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CENACE issues an official communication to guarantee the reliability of the National Electrical System

On April 29, 2020 the National Energy Control Center ("CENACE") published an Official Communication to guarantee the efficiency, quality, reliability, continuity and safety of the National Electrical System ("SEN"), in light of the SARS-CoV2 virus pandemic (COVID-19) (the "Official Communication")¹.

Through the Official Communication, CENACE indicates that due to the COVID-19 pandemic and related preventive measures adopted for its mitigation and control, there has been a reduction in electricity consumption, which has prompted the need to strengthen electricity supply reliability to final users generally, including those performing essential activities.

Based on the above, CENACE established certain technical and operational actions that are necessary to guarantee a reliable electricity supply, which include the following:

- a) In order to maintain adequate voltage control and minimize the need to open transmission lines throughout the SEN, "must-run" units will be registered in some of the regions of the SEN; and
- b) As of May 3, 2020, pre-operational tests in respect of intermittent wind and photovoltaic power plants that are in the process of entering into commercial operation are suspended. In relation to facilities that have not yet commenced pre-operation testing, CENACE will not authorize commencement of such tests.

Upon review of the Official Communication, we note the following initial considerations that may be relevant for the various participants in the electricity industry:

- Even though the Official Communication provides that the technical and operational actions provided therein will apply "during the contingency caused by the virus", the Official Communication lacks a clear provision regarding the conclusion of its effectiveness, therefore the temporal scope of application of the Official Communication is unclear.
- Delays in the commencement or conclusion of pre-operational tests may result in the delayed declaration of commercial operation by of wind and solar power plants currently in construction, which delay could in turn lead to the loss of authorizations, penalties and other economic or legal consequences with respect to such projects.

¹ <https://www.cenace.gob.mx/Paginas/Publicas/MercadoOperacion/AcuerdosCENACE.aspx>

RITCH M U E L L E R

- Although CENACE has legal and operational authority to determine the allocation and dispatch of power plants, the designation of certain power plants as “must-run” on terms and conditions different from those set forth in the dispatch model that is provided in the Electricity Industry Law and the Mexican electricity market rules, could result in a distortion of the energy market prices, as well as discriminatory practices against power plants that generate products more efficiently than those designated as “must-run” by CENACE.

We invite you to contact your usual contacts at Ritch Mueller to discuss any particular situation regarding the Official Communication and its consequences. If necessary, feel free to also reach out to us at contacto@ritch.com.mx so we can channel your queries to the appropriate members of our team.

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