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## **Reallocation of assets and contracts of CFE subsidiaries and affiliate companies**

On November 25, the Ministry of Energy (SENER) published in the Federal Official Gazette (“FOG”), the Terms for the Reallocation of Assets and Contracts for the Generation of Subsidiary Productive Companies and Affiliate Companies of the Federal Electricity Commission (“Reallocation Terms”).

Such publication follows the proposal sent by the CFE to SENER in recent months, which called for the reorganization of the portfolio of the six subsidiary productive companies (SPCs) in charge of generation plants.

The reorganization and reallocation of assets and contracts are the result of the strict legal separation process within the CFE, provided for in both the Electrical Industry Law and the Federal Electricity Commission Law. Such legal separation aims at meeting operation and maintenance needs of power plants, as well as increasing their efficiency and competitiveness in the energy industry.

The rules and conditions for such a separation were set out in the Terms for Strict Legal Separation of the Federal Electricity Commission, published on January 11, 2016 in the FOG, and amended on March 25, 2019.

Under the amendment, the CFE would have 60 calendar days from its publication, to present to SENER its proposal for the reallocation of assets and generation contracts in the SPCs and affiliate companies considered most suited to increase efficiency.

The Reallocation Terms define specific power plants and other facilities that the CFE shall reallocate to each of the generation SPCs, as well as the contracts to be administered by each, in order to enable them to participate in the wholesale electricity market (WEM) on equal terms at regional and national levels, and under similar conditions of profitability and sustainability.

In addition, the Reallocation Terms provide that nuclear generation assets will be under control of the CFE General Management or its corporate body, which will be in charge of the mobile emergency units.

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Transitory articles of the Reallocation Terms, which entered into force on November 26, provide that the National Energy Control Center (CENACE) shall have 30 calendar days from their publication to carry out the reallocation and, finally, that generation SPCs should begin to operate in the WEM, under the new asset reallocation, by January 1st, 2020 at the latest.

The complete document with the list of power plants to be reallocated, as well as the contracts of external power plants, can be found in the following link:

[https://www.dof.gob.mx/nota\\_detalle.php?codigo=5579715&fecha=25/11/2019](https://www.dof.gob.mx/nota_detalle.php?codigo=5579715&fecha=25/11/2019)

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