

Environmental Law, Energy & Land Use Practice Group

April 12, 2019

NOTICE TO CLIENTS AND FRIENDS

PR Development: Development of Energy Policy in Puerto Rico

On April 11, 2019, Governor Ricardo Rosselló Nevares signed into law the Puerto Rico Energy Policy Act (the “Act”). The Act sets in motion a drastic transformation of Puerto Rico’s energy policy and the island’s generation and grid infrastructure, with high-reaching renewable energy goals and modernization targets for the electric system and the current rate structure. The scope of the Act can be summarized as follows:

- ✓ The new policy promotes a more decentralized energy system with active participation and incentives for the private sector, and facilitates the creation of energy cooperatives, microgrids and the interconnection of new generation sources; turning the average energy consumer into an energy producer or “prosumer”.
- ✓ The Act introduces significant amendments to the Puerto Rico Electric Power Authority Act¹, redefining the powers of the Puerto Rico Electric Power Authority (“PREPA”), paving the way for private electric service companies to enter the market. It also strengthens energy storage incentives, eliminates solar production taxes, and promotes regional storage projects geared towards facilitating the interconnection of renewable sources.
- ✓ Among other key legislative changes, the Act amends the Energy Relief and Transformation Act², increasing the powers and responsibilities of the Puerto Rico Energy Bureau (the “Bureau”), previously known as the Puerto Rico Energy Commission. Among other tasks, the Bureau shall revise existing rate structures in order to reduce the price tag on costumers, while ensuring that investments made by electric service companies are not affected. Two of the most significant amendments to Act 57-2014 have to do with a new Net Metering Program, which will allow automatic interconnection and 30-day net metering approvals for systems below 25 kW; and the reduction of the current approval time for commercial and industrial solar projects to 90 days. The Bureau will be tasked with creating net metering policies within the next five years. In the meantime, a policy rule of “true net metering” for the next five years shall be honored, with a 20-year grandfathering provision for new clients. The Bureau will also have 180 days to develop guidelines for Demand Response Programs. Once established, electric service companies will have six months to present a structured plan, focusing on the projected benefits that both residential and commercial customers shall receive during peak hours. Finally, all public instrumentalities and municipal governments will be subject to new energy efficiency requirements and will be responsible for implementing strategies to reduce the energy consumption of their installations, pursuant to the annual goals set forth by the Bureau.
- ✓ The new law also amends the Energy Diversification Act³ to set short, medium and long-term goals for the island’s generation sources. Specifically, it bans the concession of new energy contracts for coal plants, with a target of eliminating the burning of said fuel by 2028. Also, the Act proposes that by 2025, 40 percent of the island’s energy should come from renewable energy sources. By 2040, renewable energy generation should account for 60 percent, before achieving the ultimate goal of 100 percent renewable energy by 2050.

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¹ Act 83-1941, as amended.

² Act 57-2014, as amended.

³ Act 82-2010, as amended.