



NEWSFLASH

Assignments of Electricity Demand Rights Present Challenges for Nearshoring in Northern Mexico


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In recent months, Mexico has seen an increase in the assignment of electricity demand rights (“kVAs”) as a result of growing nearshoring investments. For purposes of this article, a kVA is the unit that measures the voltage transformation capacity needed to receive a safe and reliable electricity supply. This is important because, as is now more often the case, end users demand transformation capacity to be applied in electrical circuits at industrial parks and buildings in Mexico. Therefore, the growth in the assignment of kVAs within the framework of the relocation phenomenon is not surprising: there is a great demand for kVAs; however, a shortage of capacity exists in the country’s electrical infrastructure.

For this type of assignment there is an official template agreement in force issued by the Energy Regulatory Commission (“CRE”) and published in the Official Journal of the Federation just two months prior to the entry into force of the Electricity Industry Law. This template is called the Agreement for the Assignment of Electricity Demand Rights in Medium Voltage Services. Given the date of its issuance, such template still contains the terminology used in the Executive Rules for the Electricity Public Service Law regarding Contributions, published in 1998, and which continues in force in these cases. Under the terms of the official assignment agreement template, CFE appears as the owner of the distribution and transformation infrastructure.

On the other hand, on March 22, 2018, a draft measure sought to establish the General Administrative Provisions on Contributions, which was published on the website of the National Commission for Regulatory Improvement (“CONAMER”). Through August 26, 2022, a dozen comments had already been submitted to this draft; however, the last change in draft’s public file was the request to withdraw such. Later, on December 9, 2022, the CRE started a new public consultation where a few comments have been submitted through July 21, 2023.

Given what has occurred to date, unfortunately there is no current and duly regulated process for the assignment of kVAs. This causes assignment procedures to become very long and cause major uncertainty. In addition, in procedures for new load center connections, as well as for



increases in existing loads, industrial park developers are forced to make significant investments in conduction lines and substations, mainly because the CFE has not invested sufficiently in those areas in recent years. Data exist showing that in the Apodaca distribution area the price per kVA is around \$350 dollars, while in the Tijuana area, the price is up to \$500 dollars per kVA. This stands out compared to prices published in the CFE Price Catalog, which serves as a parameter for the acquisition of kVAs, showing a price of around \$125 dollars. We therefore hope that, on one hand, the CRE finally establishes a regulated but dynamic procedure so that end users may assign voltage transformation capacity with promptness and certainty; and, on the other, that CFE fully exercises its mandate as the exclusive provider of the required public services of transmission and distribution of electricity. This can only occur through new investments which allow Mexico to maximize the potential economic growth offered by nearshoring.

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