

Mexico's Ministry of Energy Issues New Guidelines for the Wholesale Power Market in Mexico

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

In January 2018, Mexico's Ministry of Energy ("SENER") published several Guidelines as part of the applicable rules for the Wholesale Power Market ("WEM") in the Federal Gazette.

This Haynes Boone alert is important to all participants of the WEM, including qualified users, suppliers, marketers, non-suppliers and generators.

1. Natural Gas Coordination Guidelines

On January 9, 2018, SENER published the Natural Gas Coordination Guidelines (*Manual de Coordinación de Gas Natural*). The purpose of the Guidelines is to establish the rules for coordination among CENACE, CENAGAS and natural transporters and power generators in connection with natural gas availability. The Guidelines include the procedures to perform the exchange of information among them, the use of this information and its impact in the WEM, as well as the calculation of the opportunity costs that the Generators shall take into account in their sale offers in the Day Ahead Market and in the Real Time Market.

CENAGAS and natural gas transporters (jointly referred as Natural Gas Administrators) must provide information to CENACE about the curtailments in the natural gas transportation service that may affect the operational management of the National Power System, and CENACE must inform Natural Gas Administrators about the curtailment in the power transmission service or generation that may modify the scheduled natural gas consumption.

In the event of a natural gas curtailment, power generators must take the following actions:

- a) Notify CENACE regarding the consumption decrease received by the Natural Gas Administrators
- b) Adjust their sale offers in the Short Term Market

2. Measurement Settlement Guidelines

On January 10, 2018, SENER published the Measurement Settlement Guidelines (*Manual de Medición para Liquidaciones*), which establish the measurement system requirements to register power transactions carried out by the users of the transmission or distribution services, transporters and distributors, as well as for the acquisition, processing and delivery of the measurement records.

The Guidelines contain the characteristics of the facilities and electrical measurement equipment (transformers of instruments, meters, and others); communication systems, hardware and software to allow the transfer of information to CENACE; time synchrony systems, etc.

Likewise, the Guidelines contain the requirements of the measurement records that transporters and distributors shall deliver to CENACE as well as the criteria to validate such records.

3. Guidelines for Power Dispatch and Unbundling Criteria for Joint Ownership Power Plants

On January 11, 2018, SENER published the Guidelines for Power Dispatch and Unbundling Criteria for Joint Ownership Power Plants (“JOPP”) (*Manual de Criterios para el Despacho y la Desagregación de Energía para las Unidades de Propiedad Conjunta en el Mercado Eléctrico Mayorista*). The purpose of the Guidelines is to establish criteria for the registration of the dispatch orders and the power allocation determined by CENACE for the JOPP. The provisions are mandatory to CFE, CFE Subsidiary Enterprises, CFE’s Affiliates, CENACE and any Market Participant registered under generator modality representing a JOPP.

4. Market Monitoring Guidelines

On January 12, 2018, SENER published the Market Monitoring Guidelines (*Manual de Vigilancia del Mercado*). The purpose of the Guidelines is to establish the provisions, rules and procedures describing the organization of the Market Monitor Authority, as well as the procedures to supervise, investigate, evaluate and inform the operation of the WEM.

The Guidelines contain the provisions governing the following topics:

- a) Rules governing the collection and access to market information
- b) Market performance and evolution
- c) Reference parameters update
- d) Review of the short term power market offers
- e) Verification of the opportunity costs
- f) Investigation procedures to be followed by Monitor Entities
- g) Price recalculation rules
- h) Authorities of the Monitor Entities

5. Settlement Guidelines

On January 12, 2018, SENER published the Settlement Guidelines (*Manual de Liquidaciones*), which establish the formulas and calculation procedures to determine the billing and payments for the activities carried out by market participants, WEM regulated service suppliers, grandfathered agreements and foreign interconnected systems, market monitor authority, universal power service fund and the determination of the labor capital fund.

The data used in the formulas and calculation procedures can be obtained from the offers of the market participants, measurements and the dispatch orders of the operators of the National Power

System. Market participants will have access to such data to process the calculations of the payments and charges related to their transactions.

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