



## GOVERNMENT OF PUERTO RICO

Federal Affairs Administration

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### **Governor Rosselló signs Public Energy Policy Law**

San Juan – Governor Ricardo Rosselló Nevares signed today the law that will establish the public energy policy of Puerto Rico and which requires the progressive elimination of the use of fossil fuels as a source of power generation.

To this end, the law establishes a new timeline for the implementation of renewable energy on the island: the elimination of 20 percent of fossil fuels by 2022; 40 percent by 2025; 60 percent by 2040; and 100 percent renewable energy by the year 2050.

"We have designed a regulatory framework to transform our energy system to a resilient, reliable and robust one with fair and reasonable rates for all consumers," Governor Ricardo Rosselló said.

Rosselló added that "this new measure, together with the law for the transformation of the Electric Power Authority, provides us with the necessary tools to reform the way we view energy production and consumption. We are taking an advanced step to improve the quality of life for all who reside in Puerto Rico."

The measure provides for the modernization of the energy grid to develop a robust, reliable, intelligent and flexible system that can integrate new technologies and renewable energy.

The new law also establishes the transfer of the operation and maintenance of the transmission and distribution of energy to a concessionaire through a public-private partnership (PPP) on or before December 31 of this year.

Puerto Rico's Electric Power Authority CEO José Ortiz Vázquez said that "the low cost of solar energy and battery systems will make the implementation of this law possible, providing many options to consumers and making the energy grid more resilient."

Senator Larry Seilhamer Rodríguez said that "this law puts Puerto Rico on the right path, placing us closer to small-scale power generation, in which the largest suppliers are the consumers themselves, the energy cooperatives, municipal consortiums, microgrids, among others. Puerto Rico is now at the forefront with other jurisdictions in the world that are moving to produce 100 percent electricity with renewable energy sources."

The senator added that "I thank the working group that dedicated many hours of effort and dedication, so that Puerto Rico can have a robust, resilient, affordable, reliable and eco-friendly



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electrical system. With this law we promote the reconstruction, modernization and update of our energy grid."

Also, the president of the Commission of Economic Development and Energy, the representative Víctor Parés Otero, explained that "this law is going to establish the correct guides so that Puerto Rico has a reliable, modern and resilient energy system that serves as a vehicle for sustainable economic development."

The president of the Commission added that "but more importantly, it establishes safeguards so that the privatization process is transparent and benefits the consumer. I thank the governor for leading the way so that the island can transition to 100 percent renewable energy."

The law orders the Electric Power Authority (PREPA) to transfer the generation assets through sale or PPP to private companies. It also points out that no company can own 50 percent or more of the electric generation assets.

The contractors that acquire or operate PREPA's generation plants must modernize them or replace them with highly efficient plants in a period not to exceed five years.

Likewise, the new plants that are established during the transition to 100 percent renewable energy will have to be smaller-scale plants.

They must also have the capacity to operate with multiple fuels that minimize greenhouse gas emissions, with more modern technology and high efficiency, and with the capacity to integrate distributed generation and renewable electric power.

The executive director of the Financial Advisory Authority and Fiscal Agency of Puerto Rico (AAFAF), Christian Sobrino, stressed that "PS 1121 sends a strong message to the investment markets and the international energy industry. The message is that in Puerto Rico there is consensus, will and determination to transform our energy system to a resilient and advanced one."

The new law promotes the distribution of renewable energy by establishing an absolute retail net metering for the participants of the Net Measurement Program.

Under this program, a customer with an eligible generation system - which uses a renewable source of energy - can export the excess energy generated by its system to PREPA's network.

PREPA will measure the energy that the customer exports to the network and will invoice the customer for the net energy consumed. The net energy is equal to the energy consumed by the customer minus the energy that is exported to the network.



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If the customer exports more energy than they consume from PREPA (it was EEE but that didn't have a previous reference but AEE did which I know is the Spanish acronym for PREPA), the excess will be posted to their account so that it can be used in subsequent months.

Through the Net Measurement Program, the network operator will compensate the consumer-provider for the energy that they export to the network at the same rate per kilowatt hour at which they purchase the energy.

The decree also strengthens the Puerto Rico Energy Bureau (NEPR) as the regulatory entity in charge of executing the implementation of the public energy policy.

The Bureau's budget will be increased to \$20 million; it will be granted greater operational autonomy and will be given new regulatory powers through mechanisms based on performance metrics of energy companies.

On the other hand, the measure creates a Green Energy Trust that will promote consumers becoming consumers-suppliers.

The Trust will be in charge of establishing programs or financially supporting projects that provide access to green energy to residents of low- and middle-income communities.

The entity will also support municipal energy companies, as well as solar communities, micro-grids in isolated communities as well as those in low- and medium-income areas; it will facilitate the financing of green energy projects in small and medium-sized enterprises (SMEs) or micro-enterprises.

It was also reported that the new law mandates replacing 100 percent of street lighting with LED or renewable lights by 2030; and it also guarantees that no PREPA employee will lose their job as a result of this bill.

The measure will also facilitate the development of large-scale renewable energy projects by incorporating the expedited permit process provided for in Law 76-2000.

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