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Mexico Issues Interconnection Manual for Power Plants and Charging Points

*By José Antonio Prado, Carlos Ochoa, and Alberto Esenaro Arteaga**

Mexico's Energy Reform of 2013 opened activities of the country's power market to private investors for delivering energy to corporate, industrial and retail users under bilateral purchase power agreements and/or through the Wholesale Electricity Market. Mexico's Ministry of Energy has issued the manual for interconnecting the power plants and connecting charging points. This article details some of the highlights.

Before Mexico's Energy Reform of 2013, large-scale power generation was reserved to the state-run Comisión Federal de Electricidad ("CFE") or to private investors through government contracts under an independent power producer structure. Self-supply and cogeneration was allowed if complying with certain regulations.

The reform opened activities of the country's power market to private investors for delivering energy to corporate, industrial and retail users under bilateral purchase power agreements and/or through the Wholesale Electricity Market ("MEM"). In addition, the reform allowed grandfathered permit holders to migrate to the open market for such purposes.

The Mexican State, through the Centro Nacional de Control de Energía ("CENACE"), manages the grid and allows the interconnection and physical connection of any project.

Mexico's Ministry of Energy issued the manual for interconnecting the power plants and connecting charging points. This article provides details on some of the highlights.

SCOPE OF APPLICATION

The manual is applicable to the following plants and points:

- new power plants with capacity higher than 0.5 MW to be connected to the General Transmission Network or General Distribution Network ("Networks"), whether they operate in the MEM or not;
- current power plants that are already connected to the Networks and

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will increase capacity;

- current power plants that will change the interconnection point;
- new or current power plants for “isolated supply” that require connection to the General Transmission Network;
- new charging points with a contracted charge higher than one MW, or points with lower charge, that require connection to the Networks to deliver exceeding power, whether they operated in the MEM or not;
- current charging points that increase charge and are connected to the Networks;
- charging points that request a change of connection point; and
- charging points for “isolated supply” that require connection to the Networks of the MEM.

MODALITIES

Interconnection can be requested in three different modalities according to the timeline of the project. Modalities are:

- individual, in which the plant selects the commercial operation date (“COD”);
- planning, in which the COD is subject to budget availability of the National Development Plan; and
- existing, in which a current plant will increase capacity or change interconnection point.

For each modality, CENACE performs diverse interconnection studies, such as impact, impact (fast version), indicative-equivalent (planning modality) and facilities.

NEW LAW MIGRATION

The manual contains complementary provisions for migrating grandfathered projects, such as self-supply, cogeneration, small-scale producers, independent producers or continuous self-use, to the new energy law (Ley de la Industria Eléctrica). In particular, the manual provides specific rules for priority and queue of the interconnection and connection list, and other provisions related to the studies that need to be replaced or updated.

PRIORITY AND QUEUE

The manual establishes that general terms for acknowledging priority and queue on the interconnection and connection list, are as follows:

- The requests are attended on a first-requested, first-served basis. Then,

it is important to keep the proceeding on good standing to prevent restarting the process.

- Generally speaking, priority for interconnection and connection is granted when the guarantees are given by the power plant or charging point.
- There are secondary provisions for specific situations, so it is best to verify the regulation before changing the project.

TERMS OF THE PROCEEDING

According to the manual, the interconnection of power plants could take up to 270 business days, and charging points up to 170 business days. Therefore, it is important to have a clear strategy of the development of the project, and allow time for the authority's review.

GUARANTEES

The manual contains provisions for guarantees to connect, interconnect, and operate in the Networks, as follows:

- The allowed guarantees are stand-by letter of credit, Mexican Federal Treasury Certificates ("CETES") or deposit in a trust selected by CENACE, or guarantees indicated by the Comisión Reguladora de Energía ("CRE").
- The methodology to calculate the amount of guarantees will be issued by the CRE.
- The deadlines for delivering guarantees vary according to the type of project. Deliveries are scheduled in installments (percentage of guarantees).
- CENACE has the authority to collect the guarantees given if the project does not continue the registration process, does not complete the scheduled guarantees, does not execute the interconnection or connection contract, or does not construct the necessary works or reinforcements, among others.

CONTROVERSIES

The manual has a concurrent jurisdiction for controversies: annulment trial before administrative courts, revision recourse before CENACE and reclamation recourse before the CRE. While these three recourses set checks and balances for the use of the Networks, it is important to define, in a given project, what are the legal effects that are more beneficial, on time and extent, for sponsors, lenders and stakeholders.

CONCLUSIONS

The manual solves several gaps and details many provisions for completing power projects that are currently in process of construction or operation.

Considering the technicalities in the manual, on the engineering and legal sides, it is advisable to perform a quick due diligence on projects to learn the exact applicable regulation, and how the manual would impact the timelines and tasks.