

SENATE CONSERVATION COMMITTEE SUBSTITUTE FOR
SENATE BILL 235

57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026

AN ACT

RELATING TO UTILITIES; ENACTING THE MICROGRID OVERSIGHT ACT;
CREATING THE MICROGRID RENEWABLE PORTFOLIO STANDARD; PROVIDING
AUTHORITY FOR THE PUBLIC REGULATION COMMISSION TO REGULATE
COMPLIANCE WITH THE MICROGRID RENEWABLE PORTFOLIO STANDARD;
REQUIRING ANNUAL REPORTING FROM MICROGRIDS; PROHIBITING PUBLIC
UTILITY RATE INCREASES TO COVER THE COSTS ASSOCIATED WITH
MICROGRID INFRASTRUCTURE DEVELOPMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. [NEW MATERIAL] SHORT TITLE.--This act may be
cited as the "Microgrid Oversight Act".

SECTION 2. [NEW MATERIAL] DEFINITIONS.--As used in the
Microgrid Oversight Act:

A. "commission" means the public regulation
commission;

1 B. "electric public utility" means an electric
2 public utility regulated by the commission, pursuant to the
3 Public Utility Act, that is not also a cooperative nonprofit
4 membership corporation organized pursuant to the Rural Electric
5 Cooperative Act;

6 C. "low-income household" means a household in
7 which the current annual income is at or below eighty percent
8 of the area median income, adjusted for family size, as
9 published by the United States department of housing and urban
10 development or that is enrolled in a low-income program
11 facilitated by the state or a low-income energy program led by
12 a utility or as determined by the commission;

13 D. "microgrid" means a permanent or temporary
14 electric system that:

15 (1) includes a self-source generation
16 resource;

17 (2) is capable of generating not less than
18 twenty megawatts; and

19 (3) is capable of operating independently or
20 connected to the grid;

21 E. "renewable energy" means electric energy
22 produced by use of a renewable energy resource;

23 F. "renewable energy resource" means the following
24 energy resources, with or without energy storage:

25 (1) solar, wind and geothermal;

1 (2) hydropower facilities;
2 (3) biomass resources, limited to agriculture
3 or animal waste, small-diameter timber not to exceed eight
4 inches, salt cedar and other phreatophyte or woody vegetation
5 removed from river basins or watersheds in New Mexico; provided
6 that these resources are from facilities certified by the
7 energy, minerals and natural resources department to:

8 (a) be of appropriate scale to have
9 sustainable feedstock in the near vicinity;

10 (b) have zero life cycle carbon
11 emissions; and

12 (c) meet scientifically determined
13 restoration, sustainability and soil nutrient principles;

14 (4) fuel cells that do not use fossil fuels to
15 create electricity; and

16 (5) landfill gas and anaerobically digested
17 waste biogas;

18 G. "self-source generation resource" means a
19 permanent or temporary electricity-generating resource that is
20 dedicated to primarily serving the persons connected either
21 directly or indirectly through business affiliates to a
22 microgrid;

23 H. "zero carbon energy" means electric energy
24 produced by use of a zero carbon resource; and

25 I. "zero carbon resource" means an electricity-

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1 generating resource that emits no carbon dioxide into the
2 atmosphere.

3 SECTION 3. [NEW MATERIAL] OVERSIGHT AUTHORITY--POWERS AND
4 DUTIES OF COMMISSION.--

5 A. The commission has authority over matters
6 relating to the compliance of microgrids in the state with the
7 microgrid renewable portfolio standard.

8 B. The commission may:

9 (1) require and collect fees that are used to
10 cover the cost of the commission's oversight of microgrids'
11 compliance with the microgrid renewable portfolio standard from
12 owners and operators of microgrids; and

13 (2) prohibit the operation of a microgrid that
14 fails to meet the requirements of the microgrid renewable
15 portfolio standard.

