

## Updates and Highlights in the Mexican Energy Sector, November 2017

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December 7, 2017

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**PRACTICES** Downstream, Mexico, Energy, Power and Natural Resources, Mexico Energy Reform, Oil and Gas

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As part of the implementation of the Mexican energy reform of 2013, several new regulations and administrative guidelines affecting the hydrocarbons and power industries were issued during November 2017. These are of particular importance to oil and gas producers, midstream companies and power generators, traders and others looking to invest or expand operations in Mexico's dynamic energy sector.

### I. Hydrocarbons

**November 8, 2017. Maximum Visibility Guidelines for Current Prices and Identification of Fuels in Gas Stations.** The Energy Regulatory Commission ("CRE") published Order A/047/2017 to establish the requirements for gas stations to announce the products they offer to customers. Some of the requirements are: (i) current prices of gasoline and diesel as well as their permit number shall be announced on the prices board, (ii) prices shall be announced in Mexican pesos, (iii) prices shall be established without discounts and additional services, (iv) gas stations must comply with the prices report issued by the CRE and (v) gas stations must announce the brand and fuel type, among other things.

**November 9, 2017. Yucatan and Quintana Roo Natural Gas Distributions Zones.** The CRE published the resolution by which the municipalities of Valladolid and Tizimin in the state of Yucatan and the municipalities of Benito Juarez, Isla Mujeres, Puerto Morelos, Solidaridad, Tulum, Felipe Carrillo Puerto and Othon P. Blanco, in the state of Quintana Roo are declared as Natural Gas Distribution Zones.

**November 22, 2017. NOM-150-SEMARNAT-2017.** The Ministry of Environment and Natural Resources ("SEMARNAT") published NOM-150-SEMARNAT-2017, which establishes the technical specifications for environmental protection that the permit holders shall observe in the construction and preliminary evaluation activities of geothermal wells located in agricultural, livestock and wasteland areas, outside protected natural areas and forest lands.

**November 24, 2017. CRE Organizational Guidelines.** CRE published its new Organizational Guidelines containing the organizational structure, functions and authority of each of its administrative units and government officials.

**November 28, 2017. Modifications to Well Drilling Guidelines.** The National Hydrocarbons Commission ("CNH") published in the Federal Gazette the amendments to the Well Drilling Guidelines. The purpose of these Guidelines is to establish the basis, requirements, obligations and procedures for granting and supervising drilling authorizations and well completion.

**November 30, 2017. Gasoline and Diesel Market Liberalization.** The CRE announced the fourth and fifth stages of gasoline and diesel market liberalization. These stages comprise the states

located in the Yucatan peninsula and the states located in Central Mexico. With this announcement, each gas station owner can determine the corresponding fuel prices to be offered to its customers.

**II. Power**

**November 13, 2017. Outage Scheduling Guidelines.** The Ministry of Energy (“SENER”) published the Outage Scheduling Guidelines (“*Manual de Programación de Salidas*”) establishing the principles for calculation, instructions, rules and procedures that Market Participants, Transporters and Distributors shall observe to schedule their outages and obtain the corresponding authorizations from the National Center for Energy Control (“CENACE”), as well as the criteria that CENACE must follow to schedule mid-term outages and grant the corresponding authorizations.

**November 21, 2017. Order A/049/2017 Isolated Supply Interpretative Criteria.** The CRE issued the Isolated Supply Interpretative Criteria, whose purpose is to establish the scope of “self-use” concept and describe the general characteristics of Isolated Supply. This Order cancels Order A/023/2017 issued by CRE on June 15, 2017.

**November 22, 2017. Third Long Term Auction Results.** SENER announced the Third Long Term Auction results, as follows:

Technology	Amounts awarded per technology			Average Price (USD)
	Clean Energy Certificate (“CEL”)	Power (MWh)	Capacity (MW-year)	
Photovoltaic	3,471,160	3,040,029	10	\$ 20.57 USD/MWh (CEL + Power)
Wind	2,481,415	2,452,547	83	
Turbogas	0	0	500	\$ 36,253 USD/MW year (capacity)
Total	5,952,575	5,492,575	593	

**November 23, 2017. Forecast Guidelines.** The Ministry of Energy (“SENER”) published the Forecast Guidelines (“*Manual de Pronósticos*”), which establish the procedures, rules and calculation principles that Market Participants and CENACE shall observe for estimating demand forecasts and power generation forecasts to be used in the Short Term Power Market.

**November 23, 2017. Calculation Methodology and Basic Supply Final Tariffs.** The CRE published Order A/058/2017 with the calculation methodology for the final tariffs for basic supply that will be applicable from December 2017 to December 2018 to all customers, whether individuals or companies, who are not Qualified Users. The new plan considers the cost of each part of the value chain in the power industry, and incorporates the seasonal variations of the cost of the service (depending on the time of year) and seeks to guarantee that the Federal Electricity Commission (“CFE”) recovers efficient costs.

**November 30, 2017. Power Basic Supply Tariffs.** The Ministry of Finance (“SHCP”) published in the Federal Gazette the final basic supply tariffs for domestic customers. This Order establishes the power basic supply tariffs for domestic customers in the following categories: 1, 1A, 1B, 1C, 1E, 1F and DAC. These tariffs are based on consumption and geographical zone based on average temperatures and will enter in force on December 1, 2017 and continue until December 31, 2018.