

## CRE Resolution Modifies Use of CFE Reserved Capacity in the National Natural Gas System

February 18, 2022 Eduardo Corzo

**PRACTICES** Mexico, Energy, Power and Natural Resources, Mexico Energy Reform, International

On February 4, 2022, the Energy Regulatory Commission (“CRE”) approved resolution No. RES/163/2022 (“Resolution”), that modifies a prior resolution, RES/986/2016 dated September 21, 2016 (“RES/986/2016”), which established the reserved capacity of the Federal Electricity Commission (“CFE”) and Petróleos Mexicanos (“Pemex”) to transport natural gas through pipelines in the so-called “Integrated National Natural Gas Transportation and Storage System” (“Sistrangas”). The reserved capacity could only be used for power generation and industrial transformation of hydrocarbons.

Pursuant to the Twelfth Transitory Article of the Hydrocarbons Law, CFE has the right to reserve and maintain the necessary capacity on Sistrangas for power generation, and Pemex, for industrial transformation of hydrocarbons. These concepts were embodied in RES/968/2016, through which CRE determined the maximum capacities that CFE and Pemex could reserve in Sistrangas. To avoid unequal or discriminatory access and capacity for other users of Sistrangas, RES/968/2016 provided that (a) CFE could only use its reserved capacity for power generation, and Pemex, only for industrial transformation of hydrocarbons; (b) the reserved capacity could not be used for commercialization, under any circumstance; (c) the principles of non-discriminatory open access must be observed at all times, and (d) the National Control Center for Natural Gas (“CENAGAS”) must make the unused capacity available to third parties through electronic bulletin.

Recently, through its subsidiary production company “CFEnergia,” CFE, submitted various requests to CENAGAS to incorporate secondary routes of their reserved capacity to commercialize natural gas. Pursuant to these requests, the CRE modified RES/968/2016 to provide the following:

- CFE is allowed to allocate its unused reserved capacity in Sistrangas to commercialize natural gas, as long as the essential operation of power generation is not affected.
- CENAGAS is authorized to modify the Natural Gas Transport Service Agreement entered into with the CFE to incorporate the commercialization of natural gas.
- During the months of July and January of each year, CENAGAS must submit the amount of the reserved capacity that is destined, through secondary points, for the commercialization of natural gas and for power generation.

Finally, the Resolution establishes that Pemex’s reserved capacity will not be given the same treatment, since Pemex had not yet submitted a request to allocate the use of its reserved capacity to purposes of commercialization.

Under the Resolution, CFE will now be able to allocate its unused reserved capacity in Sistrangas to commercialize natural gas, which it previously was not allowed to do. That unused reserved capacity, which previously had to be made available to other permit holders, is no longer available to them, potentially conflicting with the principles of non-discriminatory open access established in Chapter IV of the Hydrocarbons Law.

For more information, please contact any of the lawyers listed below.

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<sup>1</sup> As per Article 70 of the Hydrocarbons Law.

<sup>2</sup> CFE entered into a natural gas transportation service contract with CENAGAS for a maximum daily quantity of 1,888,172.21 JG/day. As of October 2021, the CFE reported that only 33.68% of the contracted capacity has been used.

<sup>3</sup> The primary routes will still be used for current power generation and future projects.