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Mexico's Electricity Sector: Recent developments in 2025-2026

The year 2025 and this first quarter of 2026 have been very active for Mexico's electricity sector. Here is what you need to know.

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KEY ASPECTS

- **New Regulatory Framework: Mexican Congress passed** a set of laws to regulate the electricity sector, which were enacted on March 18, 2025: ***(i)*** the **Law of Energy Planning and Transition**; ***(ii)*** the **Law of the Electricity Sector**; ***(iii)*** the **Law of the National Energy Commission**; and ***(iv)*** **Law of the State Public Company, *Comisión Federal de Electricidad*.**
- **Issuance of Regulations:** The laws were followed by implementing regulations published on October 3, 2025, mainly: ***(i)*** the **Regulations of the Law of the Electricity Sector**; and ***(ii)*** the **Regulations of the Law of Energy Planning and Transition.**
- **Relevant topics:** New **generation schemes**, **joint ventures** with CFE; **storage systems** (batteries); migration of permits, and social impact assessment.

The Mexican Congress published a new regulatory framework for the electricity sector on March 18, 2025, which was followed by implementing regulations set out by the Executive Branch on October 3, 2025, and further administrative regulation during late 2025 and early 2026. While this new legislation does not represent a radical overhaul to the 2014 Law of the Electricity Industry ("**LIE**"), it indeed introduces relevant changes to **power generation activities** and other associated matters (e.g., **power storage, clean energy certificates** and **social impact assessment**) and elaborates on the constitutional principle of **prevalence of the State**, generally entrusted to state-owned company ***Comisión Federal de Electricidad*** ("**CFE**").

Relevant Aspects

Generation Schemes

Under the new **Law of the Electricity Sector** ("**LSE**"), **the permit-required generation threshold is increased to 0.7 MW**, thereby giving an additional margin to distributed generation projects. Thus, the LSE provides for the following modalities of power generation activities: ***(i)*** **Distributed Generation**; ***(ii)*** self-**consumption**, whether **isolated** or **interconnected** to the **National Transmission Grid**; and ***(iii)*** generation for the **Wholesale Electricity Market** (***Mercado Eléctrico Mayorista*** or "**MEM**"). Importantly, **cogeneration** can be developed under both self-consumption or MEM modalities but has a specific regulation that mainly considers **capacity restrictions** and priority of dispatch.

The LSE further provides that power generation for the MEM can be developed by the State (mainly through, but not limited to, CFE), by private parties or through joint-venture arrangements between the State and private parties named **Mixed Development Schemes (*Esquemas para el Desarrollo Mixto*)**. Below is a summary of the different power generation modalities:

- **Distributed Generation:** This modality does not require a permit and covers **plants under 0.7 MW** which are interconnected to distribution circuits. The energy and associated products must be used for **self-consumption** or **sold to CFE**.
- **Isolated Self-Consumption:** Modality for plants with **capacity equal to or greater than 0.7 MW** which allocate all their energy output for their own on-**site consumption** within a **private network**.
- **Interconnected Self-Consumption:** Like the isolated self-consumption, under this modality the permit holder allocates the energy output for on-site consumption within a private network but with the possibility of **selling energy surpluses** to CFE and delivering them to the grid.
- **Generation for the Wholesale Electricity Market:** This is the standard modality to **generate electricity and sell it** (jointly with any ancillary products, such as **capacity and clean energy certificates**) to the MEM, whether in the spot-market or through long-term power purchase agreements (***contratos de cobertura eléctrica***).
- **Mixed Development Schemes:** Long-term agreements with the State (mainly through CFE) where the private party builds and operates a power plant to sell the entire output to CFE (known as **long-term production** or ***producción de largo plazo***), or **joint-venture schemes** in which CFE (with at least a 54% stake) and the private party cooperate to build and operate a power plant and sell the electricity to the MEM.
- **Cogeneration Mode:** In this modality (where **energy is produced jointly with steam or another type of secondary thermal energy**), the capacity of the cogeneration permit covers exclusively the power that can be obtained using the thermal energy not used in the industrial processes associated with cogeneration. The surplus is subject to the principle of economic dispatch.

General Administrative Provisions to regulate the figure of Self-Consumption

On December 12, 2025, the **National Energy Commission** ("**CNE**") published **the General Administrative Provisions to regulate self-consumption and establish rules for both isolated and interconnected**

modalities. These provisions also set forth the requirements to apply for a permit and the obligations for permit holders, for instance: a mandatory registry to keep **record of self-consumption users**, which must be updated regularly by the permit holder.

The provisions issued by CNE also include the **model of contract to sell surpluses** to CFE under the interconnected scheme, with the following highlights: ***(i)*** the payment of the **consideration** is calculated by taking the lower between a percentage of the levelized cost of energy of the **last long-term auction** of the previous year or the same percentage of the locational marginal pricing ("**PML**"); ***(ii)*** the model does not provide for a specific term to receive payment of the consideration by CFE, which suggests that it will be negotiated on a case-by-case basis; and ***(iii)*** CFE has the option, but is not obligated, to accept the purchase of surpluses.

Call for priority attention to applications for electricity generation permits and interconnection to the National Electric System (by its Spanish acronym, "**SEN**")

On October 17, 2025, the **first Call** (the "**Call**") **for Priority Attention of applications for electricity generation and interconnection permits of the SEN was published in the Official Gazette of the Federation** (by its Spanish acronym "**DOF**"), **aligned with binding planning**, which establishes the **mechanism for the priority attention of applications** for **generation permits and interconnection studies** before the **National Center of Energy Control** ("**CENACE**"), for plants considered **strategic and priority** in the binding planning of the sector until **2030**.

