

Mexico: New Guidelines for the Allocation of Grandfathered Financial Transmission Rights

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On September 14, 2016, the Ministry of Energy (Secretaría de Energía) (“SENER”) published in the Federal Gazette the Guidelines for the Allocation of Grandfathered Financial Transmission Rights (“Guidelines”) establishing procedures, rules, and guidelines to allocate financial transmission rights (“FTRs”) to the holders of Legacy Interconnection Agreements (“CIL”) or transmission agreements executed under the Electric Industry Law, and to the basic services suppliers.

FTRs grant market participants the right to charge or the obligation to pay the amount resulting from the differences of the marginal congestion components of local marginal prices between an origin node and a destination node. FTRs titles grant to their holders the right of a positive or negative cash flow in Mexican pesos to be paid to the National Energy Control Center (“CENACE”) or collected from CENACE based on the difference of the marginal congestion component of the local marginal price between the extraction and the injection point.

The Guidelines are important for the basic service supplier and holders of the aforementioned agreements to have the option to acquire the corresponding FTR based on the historic use of their load centers.

Grandfathered FTRs will be assigned to holders of CIL and basic service suppliers based on their average use of the transmission system during the period from August 12, 2012, to August 11, 2014. For renewable energy, FTRs will be assigned based on the average use of the transmission system during a period of up to ten (10) years starting on August 12, 2004, or on August 12 of the year following the commercial operation date of the relevant power plant, whichever occurred later.

Should you have any questions, please contact any of the lawyers listed below.