICATIONS

None

ADMINISTRATIVE IMPLICATIONS

The Bill represents an increase in the Commission's administrative responsibilities, including:

- at least one significant rulemaking to establish microgrid renewable portfolio standards;
- commission review of compliance filings;
- compliance proceedings when necessary to determine owner/operator compliance with the standard; and
- enforcement proceedings of microgrids that fall out of compliance with the standard.

Senate Conservation Committee Substitute:

The substitute Bill removes the rulemaking requirement, but it still represents an increase in the Commission’s administrative responsibilities, including:

- commission review of compliance filings;
- verification of the installation and calculation of residential solar energy system off-sets; and
- enforcement proceedings to prohibit the operation of microgrids that fail to meet the requirements of the MRPS.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to SB 39 MICROGRID OVERSIGHT ACT– Establishes an alternative framework for microgrid oversight.

Conflicts with HB 337 CONSIDERATION OF RPS IN GRID MODERNIZATION in the defining of microgrid.

Relates to HB 70, which establishes a self-supporting fund for the PRC into which all fees collected by the Commission would be deposited. Section 3 of SB 235 authorizes the PRC to collect fees to cover the costs associated with oversight and compliance with the standards established in this act. Under current statute, such fees would likely revert to the general fund. HB 70 would allow the PRC to retain these fees in the newly created fund, thereby aligning the fee-collection authority in SB 235 with the funding structure established in HB 70.

Senate Conservation Committee Substitute:

The substitute Bill relates more to SB 39 as it now shares more definitions (all but one of the newly added definitions are taken from SB 39), adopts some of new Section 3 from SB 39’s Section 3, and adopts SB 39’s Section 4 as substitute Section 4.

The conflict with HB 337 and the relation to HB 70 remains.

TECHNICAL ISSUES

None

OTHER SUBSTANTIVE ISSUES

Section 3 requires the Commission to promulgate a rule to create a “microgrid renewable portfolio standard” to “achieve incremental benchmarks for electricity generation from renewable and zero carbon resources.” The bill does not define “renewable portfolio standard,” nor does it establish relevant benchmarks, apart from a requirement of 100% zero carbon by 2045.

Section 3 allows the Commission to collect fees to cover the cost of oversight relating to compliance with the standard. Under current statute, these fees would likely revert to the general fund and, thus, would not mitigate the additional administrative responsibilities required by this new regulatory function. *See Relationship to HB 70 above.*

Senate Conservation Committee Substitute:

The substitute Bill eliminates the “renewable portfolio standard” definition and relevant

benchmarks issues. The fee issue remains.

Residential solar energy systems must be coordinated with the public utility which serves the residential customer to ensure safe interconnection and capacity. The substitute bill is unclear about who must coordinate, the microgrid or the residential consumer. The bill does not include specific provisions addressing consumer protections for low-income residents.

Section 5(D) allows the microgrid to claim the annual estimated energy generation toward compliance with its MRPS for the projected operational life. This provision does not require any certification or other evidence that the residential solar energy generation system remains functional through its estimated operational life. Should a residential energy system cease operating sometime after the initial installation, the microgrid would continue to claim such offsets to its MRPS without the benefits provided by the residential solar energy system.

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

AMENDMENTS

N/A