Mexico: Ministry of Energy Issues the PRODESEN 2016-2030

June 3, 2016

PRACTICES Mexico, Asia, Energy, Power and Natural Resources, Mexico Energy Reform

On May 31, 2016, the Ministry of Energy published the Development Program for the National Electric System 2016-2030 (known by its acronym in Spanish as "**PRODESEN**") which contains the development plans for the infrastructure of the transmission and distribution lines of the National Electric System ("**SEN**") and updates the former PRODESEN 2015-2029. The PRODESEN substitutes the former Works and Investments Program of the Energy Sector (known by its acronym in Spanish as "**POISE**") which contained the infrastructure of the Federal Electricity Commission (known by its acronym in Spanish as "**CFE**").

The PRODESEN is comprised by the Program for Power Plant Installation and Decommission ("**PIIRCE**") and the Programs for the Expansion and Modernization of the National Power Grid ("**T&D Program**").

Power Generation Projects

The PIIRCE establishes the long-term plan for the installation of new power generation units required to satisfy the demand for electricity including the technology and location as well as the power plants that shall be decommissioned. The PIIRCE contains the location and technology of the new power generation units and provides a preliminary overview of the location of the new transmission and distribution grids. The PIIRCE envisions installing an additional capacity of 57,122 MW entailing an investment of approximately US$92 billion. The additional capacity will be comprised by 38 percent of conventional technology (mostly combined cycle plants) and 62 percent of clean energy (efficient cogeneration, wind and solar projects). The PIIRCE envisions decommissioning 15,820 MW of capacity during the period of 2016-2030, with most of the capacity from conventional thermoelectric plants.

Transmission and Distribution Grids

The T&D Programs envision the projects for the expansion and modernization of the transmission and distribution grids of which the most important are the following: (i) connecting the National Interconnected System with the isolated systems of the Baja California Peninsula by installing eight AC transmission lines and one DC line with a capacity of 1,500 MW (operation scheduled for April 2021); (ii) 150 MW back-to-back asynchronous connection between Nogales, Sonora to Arizona, USA comprising a 11 km-c transmission line (operation scheduled for December 2018); (iii) installing seven transmission lines (six AC lines with 511 km-c and one DC with 1,260 km-c) with a capacity of 3,000 MW running from the *Istmo de Tehuantepec* to Central Mexico (operation scheduled for March 2020); (iv) a transmission line for the wind farms located in Tamaulipas, Mexico comprising three AC transmission lines with 275 km-c and a capacity of 1,000 MW (operation scheduled for April 2021); (v) a submarine transmission line *Playa del Carmen-Playacar* with 2.5 km-c and a tension of 115 kV (operation scheduled for April, 2018); and (vi) a submarine

transmission line *Playacar-Chankanaab II* with 25 km-c and a tension of 115 kV (operation scheduled for April, 2018).

The distribution grid will be modernized in order to avoid the technical loses in all of the 16 divisions in which Mexico is organized for distribution purposes and the national grid will be extended to approximately 8,652 km.

Other projects of major importance in connection with the distribution of electricity will be the gradual installation of intelligent grids in all the distribution divisions in order to improve the metering and efficient operation of the grids. Another project of importance in the distribution area is the interconnection of the Holbox Island to the SEN.

As a result of the Energy Reform, the private sector may participate in the expansion process of the projects contained in the T&D Programs along with CFE under any of the following schemes: (i) Public Private Partnership; (ii) Independent Power Transporter, and (iii) a regular contracting scheme.

Should you have any questions please contact any of the following lawyers.