
New Network Code (*Código de Red*) released by the CRE for public consultation

Mexico City

August 2019



The Energy Regulatory Commission (“**CRE**” per its Spanish acronym) released the draft of general administrative provisions that contains the efficiency, quality, reliability, continuity, safety and sustainability criteria of the National Grid System: Network Code (the “**Network Code**”) for public consultation at the official webpage of the National Commission of Regulatory Improvement (“**CONAMER**” per its Spanish acronym).

Among the most relevant matters regulated in the Network Code are: (i) the technical criteria to be followed in the planning and operation of the National Grid System (“**SEN**” per its Spanish Acronym); (ii) the technical requirements for interconnection and connection of power plants and load centers; (iii) the elements required for real time monitoring and measuring; and (iv) technical conditions to be satisfied by isolated grids. It also revises certain aspects set forth in the current network code, as further detailed herein.

Upon its publication in the Federal Official Gazette, this new Network Code will supersede the code released on April 8, 2016, currently in force.



Key aspects

Purpose of the Network Code

The main purpose of the Network Code is to set forth the criteria of efficiency, quality, reliability, continuity, safety and sustainability to be observed to develop and operate the SEN in an efficient and economic manner, fostering an open and non-discriminatory access to the grid.

The Network Code is comprised of general provisions and operative provisions, the latter subordinated to the former. The general provisions of the Network Code deals with:

- Mandatory conditions required to prepare the extension and modernization programs;
- Requirements to be satisfied in order to ensure a safe and continuous power supply;
- Technical requirements for power plants requesting the interconnection to the SEN;
- Technical requirements for load centers already connected or attempting to connect to the SEN;
- Conditions to be considered for isolated grids (*i.e.*, systems not connected to the SEN); and
- Requirements applicable to the Baja California grid and specific provisions derived from its international connection.

Main revisions to the current network code

The Reliability Advisory Committee (*Comité Consultivo de Confiabilidad*), a body created by the CRE and tasked with reviewing and revising the manuals, procedures and criteria set forth in the Network Code, discussed and approved certain revisions to the current code. Such revisions are intended to update the Network Code in accordance with the dynamism driven by the technology improvements, with specific focus on:

- Demand forecast of electricity for the SEN;
- Methodology for cost-benefit assessment;
- Criteria for the planning process of the general distribution grids that are not part of the wholesale electricity market;



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- > Coordination procedures between the National Energy Control Center, transporter (*i.e.*, CFE Transmission) and suppliers for high voltage services; and
- > Technical requirements for interconnection and connection of power plants and load
- > centers.

Final remarks

The draft of resolution approved by the CRE provides that the power plants or load centers, who were notified by CENACE of the facilities study results, will not be bound by the new Network Code's requirements, unless otherwise expressly provided to the contrary. We note, however, that such language generates a loophole in respect of the facilities studies already issued by CENACE but not notified to the interested parties yet.

CONAMER is currently reviewing the regulatory impact of the Network Code's draft and receiving feedback from the industry; therefore, the potential effects to power plants and load centers cannot be assessed at this point. Nevertheless, we recommend reviewing the technical aspects set forth in this draft before taking investment decisions. Once the regulatory improvement procedure is cleared, the Network Code will be published in the Federal Official Gazette and, pursuant to the current provisions established thereunder, will come into force in the following business day.

For further information related with this document, please contact your regular contact in Cuatrecasas.

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