

Mexico's Electric Grid: Matter of Contention

By Cas Biekmann | Wed, 06/03/2020 - 15:11

When SENER published CENACE's measure, the Policy on Reliability, Safety, Continuity and Quality of the National Electric System, it did not take long for private players to react with accusations that the government was trying to unfairly push its own CFE ahead. The government claims that the grid is suffering and that it merely aims to level the playing field somewhat. One thing is certain: the issue regarding the grid is complex. MBN Experts outline different arguments regarding the issue.

The Measure, Tip of the Iceberg?

Until now, CENACE's measure is not holding up in procedural law courts. Many companies have achieved temporary suspensions toward it, invoking *amparos*. An article by *El Financiero* shows that 13 private projects have already managed to definitely revoke suspensions. BN Americas reported that CENACE prepares to fight the decision, which could still turn out in its favor. But perhaps it is more prudent to look into the implication of the relationship between public and private sectors and their attitudes to Mexico's electricity grid. CFE, after all, initiated other measures going against the direct wishes of renewable energy companies, regarding wind farms in Oaxaca, for instance, based on a report by El Universal. The real issue that can be interpreted is that President López Obrador thinks private companies are not contributing enough to Mexico's development.

Experts Share Views

In some cases, this might indeed be the case: "I understand that private companies are being asked something that they do not necessarily like, in a rather political manner. But I think some of them could have contributed more," said Luis Vera, former executive of ASEA and now Counsel at V&A, in an interview with MBN. An expert in social impact assessments, Vera furthermore argues that companies are not always adequately dealing with negative perceptions of the Mexican population regarding their operations. Another point echoing throughout the sector is the lack of transmission projects: "Transmission infrastructure is an endemic problem for the country. During the previous administration, many projects were delayed because there was not enough infrastructure to transport energy to the consumption point. This scarcity needs to be resolved to support the industry's growth," said Daniele Zoli of ERM in an interview with MBN.

Where private companies are happy to build renewable energy projects, transmission projects move slowly due to a lack of investments. Interconnections are entirely left to the government, who is now complaining that this burden, along with the backup it needs to provide for intermittent energy gaps, it is too much to bear.

Edmond Grieger, Partner at law firm Von Wobeser y Sierra, provides a different point of view. According to him, the government is putting up too many barriers toward the interconnection process despite private players making their best efforts to comply with extensive reinforcement works, which include transmission lines of over 80km. "Those are works that the government should be doing," Grieger said when questioned by MBN.

Grieger furthermore questions the validity of the government's claim that it is acting for the reliability and stability of the grid. An important observation Grieger makes is that his clients are not as selfish as the government would claim they are: "We see that private companies are trying to implement the best technology to interconnect their projects, investing many resources. Some projects are considering storage, despite its costs," Grieger said. He mentions companies that take on costs to stabilize the intermittency of their electricity and show a great deal of proactiveness to tackle issues. This effort is not reciprocated by the government per se, Grieger argues.

Thus, the issue remains complicated. Public and private sectors continue to search a balance. One thing, however, is clear: "Threats and opportunities all point to the transmission and distribution network as the fundamental, critical system to reduce electricity tariffs while enhancing power reliability," wrote Ramón Moreno, CEO of Mitsui, in an [expert opinion for MBN](#). How the grid will be enhanced in the future remains to be seen, but it will be the main area of opportunity for both reliable and cheaper electricity.