

Energy Alert

January 28, 2016

If you read one thing...

- The model Agreements provide the initial framework for the contractual relationships between Mexico's National Center for Energy Control, on the one hand, and transporters, distributors or market participants, on the other.
- The Agreements build upon the *Guidelines for the Wholesale Electricity Market* (WEM), published by Mexico's Ministry of Energy in September 2015 (as discussed in our earlier client alert).
- The Agreements are necessary for the proper operation of the WEM and are intended to ensure open and nondiscriminatory access to the WEM by clearly establishing the rules for all participants.



MEXICO ELECTRICITY SECTOR: CENACE Publishes Forms of Model Agreements for Transporters, Distributors, Contractors and Market Participants

On Monday, January 25, the National Center for Energy Control ("CENACE") published the [forms of model agreements](#) to be entered into between transporters, distributors, contractors or market participants and CENACE (the "Agreements"). These Agreements are necessary for the proper operation of the Wholesale Electricity Market (WEM) and provide basic terms and conditions each party must comply with, as well as specific rights and obligations for each of said parties pertaining to their particular industry segments. Additionally, entering into such Agreements by the relevant parties will ensure open and nondiscriminatory access to the WEM by clearly establishing the rules for all participants.

Model Agreement for Transporters or Contractors

This type of Agreement will be entered into between transporters (or contractors, as the case may be) and CENACE. The Agreement regulates the provision of electricity transmission services and establishes coordinating actions between the parties to guarantee efficient and reliable operation of such service.

- CENACE has the authority to exercise operational control through the issuance of instructions and supervision of the transporter/contractor's facilities.
- CENACE will issue instructions for the National Transmission Network (RNT) and its components.

- CENACE will evaluate the parties' compliance with the Agreement and issue a report within the timeline set forth by the Guidelines for the Wholesale Electricity Market and the Operational Market Provisions (the "Market Rules").
- Transporter/contractor will measure injection and withdrawal of electricity in the RNT.
- Transporter/contractor must comply with information and measurement requirements pursuant to the terms set forth by CENACE.
- Transporter/contractor must comply with CENACE's guidelines in connection with the preparation of maintenance programs for its equipment and for the expansion and modernization of the RNT.
- The parties may adopt and apply additional procedures they believe are necessary to protect electricity facilities from any physical harm or to prevent damage or injury to individuals or assets.

Model Agreement for Distributors

This type of Agreement regulates the provision of electricity distribution services and establishes coordinating actions between the parties to guarantee efficient and reliable operation of such service. This Agreement will be entered into between distributors (or contractors, as the case may be) and CENACE. The following are some of the key provisions of this Agreement:

- CENACE has the authority to exercise operational control through the issuance of instructions and supervision of the distributor/contractor's facilities.
- CENACE will issue instructions for the operation of the components of the General Distribution Networks (RGD) that belong to the WEM.
- CENACE will operate the components of the RGD (lines, transformers and compensation equipment) within the preestablished limits.
- CENACE will evaluate the parties' compliance with the Agreement and issue a report within the timeline set forth by the Market Rules.
- The distributor/contractor must comply with information and measurement requirements pursuant to the terms set forth by CENACE.
- The distributor/contractor must determine and report changes in capacity and operational limits for all the RGD components for which it is responsible to CENACE.
- The distributor/contractor must comply with CENACE's guidelines in connection with the preparation of maintenance programs for its equipment and for the expansion and modernization of RGDs belonging to the WEM.
- The parties may adopt and apply additional procedures they believe are necessary to protect electricity facilities from any physical harm or to prevent damage or injury to individuals or assets.

Model Market Participant Agreements for Generators, Suppliers, Non-Supplier Commercializers and Qualified Users

The purpose of each of these Agreements is to establish the relationship between CENACE and the applicable generator, supplier, non-supplier commercializer or qualified user (each a Market Participant) in order to carry out and maintain operations related to the WEM in each of their corresponding categories.

The following are some of the key Market Participant obligations that are found in the Market Participant Agreements:

- To follow the process for certification and ensure such certification remains in effect pursuant to the terms of the Market Rules
- Carry out all necessary tests pursuant to the Market Rules before commencing operations
- Have personnel qualified and trained by CENACE to receive instructions, send and receive MEM offers and carry out operations
- Abide by the code of conduct referenced by the Market Rules
- Ensure timely delivery of information in the manner and form required by CENACE or the Energy Regulatory Commission (CRE)
- Notify CENACE of any assignment, charge or encumbrance on its collection rights and in favor of third parties within 30 business days of the closing of such transaction
- File its offers on a timely basis and in proper form pursuant to the terms set forth in the Market Rules
- Prepare its offers pursuant to Market Rules; otherwise CENACE will have the authority to make the offer on its behalf due to omission (offers by CENACE due to omission are not applicable to non-supplier commercializers).

The following are some of the key obligations of CENACE pursuant to the Market Participant Agreements:

- Notify Market Participant of any operational change or decisions which may have an impact on its operations, facilities or equipment
- Keep the Market Information System updated
- Develop and implement Market Participant training programs
- Abide by the code of conduct referenced by the Market Rules
- Keep operational procedures and tutorials updated and available so transporters, distributors and participants of the WEM may consult them at any time.

Notably, Market Participant Agreements state that participation in the WEM may be suspended or restricted by CENACE in the event a Market Participant grossly infringes the Market Rules. Pursuant to the Market Rules, this restriction or suspension may be imposed by CENACE without prior intervention

from any other authority. Lastly, Market Participant Agreements specify that all obligations must be performed without any conflict of interest and further detail the sets of circumstances that would be considered to present conflicts of interest.

The model Agreements provide the initial framework for the contractual relationships between CENACE, on the one hand, and transporters, distributors or market participants, on the other. This framework will ultimately allow parties to provide efficient, continuous, dependable, sustainable, economical and high-quality electricity services to the public and an open and nondiscriminatory market for its participants.

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