

Mexico: SENER Announces Major Baja Transmission Line Bidding Process

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On December 7, 2017, the Ministry of Energy (“SENER”) announced the first bidding process for the financing, installation, maintenance, management, and operation of the Baja California Electric System interconnection with the National Grid (“National Grid”). This is the first power transmission project allowing private participation in power transmission lines in Mexico. The estimated investment will be US\$1.1 billion. This alert may be of interest to private parties interested in investing in energy infrastructure in the Mexican power sector.

The project would interconnect the Baja California electric system to the National Grid through a direct current tie between the Cucapah substation in Mexicali and the Seri substation in Hermosillo. The project includes two Converting Stations and a High Voltage Direct Current Transmission Line (HVDC), with an estimated length of 1,400 km, a voltage level of 500 KV, and transmission capacity of 1,500 MW.

The main characteristics of the bidding process are as follows:

- The contract, a “build, own, operate, and transfer” model, will be awarded through an international bidding process called by SENER and will have a 30-year term.
- The bidding process will be coordinated and executed through a Bidding Committee formed by SENER officers.
- The winning bid will be the lowest annual contract payment.
- The Contractor will be responsible for the financing, installation, maintenance, management, and operation of the Transmission Line.
- The Contractor assumes all of the construction risks of the Project prior to commercial operation.
- There will be a trust, in which the Contractor will be the settlor and the State the trustee. The assets of the trust will be the Project cash flow and the Project’s physical assets. The trust will be guarantor before the financial parties and suppliers.
- The Contractor’s principal asset is the right to receive future income paid by market participants through the National Center for Energy Control (“CENACE”).
- Market participants will pay a regulated fee, to be approved by the Energy Regulatory Commission (“CRE”).
- The CRE will include the amount of the annual contract payment in the transmission rate.

- CENACE will pay the Contractor with resources derived from the transmission fee.
- At the end of the Contract, the assets will be transferred to the State.

The Call for the bidding process will be published in January 2018 and the results are expected to be announced in September 2018. The tentative calendar for the bidding process is the following:

Date	Event
December 7, 2017	<ul style="list-style-type: none">• Tender process announcement• Project information• Draft Bidding Guidelines publication
January 2018	<ul style="list-style-type: none">• Bidding Guidelines• Model Contract
July 2018	<ul style="list-style-type: none">• Technical and economical proposal submission
September 2018	<ul style="list-style-type: none">• Results

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