

**LFC Requester:** \_\_\_\_\_

**AGENCY BILL ANALYSIS**

**SECTION I: GENERAL INFORMATION**

*Check all that apply:*  
**Original**     **Amendment**    \_\_\_\_\_  
**Correction**    \_\_\_\_\_ **Substitute**    \_\_\_\_\_

**Date** 2/5/26  
**Bill No:** SB 235

**Sponsor:**    Sen. Steinborn  
**Short Title:**    Microgrid Oversight Act

**Agency Name and Code**    EMNRD 521  
**Number:** \_\_\_\_\_  
**Person Writing**    Ben Bajema  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis ( ) Indicate Expenditure 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: *SB 39 (Microgrid Oversight Act)*  
 Duplicates/Relates to Appropriation in the General Appropriation Act:

## **SECTION III: NARRATIVE**

### **BILL SUMMARY**

Synopsis: The Microgrid Oversight Act (SB 235) creates a new section of Chapter 62 NMSA 1978 authorizing the New Mexico Public Regulation Commission (PRC) to approve and regulate the operation of microgrids in the state.

SB 235 strikes existing statutory language that exempts energy generated and sold from a self-source generation resource that is owned in whole or in part by a microgrid from being included as retail sales.

### **FISCAL IMPLICATIONS**

None for EMNRD.

### **SIGNIFICANT ISSUES**

SB 235 directs the PRC to subject relevant microgrids in New Mexico to clean energy standards, effectively bringing an emerging segment of the state's electricity sector into compliance with the 2019 Energy Transition Act (ETA). This aligns with state clean energy goals as the electricity sector evolves to accommodate large industrial loads, behind-the-meter resources, and microgrids.

Increasingly, large load facilities (such as data centers) are developing their own power plants and microgrids to augment or forgo traditional, utility-supplied electricity. This is a national trend. Currently, Section 62-17-12 (C) NMSA 1978 exempts energy generated and sold from a relevant microgrid (i.e., 20 megawatts or greater) to an electric utility from New Mexico's RPS until 2035. Moreover, New Mexico's RPS statutes presently do not explicitly require clean energy regulations for microgrids. SB235 directs the PRC to adopt and enforce a clean energy standard for all relevant microgrids, and counts energy generated by microgrids as "retail sales," thus triggering utility RPS compliance.

Section 4 attempts to shield ratepayers from potential cost impacts associated with power sales to electric utilities from relevant microgrids; however, the language used could result in inconsistent enforcement. Specifically, subsections 4B and 4C reference avoiding rate increases due to "costs associated with microgrid infrastructure development," but this phrase is not defined. Both subsections 4B and 4C would benefit from additional specificity as to what costs are disallowed in relation to microgrid interconnection or microgrid power purchase agreements. It is unclear whether the prohibition applies only to infrastructure physically located within the microgrid boundary, or whether it also extends to interconnection related upgrades, system protection equipment, transmission or distribution system modifications such as regulation and frequency response, regulation and voltage support, spinning or supplemental reserves, or other utility side costs necessary to connect a microgrid to the grid. If the intent is to prevent any microgrid-related costs from being allocated to other ratepayers, additional statutory clarity would help avoid future disputes in PRC proceedings.

**PERFORMANCE IMPLICATIONS**

None for EMNRD.

**ADMINISTRATIVE IMPLICATIONS**

None for EMNRD.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP****TECHNICAL ISSUES**

None for EMNRD.

**OTHER SUBSTANTIVE ISSUES**

SB235 revises statutory provisions less than a year after adoption in 2025. Such frequent changes in state law for the energy sector creates uncertainty for utilities and their customers, which can lead to instability.

**ALTERNATIVES**

None for EMNRD.

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

If the legislature does not enact SB 235, the provisions adopted in 2025 for qualified microgrids that interconnect to electric public utilities will remain in effect. Additionally, the state will not have authority to regulate electricity generated by microgrids operating independently from the traditional power grid.

**AMENDMENTS**