

Puerto Rico Energy Commission Publishes Draft Regulation on Microgrid Development

ATTORNEYS

- Carlos J. Fernández-Lugo
- Jorge J. García-Díaz
- Rosa Corrada
- Germán A. Novoa-Rodríguez
- Ignacio J. Vidal-Cerra

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On January 4, 2018, the Puerto Rico Energy Commission (“Commission”) published a draft Regulation on Microgrid Development (“Regulation”).

In light of the prolonged outages and its impacts on the citizens of Puerto Rico caused by Hurricanes Irma and María, the Commission has set out to harness the potential of decentralized energy resources, including renewable, combined heat-and-power, and other distributed resources. Because microgrids can operate in an “islanded” mode, that is, disconnected from the power grid, they are able to independently provide electric service during grid outage periods or interruptions. The proposed Regulation intends to provide a stable regulatory framework to foster innovation and economic growth through the development and deployment of microgrids.

The Regulation would apply to the registration, contract terms, incorporation of preexisting utility equipment, and rates for the proposed microgrids.

Microgrids would be classified by ownership structure, size, and whether or not they engage in off-system sales of energy and/or other grid services to entities other than the Puerto Rico Electric Power Authority (“PREPA”). Microgrids would also be classified based on size (individual, small, or large systems) depending on the number of customers. Microgrids that will produce energy primarily for owner consumption would be referred to as “self-supply” systems, which may not sell energy or other grid services outside of their self-supply system to entities other than PREPA.

The Regulation would set different requirements for the following types of microgrid systems: self-supply small cooperative; self-supply large cooperative; small municipal, large municipal, and third-party; systems owned by groups of municipalities or administrative divisions; and other systems not necessarily listed.

Individual self-supply microgrids would be exempted from Regulation. All regulated microgrids would be subject to registration requirements with the Commission. Of note, all microgrids intending to interconnect with PREPA’s system would be required to comply with regulations that are yet to be

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proposed by PREPA. Microgrids would also be required to pay PREPA for using any of the public corporation's infrastructure, including meters and distribution equipment. Fees for use of PREPA equipment vary depending on system classification. An appendix for the calculation of such fees was included in the proposed Regulation.

The Regulation would establish technical requirements for microgrids, including requiring sufficient generation, storage assets and distribution technologies to serve load under normal operating and usage conditions. The Regulation would require microgrids to qualify based on their main source of power, namely renewable, combined heat-and-power, or hybrid. In addition, the Regulation would require microgrids to comply with existing safety standards and codes.

The Regulation provides that rates may be charged based on consumption, peak load, or other metric and shall be fair, reasonable, and non-discriminatory. Rates for small municipal, large municipal, and third-party systems, though, must be uniform across customer classes and cannot exceed PREPA's average rate of 20.22 cents per kilowatt-hour as of June, 2017. Owners of small municipal, large municipal, and third-party systems would be required to prepare a model contract and bill for review and approval of the Commission. Bill objections and suspension of service procedures would be subject to the Commission's regulations. Microgrid owners would be required to submit annual reports to the Commission.

Comments to the Regulation must be submitted within thirty (30) days from January 4, 2018, and can be submitted by e-mail (comentarios@energia.pr.gov), by regular mail (Seaborne Building, 268 Ave. Muñoz Rivera, Plaza Level Suite 202, Hato Rey PR 00918), or personally at the Clerk's Office, located at the foregoing address. The Commission may hold a public hearing, at which any person interested in participating in the process may appear. If said public hearing is held, the Commission will notify the date, time, and place.

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