

The Federal Ministry of Energy issues the new Program for the Development of the National Electricity System

On June 30, 2021, the Federal Ministry of Energy (“SENER”) announced the new Program for the Development of the National Electricity System 2021-2035 (“PRODESEN”).

PRODESEN is an instrument that details the annual planning of the National Electric System, establishing how the national energy policy will be implemented in the electricity sector during the next fifteen years. In principle, it is aligned with the National Development Plan, as well as with various plans and programs of relevant sectors within the electricity industry, such as the Indicative Program for the Installation and Removal of Power Stations (PIIRCE) and the Program for Expansion and Modernization of the National Transmission Network and the General Distribution Networks.

The following are among most relevant aspects of the PRODESEN:

- It maintains the guideline established in the National Development Program regarding prioritizing and strengthening productive companies of the state, specifically the Federal Electricity Commission (“CFE”). We believe this will continue to put the projects of the private sector that are in the process of development, construction, interconnection and operation at a disadvantage.
- It states that by 2026, 131 projects related with the construction of transmission and distribution lines will come into operation under the responsibility of SENER and CFE Transmission / Distribution. The purpose of such projects is to expand the National Transmission Network and the General Distribution Networks, adding a total of 3,349.7 km of Transmission and Distribution Lines. The main projects will be developed in the states of Baja California, Hidalgo, Guanajuato, State of Mexico and Quintana Roo.

These projects will be important to avoid impacts and incidents in the short and medium term in the National Electric System. Thus, since for the moment the critical operating conditions that put at risk the reliability and security of the energy supply in various regions of the country persist, we are looking forward for these projects to be executed efficiently and on a timely manner.

- SENER estimates that in the period from 2021 to 2024, new power plants of both CFE and the private sector will be incorporated, corresponding to a total of 19,219 MW. These plants will be approximately 50% combined cycle and 50% photovoltaic and wind energy.

These projects will be complemented with the projects currently in the bidding process through CFE's Master Trust (6 combined cycle plants).

- By 2025, the installed capacity of distributed generation is estimated to reach up to 5,941 MW and by 2035 it may reach 13,869 MW. From the above, we can identify a clear growth in the distributed generation sector, so that in the short and medium term, various business opportunities will be opened and will allow a more active participation of private developers, builders, generators and suppliers in this sector.

- PRODESEN establishes that the installed capacity of clean energy power plants grew 12.19% with respect to its installed capacity in 2020. This reveals that the positive effects from the clean energy generation projects awarded in the Long- and Medium-Term Auctions held by the National Energy Control Center from 2016 to 2018 still persist.

PRODESEN recognizes that there is a deficit in infrastructure of the National Transmission Networks and General Distribution Networks. The document itself establishes that between 2018 and 2019, investments in these areas increased only by 1.40% and, from 2019 to 2020, by 0.10%. Therefore, it will be important that the projects in these areas are executed in accordance with what is established in PRODESEN itself, to avoid impacts on the security and reliability of the National Electric System.

Likewise, PRODESEN recognizes that compliance with the transition milestone of 35% of total electricity generation through clean energy sources established in the Energy Transition Law for the year 2024 will be fulfilled on time; however, the information provided in PRODESEN itself foresees that from 2022 to 2024 there will be a reduction in the percentage of the total installed energy generation through clean sources, including renewables, which we consider contradictory and it is highly likely that it would make it difficult to meet the referred milestone.

The former would also affect compliance with the greenhouse gas reduction milestones set forth in the General Climate Change Law, including the achievement of the milestone to generate 35% of the energy through clean energy sources by 2024, which is also provided by such law.

Finally, we will follow up on any call for projects by the CFE and SENER, in which the participation of developers, generators, suppliers, builders and in general any participant from the electricity industry is allowed, mainly in relation to projects for transmission lines and general distribution networks, which will be important to maintain the reliability and safety of the National Electric System, as well as of power plants. This is in order to inform you of any business opportunities or projects that may be of interest to you.

For additional information about our firm and our team, please contact our experts:

Edmond Grieger, Partner:

+52 (55) 5258 1048 | egrieger@vwys.com.mx

Ariel Garfio, Counsel:

+52 (55) 5258 1048 | agarfio@vwys.com.mx

Roberto Flores, Associate:

+52 (55) 5258 1048 | rflores@vwys.com.mx

S I N C E R E L Y

VON WOBESER Y SIERRA, S.C.

Mexico City, July 7, 2021.

VON WOBESER Y SIERRA, S.C.

Paseo de los Tamarindos 60

05120 Mexico City

+52 (55) 5258 1000

vonwobeser.com