16 SECTION 4. [NEW MATERIAL] MICROGRID RENEWABLE PORTFOLIO
17 STANDARD.--

18 A. A microgrid shall meet the microgrid renewable
19 portfolio standard requirements to include renewable energy in
20 its electric energy supply portfolio, as demonstrated by
21 accurate metering and energy audits.

22 B. Renewable energy shall comprise no less than
23 forty percent of a microgrid's total annual energy generation:

24 (1) for a microgrid that begins operation on
25 or after May 20, 2026; and

1 (2) no later than January 1, 2028 for a
 2 microgrid in operation prior to May 20, 2026.

3 C. Renewable energy shall comprise no less than
 4 fifty percent of a microgrid's total annual energy generation
 5 no later than January 1, 2030.

6 D. Renewable energy shall comprise no less than
 7 eighty percent of a microgrid's total annual energy generation
 8 no later than January 1, 2040.

9 E. Zero carbon energy shall comprise one hundred
 10 percent of a microgrid's total annual energy generation no
 11 later than January 1, 2045.

12 F. An owner or operator of a microgrid shall issue
 13 a report to the commission beginning July 1, 2027, and January
 14 1 every year thereafter, that includes:

15 (1) total annual energy generation measured in
 16 megawatt-hours;

17 (2) total annual energy generation of
 18 renewable energy measured in megawatt-hours, organized by
 19 technology type;

20 (3) the status of compliance with the
 21 microgrid renewable portfolio standard;

22 (4) total water use, including water used for
 23 power generation and cooling of facilities directly served by
 24 the microgrid;

25 (5) information related to alternative

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1 compliance with the microgrid renewable portfolio standard
2 pursuant to Section 5 of the Microgrid Oversight Act; and

3 (6) other information the commission may
4 require to verify compliance.

5 SECTION 5. ~~[NEW MATERIAL]~~ ALTERNATIVE COMPLIANCE WITH THE
6 MICROGRID RENEWABLE PORTFOLIO STANDARD.--

7 A. The owner or operator of a microgrid may satisfy
8 up to ten percent of renewable energy generation required under
9 the microgrid renewable portfolio standard through the purchase
10 and installation of residential solar energy systems serving
11 low-income households.

12 B. Residential solar energy systems that qualify
13 for alternative compliance with the microgrid renewable
14 portfolio standard include:

15 (1) photovoltaic or solar thermal systems
16 installed on properties occupied by low-income households that
17 are used to offset the use or cost of nonrenewable energy by
18 those households; and

19 (2) shared or community solar facilities from
20 which the energy generated or the monetary savings on utility
21 bills are allocated to low-income households.

22 C. Residential solar energy systems shall be
23 installed:

24 (1) or placed in service on or after May 20,
25 2026;

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1 (2) within the state; and

2 (3) within the county where the microgrid is
3 located and prioritizing residents closest to the microgrid.

4 D. The estimated annual solar energy generation of
5 the installed systems expressed as a percentage of the
6 microgrid's total annual energy generation that the solar
7 energy is capable of offsetting shall be credited toward a
8 microgrid owner's or operator's compliance with the microgrid
9 renewable portfolio standard. The owner or operator of a
10 microgrid may count an installed residential solar energy
11 system toward the microgrid renewable portfolio standard for
12 the duration of the system's projected operational lifespan.

13 E. The owner or operator of a microgrid pursuing
14 alternative compliance pursuant to this section shall provide
15 evidence to the commission demonstrating:

16 (1) that the associated renewable energy
17 generation has not been otherwise claimed for renewable
18 portfolio standard compliance; and

19 (2) how the calculation made pursuant to
20 Subsection D of this section was reached.

21 F. Residential solar energy systems applied toward
22 alternative compliance pursuant to this section shall not be
23 eligible for state solar tax credits.

