
THE ENERGY REGULATORY COMMISSION ISSUES THE RESOLUTION DESCRIBING THE RELEVANT ASPECTS OF THE ISOLATED SUPPLY AND LOCAL POWER GENERATION SCHEME.

On November 21st, 2017, the resolution number A/049/2017 (the “Resolution”) issued by the Energy Regulatory Commission (“CRE”) was published in the Official Federal Gazette, whereby the relevant aspects of the Isolated Supply and Local Generation schemes are described, and includes the interpretation standards of “own needs” concept applicable for the Isolated Supply scheme.

In general terms, the Resolution provides the following:

- 1.- It determines the basis governing the Isolated Supply scheme, which is defined as the export, import or generation of power for satisfying own needs, without transmitting such power through the National Electric System (“SEN”). This is in the understanding that such power will be transmitted through Private Grids. According to the Resolution, “own needs” means the generation of power consumed by the Load Center(s) (“C.C.”) of the owner of the power plant (“Power Plant”) or by individuals or companies that are part of the same economic interest group.

In this regard, the Resolution sets forth that there is an “economic interest group” when at least one of the assumptions provided in such Resolution occurs. These assumptions, among others, are the following:

- When an individual or company, directly or indirectly, is the shareholder of more than 50% of the capital stock of two or more companies; or, is the shareholder of the highest percentage of the capital stock of such companies;
- When one or more individuals or companies, directly or indirectly, has or have the power to direct or manage one or more companies as result of their position within the management or administrative boards of the company or companies;
- When an individual or company has the power to appoint the majority of the members of the board of directors; and
- When an individual or company, directly or indirectly, has the power to appoint the director or manager of other persons.

Based on the foregoing, it is inferred that any power generator that supplies its own C.C. or a third party C.C., provided that such party is part of the same economic interest group, is entitled to adopt the Isolated Supply scheme, and thus, to avoid supplying power to such C.C. through the Wholesale Electrical Market (“MEM”). Additionally, this would avoid the administrative and economic burdens of registering both the Power Plant and the C.C. in the MEM.

2.- In addition to the Isolated Supply scheme, the Resolution incorporates a new scheme called Local Generation. In contrast to the Isolated Supply scheme, Local Generation is defined as the export, import, or generation of power for self-supply purposes or to supply the needs of third parties regardless of whether the third party is part of the same economic interest group or not. In other words, this scheme is broader than the Isolated Supply scheme, since under the Local Generator scheme, a Power Plant is entitled to supply its own C.C. and/or a third party's C.C. This is so provided the power is transmitted by Private Grids.

Like the Isolated Supply scheme, under the Local Generator scheme, the Power Plant generators are entitled to be interconnected to the SEN, temporally or permanently, in order to sell surplus power, and the C.C. are entitled as well to be connected to the SEN in order to acquire any shortfall in power or associated products following the same process applicable to the Isolated Supply scheme to participate in the MEM.

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Sincerely,

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Mexico City, Novembre 24th, 2017.