

Plans for New US\$1.7 Billion Power Transmission Line in Mexico

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

On February 13, 2018, Mexico's Federal Electricity Commission ("CFE") announced the bidding process for its Ixtepec Potencia – Yautepec Potencia Transmission Line in Oaxaca ("Project"). The transmission lines will cross the following states: State of Mexico, Morelos, Puebla, Oaxaca, Mexico City and Veracruz. The estimated investment is US\$1.7 billion and it will have a transmission capacity of 3,000 MW at a voltage level of 500 kV.

The Project will be awarded under the BOT model (Build, Operate and Transfer), in which a private contractor will (a) develop, manage, build, perform the corresponding tests and achieve commercial operation of the transmission system, (b) operate and maintain the AC transmission system, (c) transfer all the rights, licenses, permits, authorizations and property of the reinforcement work to CFE on the Commercial Operation Date ("COD") and (d) transfer all the rights, licenses, permits, authorizations and property of the DC transmission system to the CFE on the COD.

The Project will include two 500 kV converter stations, seven 40 kV substations, five 400 kV-AC transmission lines with a length of 437.3 km, and one 500 kV-DC transmission line with a length of 1,221 km.

The main characteristics of the bidding process and the model contract are as follows:

- Companies may participate in the bidding process as individual bidders or as a consortium.
- Financial capacity to participate in the bidding process is MX\$7,000 million (approximately US\$370 million).
- Bid Guarantee: Irrevocable standby letter of credit ("LOC") for US\$5 million.
- National content: 35 percent.
- The contract will be awarded through a bidding process called by CFE and will have a term of 25 years.
- Performance Guarantee: The contractor must provide an irrevocable standby LOC for approximately US\$87 million for the execution of the contract. This LOC must be increased to US\$173 million upon commencement of construction.
- The awarded contractor must form an irrevocable administration trust within 180 days following the execution of the contract. The Contractor will be the primary settlor and beneficiary while CFE will be the secondary beneficiary. The trust will be formed by:
 - An amount in US dollars determined by the bidder during its participation in the bidding process required to obtain the real estate rights and related permits.

- The collection rights resulting from the technical and commercial operation of the Project.
 - The real estate rights of the Project.
 - The permits and authorizations required for the Project.
 - The improvements, additions, reparations, and reconstruction work done to the Project after the COD.
 - Any other bond or indemnity related to the Project.
- No later than the COD, the collection rights resulting from the technical and commercial operation of the Project and any other economic rights, assets, equipment and any other inherent right related to the Project contained in the trust must be transferred in ownership to the CFE free of any lien or tax burden.
 - The CFE will pay on a monthly basis the applicable rate resulting from the operation of the Project in favor of the contractor through the trust.
 - Arbitration: The arbitration shall be conducted under the London Court of International Arbitration Rules. The place of arbitration will be Mexico City and proceedings must be conducted in Spanish.

The calendar for the bidding process is as follows:

Event	Date
Visits to sites	February 19, 2018 to February 24, 2018
First Q&A session	March 2, 2018
Second Q&A session	April 3, 2018
Submission of offers and opening of technical offers	June 21, 2018
Opening of economic offers	June 28, 2018
Award	July 4, 2018
Contract signature	July 25, 2018
COD	December 17, 2021

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