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M U E L L E R

CRE issues a press release regarding the approval of tariffs for electric energy transmission service to be applicable to Legacy Interconnection Contracts

On May 28, 2020, the Energy Regulatory Commission (“CRE”) published on its website a press release CRE/03/2020 announcing the approval of new tariffs for the electric energy transmission service to be applicable to holders of legacy interconnection contracts (the “Press Release”).

In its Press Release, the CRE informed that, as a result of an analysis requested by CFE Interconexión de Contratos Legados, S.A. de C.V. on March 2019, it had come to its attention that “transmission charges did not reflect fair and proportionate costs related to the rendering of such (transmission) service”. Likewise, the CRE noted that said situation “creates unfair competition in the Electricity Market”.

In its Press Release, the CRE also noted that “the final users of the Basic Supply service end up paying the deficit resulting from the difference between the transmission costs established in the Legacy Interconnection Contracts and the transmission cost allocated to the Wholesale Electricity Market”.

In this regard, the CRE informed that with the approval of new transmission tariffs, the generation cost of CFE Suministrador de Servicios Básicos will decrease by eliminating the difference in transmission costs, thereby reducing the tariff paid by the final users of the Basic Supply service, which, according to CRE, will result in symmetrical and fair competition among all market participants.

In addition, in its Press Release CRE assured that the methodologies it had previously issued to determine transmission charges for renewable and conventional projects remain in effect, thus, contractual conditions are being honored despite the increase in tariffs.

Finally, it is important to note that the Press Release has been published solely for information purposes and it is not an official document. As the CRE resolutions containing the new transmission tariffs become available following their publication in the Official Daily of the Federation, which has yet to occur, we will conduct a thorough analysis to reach our own conclusions with respect to the impact that the new tariffs may have. Each contractual situation will need to be analyzed in light of the particular circumstances surrounding each case so as to consider potential defenses that may be available to affected parties.

We invite you to contact your usual contacts at Ritch Mueller to discuss any particular situation regarding the Press Release and its consequences. If necessary, we provide you with the address contacto@ritch.com.mx through which we can channel your concerns to the appropriate members of our team.