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SENATE BILL 39

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

INTRODUCED BY

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AN ACT

RELATING TO UTILITIES; ENACTING THE MICROGRID OVERSIGHT ACT;  
PROVIDING AUTHORITY FOR THE PUBLIC REGULATION COMMISSION TO  
REGULATE MICROGRIDS; CREATING A MICROGRID RENEWABLE PORTFOLIO  
STANDARD; PROHIBITING RATE INCREASES DUE TO PUBLIC UTILITIES  
PURCHASING POWER FROM MICROGRIDS.

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;

B. "electric public utility" means an electric  
public utility certified by the commission to provide retail

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1 electric service in New Mexico, pursuant to the Public Utility  
2 Act, that is not also a distribution cooperative utility;

3 C. "microgrid" means a permanent or temporary  
4 electric system that:

5 (1) includes a self-source generation resource  
6 that is capable of generating not less than twenty megawatts;  
7 and

8 (2) is capable of operating independently or  
9 connected to the grid;

10 D. "renewable energy" means electric energy  
11 produced by use of a renewable energy resource;

12 E. "renewable energy resource" means the following  
13 energy resources, with or without energy storage:

14 (1) solar, wind and geothermal;

15 (2) hydropower facilities;

16 (3) biomass resources, limited to agriculture  
17 or animal waste, small-diameter timber not to exceed eight  
18 inches, salt cedar and other phreatophyte or woody vegetation  
19 removed from river basins or watersheds in New Mexico; provided  
20 that these resources are from facilities certified by the  
21 energy, minerals and natural resources department to:

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

24 (b) have zero life cycle carbon  
25 emissions; and

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1 (c) meet scientifically determined  
2 restoration, sustainability and soil nutrient principles;

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

5 (5) landfill gas and anaerobically digested  
6 waste biogas;

7 F. "self-source generation resource" means a  
8 permanent or temporary electricity-generating resource that is  
9 dedicated to primarily serving the persons connected either  
10 directly or indirectly through business affiliates to a  
11 microgrid;

12 G. "zero carbon energy" means electric energy  
13 produced by use of a zero carbon resource; and

14 H. "zero carbon resource" means an electricity-  
15 generating resource that emits no carbon dioxide into the  
16 atmosphere.

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

19 A. The commission has authority over matters  
20 relating to the approval and operation of microgrids in the  
21 state.

22 B. The commission may:

23 (1) require and collect fees that are used to  
24 cover the cost of the commission's oversight of microgrids from  
25 owners and operators of microgrids; and

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1 (2) enter premises occupied by a microgrid,  
2 during reasonable hours and after providing notice to the owner  
3 or operator of the microgrid, to exercise powers or duties  
4 pursuant to the Microgrid Oversight Act.

5 C. The commission shall:

6 (1) promulgate rules regarding the microgrid  
7 renewable portfolio standard, including requirements regarding  
8 compliance, accurate metering, energy auditing, recordkeeping  
9 and reporting; and

10 (2) approve new microgrids only if the owner  
11 or operator can provide evidence that the microgrid will be  
12 compliant with current microgrid renewable portfolio standards.

13 SECTION 4. [NEW MATERIAL] MICROGRID RENEWABLE PORTFOLIO  
14 STANDARD.--

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

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

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

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

25 C. Renewable energy shall comprise no less than

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1 fifty percent of a microgrid's total annual energy generation  
2 no later than January 1, 2030.

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

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

9 F. An owner or operator of a microgrid shall issue  
10 a report to the commission beginning July 1, 2027, and January  
11 1 every year thereafter, that includes:

12 (1) total annual energy generation measured in  
13 megawatt-hours;

14 (2) total annual energy generation of  
15 renewable energy measured in megawatt-hours, organized by  
16 technology type;

17 (3) the status of compliance with the  
18 microgrid renewable portfolio standard;

19 (4) total water use, including water used for  
20 power generation and cooling of facilities directly served by  
21 the microgrid; and

22 (5) other information the commission may  
23 require to verify compliance.

24 SECTION 5. 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 or otherwise adversely affect ratepayers.

21 C. The owner or operator of a microgrid may  
22 purchase energy from an electric public utility; provided that  
23 the purchase does not increase rates for existing customers of  
24 the utility or otherwise adversely impact ratepayers.

25 ~~[E.]~~ D. Energy generated and sold from a self-

1 source generation resource that is owned in whole or in part by  
2 a ~~[qualified]~~ microgrid shall not be considered retail sales or  
3 energy as contemplated under Sections 62-15-34, 62-16-4 and  
4 62-18-10 NMSA 1978 until 2035, whether serving the ~~[qualified]~~  
5 microgrid or purchased in whole or in part by the electric  
6 public utility to provide service. ~~[By 2045, all of the energy~~  
7 ~~that a qualified microgrid generates and sells shall be from~~  
8 ~~net-zero carbon resources. An operator of a qualified~~  
9 ~~microgrid shall file reports as required by the public~~  
10 ~~regulation commission, certifying the qualified microgrid's~~  
11 ~~progress toward and compliance with the net-zero carbon~~  
12 ~~resource standard.~~

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

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

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

24 ~~(2) "net-zero carbon resource" means an~~  
25 ~~electricity generation resource that emits no carbon dioxide~~

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

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

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

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

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

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

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