24 **SECTION 6.** Section 62-17-12 NMSA 1978 (being Laws 2025,
25 Chapter 93, Section 6) is recompiled in the Microgrid Oversight

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1 Act and is amended to read:

2 "SELF-SOURCED POWER GENERATION.--

3 A. Persons located within the state may receive
4 electricity service using a ~~[qualified]~~ microgrid that may also
5 deliver electricity to equipment, lines and facilities operated
6 by an electric public utility; provided that the person and the
7 electric public utility enter into an electric service
8 agreement.

9 B. ~~[This section authorizes]~~ An electric public
10 utility, subject to approval by the ~~[public regulation]~~
11 commission, ~~[to]~~ may acquire self-source generation resources
12 or energy and dedicate those resources or energy to retail
13 services, wholesale services or self-generation services, or
14 any combination of those services ~~[and rates established for~~
15 ~~those services shall take into account the public interest and~~
16 ~~need, reliability and affordability]~~. The ~~[public regulation]~~
17 commission shall not approve an acquisition pursuant to this
18 section from a facility that does not qualify as a self-source
19 generation resource or if the acquisition would increase rates
20 to cover the costs associated with microgrid infrastructure
21 development.

22 ~~[G. Energy generated and sold from a self-source~~
23 ~~generation resource that is owned in whole or in part by a~~
24 ~~qualified microgrid shall not be considered retail sales or~~
25 ~~energy as contemplated under Sections 62-15-34, 62-16-4 and~~

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1 ~~62-18-10 NMSA 1978 until 2035, whether serving the qualified~~
 2 ~~microgrid or purchased in whole or in part by the electric~~
 3 ~~public utility to provide service. By 2045, all of the energy~~
 4 ~~that a qualified microgrid generates and sells shall be from~~
 5 ~~net-zero carbon resources. An operator of a qualified~~
 6 ~~microgrid shall file reports as required by the public~~
 7 ~~regulation commission, certifying the qualified microgrid's~~
 8 ~~progress toward and compliance with the net-zero carbon~~
 9 ~~resource standard.]~~

10 C. The owner or operator of a microgrid may
 11 purchase energy from an electric public utility; provided that
 12 the purchase does not increase rates to cover the costs
 13 associated with microgrid infrastructure development.

14 D. A person ~~[who]~~ that only provides ~~[self-source~~
 15 ~~generation sales]~~ or sells electricity from a self-source
 16 generation resource to that person's employees or tenants, when
 17 the service or commodity is not resold to or used by others,
 18 shall not be considered an electric public utility.

19 ~~[E. As used in this section:~~

20 ~~(1) "electric public utility" means an~~
 21 ~~electric public utility certified by the public regulation~~
 22 ~~commission to provide retail electric service in New Mexico~~
 23 ~~pursuant to the Public Utility Act that is not also a~~
 24 ~~distribution cooperative utility;~~

25 ~~(2) "net-zero carbon resource" means an~~

1 ~~electricity generation resource that emits no carbon dioxide~~
2 ~~into the atmosphere, or that reduces methane emitted into the~~
3 ~~atmosphere in an amount equal to no less than one-tenth of the~~
4 ~~tons of carbon dioxide emitted into the atmosphere, as a result~~
5 ~~of electricity production;~~

6 ~~(3) "qualified microgrid" means a permanent or~~
7 ~~temporary electrical system that:~~

8 ~~(a) incorporates a microgrid controller;~~

9 ~~(b) includes a self-source generation~~
10 ~~resource that is capable of generating not less than twenty~~
11 ~~megawatts; and~~

12 ~~(c) is capable of operating~~
13 ~~independently and disconnected from the grid;~~

14 ~~(4) "self-source generation resource" means a~~
15 ~~permanent or temporary electricity generating resource that is~~
16 ~~dedicated to primarily serving the persons connected either~~
17 ~~directly or indirectly through business affiliates to the~~
18 ~~construction and installation of a qualified microgrid; and~~

19 ~~(5) "self-source generation sales" means sales~~
20 ~~of electricity to persons or utilities generated from a self-~~
21 ~~source generation resource.]"~~