Self-consumption and **distributed generation** modalities were **excluded** from this call, and the deadlines for the attention of the interconnection and connection procedures previously initiated were temporarily suspended, until the conclusion of all the stages of the Call.

As a result of the Call, CNE granted **18 generation permits** which are currently moving towards **ready-to-build** status once the relevant permit holders manage to obtain the remainder permits and deliver the corresponding securities to guarantee that commercial operation will be achieved.

Energy Storage Systems (by its Spanish acronym, "**SAE**")

Energy storage is considered a regulated activity under the LSE. Therefore, installing SAE will generally require a permit granted by CNE, whether associated with a power plant or as an independent permit. In a nutshell, SAE are allowed to operate in the following modalities: ***(i)*** **SAE-CE**: associated with a power plant; ***(ii)*** **SAE-CC**: associated with a load center; ***(iii)*** **SAE-AA**: associated with a self-consumption scheme; ***(iv)*** **Non-Associated SAE**: a battery-based SAE that is not integrated into a power plant or load center; and ***(v)*** **SAE-GE**: associated with a power plant that is below the permit-requirement, typically under a distributed generation scheme.

While currently there are a set of general administrative provisions regulating general aspects and modalities of SAE (published on March 7, 2025), the Mexican Government is currently working on a new set of administrative provisions pursuant to **Transitional Article Twentieth** of the LSE, in order to elaborate on the integration of SAE within the MEM, determination of the price and dispatch ordered by CENACE.

Finally, CENACE has authority to instruct a certain amount of SAE (regarded as a backup or *respaldo*) to be included as part of a **renewable project** when assessing interconnection requests.

Permissions Migration

Permits, contracts or any instrument or administrative act granted under the LIE continue to take effect until the end of their validity, being governed by the terms in which they were granted under the LIE and the provisions in force at the time of their formalization and may not be extended once their validity ends.

The holders of the permits, contracts or any instrument or administrative act granted can migrate to the schemes set forth in the LSE. Currently, the Ministry of **Energy** (by its Spanish acronym, "**SENER**") and CNE

are working on a draft of the "**Guidelines for the voluntary and expeditious migration of self-supply, cogeneration and independent production"**, which has not been publicly released yet.

New Guidelines for Mixed Development Schemes (the "**Guidelines**")

The Guidelines introduce **two primary schemes**: ***(i)*** **Long-Term Production**, where **private investors** assume capital investments while CFE acquires the output, and ***(ii)*** **Mixed Investment**, where CFE may contribute capital (including assets) while maintaining a minimum 54% stake in common equity. Projects must demonstrate **positive profitability** and align with the principles of reliability, continuity, security, and sustainability of the National Electric System.

The Guidelines establish **four selection procedures** for **private participants**: ***(i)*** **public tender** (general rule, up to 120 days); ***(ii)*** **restricted invitation**; ***(iii)*** **competitive award process**; and ***(i)*** **direct award**, with the latter three available only under **exceptional circumstances** such as risks to the National Electric System or strategic synergies. Notably, these procedures are governed exclusively by the Guidelines and private law, rather than CFE's special procurement regime. This framework provides legal certainty for energy sector participants while strengthening CFE's role in electricity generation through partnerships developed under transparent and sustainable institutional criteria.

On February 6, 2026, CFE launched a call to receive notices of interest from stakeholders to develop **renewable power generation projects for up to 6500MW** across different regions of the country. Currently, CFE is evaluating the projects registered by interested parties as of February 27, 2026, and moving forward to design the most appropriate competitive procedure and contractual arrangements to build long-term joint ventures with the selected private parties.

Energy Sector Social Impact Assessment

On **February 16, 2026**, **SENER** published the **General Administrative Provisions on Social Impact Assessment in the Energy Sector**, repealing the 2018 provisions formerly in force. The social impact assessment becomes a more detailed and comprehensive filing, in which the permit holder must clearly identify the potential impacts to communities located near the project. This shift puts particular focus on the analysis of mitigation measures, **energy justice** and respect for human rights, especially if indigenous or afro-mexican communities may be affected by the project.

Pursuant to the new regulation, the party that undertakes a project in the energy sector must design and implement a comprehensive plan (*plan integral*) oriented to preventing and compensating adverse social impacts, and ensuring that the communities effectively receive the social benefits brought by such projects.

Final considerations

Mexico's electricity sector is evolving and adapting to the new constitutional landscape. The new regulatory framework brings sharper definitions around generation, storage, and permit transfers, while embedding the social impact assessment as a cross-cutting requirement. For investors and developers, this means greater certainty—but also a higher bar for technical and administrative compliance to protect the legal and financial feasibility of energy projects.

The redesigned energy model places the State at the center, acting as both regulator and player, affording private parties a complementary yet essential role. The guiding objectives are clear: **energy self-sufficiency**, security, and energy justice. Understanding how these priorities shape policy decisions is key to identifying investment and business opportunities in the energy sector.

At the core of this transformation is a **system of Binding Policy-Planning** (*Planeación Vinculante*) designed to safeguard energy security, justice, and sovereignty. In practice, this translates into a **more rigorous** permitting **process** and **closer State oversight** at every stage. Stakeholders should understand these requirements to move towards a better position in their investment endeavors,

thereby gaining a significant competitive advantage and managing to cooperate with the State in the successful development of Mexico's energy sector.

For additional information, please contact our Knowledge and Innovation Group lawyers or your regular contact person at Cuatrecasas.