

August 23, 2021

## Energy Industry Group Newsletter



### **Amendment to the Manual on Bilateral Transactions and Registration of Electricity Coverage Agreements**

On August 16, 2021, the Energy Regulatory Commission (CRE, per its acronym in Spanish) published on its website resolution number RES/263/2021, whereby it approves amendments to the Manual on Bilateral Transactions and Registration of Electricity Coverage Agreements (the "Amendment"), proposed by the National Center for Energy Control (CENACE, per its acronym in Spanish).

The Amendment has three main purposes: (i) facilitate the automation of bilateral transactions, mainly Fixed Financial Bilateral Transactions (TBFins); (ii) set out complementary provisions on the estimated aggregated liability (REA, per its acronym in Spanish) calculation, relating to bilateral transactions; and (iii) complement provisions on registration of electricity coverage agreements.

On fixed TBFins (i.e., those that set a transaction of collection rights/obligation to pay relating to a fixed amount of energy or ancillary services), the Amendment sets forth rules for facilitating the automation of TBFins, which in our point of view, are mainly addressed for mitigating or allocating real time and day ahead market prices differences through 3 different mechanisms.

On automated bilateral capacity transactions (TBPots), it is clarified that, for purposes of calculating the REA, the estimation of potential charges will consider only the net capacity obligation after the programmed automated TBPot and not the full effect that the non-contextualized TBPot may have.

On electricity coverage agreement registrations, the Amendment clarifies timeframes for registration when the market participant is not yet credited as such before the CENACE. In addition, there are some adjustments to the electricity coverage agreement classifications whose intention is not clear, that may be worth of further analysis, especially regarding linking these agreements to the actual generation assets.

The Amendment will be effective upon notification to the market participants by the CENACE. CENACE shall make the adjustments within 180 days as of the Amendment publication on the Market Information System. Likewise, the CENACE must perform an analysis and review of the regulations relating to Bilateral Transactions and Registration of Electricity Coverage Agreements, in order to identify changes or adjustments that contribute to the efficient performance of the registration, operation and settlement of the Bilateral Transactions and Electricity Coverage Agreements in Mexico, and submit to the CRE the modification proposals arising from said analysis before December 31, 2021.

It would be important for parties to electricity coverage agreements or those who plan to enter into an electricity coverage agreement, whether it is linked to assets or of a fully financial nature, to take into account these changes and assess if it would be useful for operative/risk allocation purposes to use the new tools provided by the Amendment. If you require more information on

this matter, please contact us. It would be a pleasure to provide you advice.

The Amendment can be found [here](#).

Our experts in energy have extensive experience supporting clients in regulatory consultation and negotiation of agreements. Our Energy Industry Group provides full-service advice, including corporate, transactional, and M&A; public bidding; contractual; tax; regulatory; international trade; labor; dispute resolution; and corporate governance and regulatory compliance matters.

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