

EMPRESA REGISTRADA



MR  
NMX-CC / ISO 9000



# Developing Regulatory Capacity

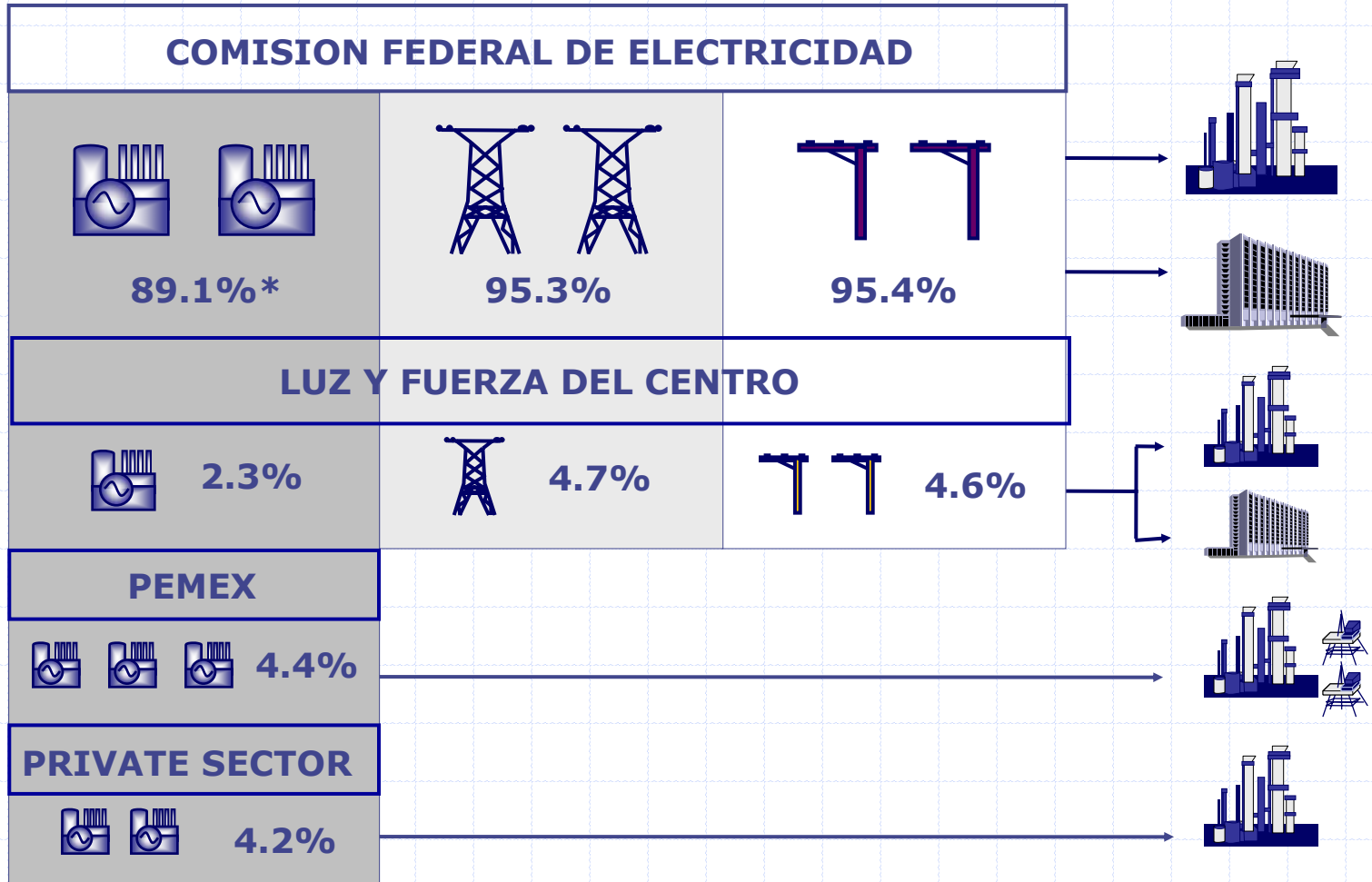
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CRE takes decisions in a collegiated manner. This presentation do not represent an official stand.

- **Considering that the electricity public service in Mexico is considered as an strategic federal activity since 1960, it is carried out by two public-owned companies: Comisión Federal de Electricidad (CFE) and Luz y Fuerza del Centro (LFC)**
  - CFE provides electricity for most of the country except for the central part which corresponds to LFC
  - LFC covers central states (México, Morelos, Hidalgo and Puebla) and Mexico City
- **These two companies carry out generation, transmission, distribution and marketing activities**
- **In 1992 the Public Electricity Service Act was amended to allow independent power productions (IPP) participate in power generation and to modify the nature of self-supply and cogeneration projects**

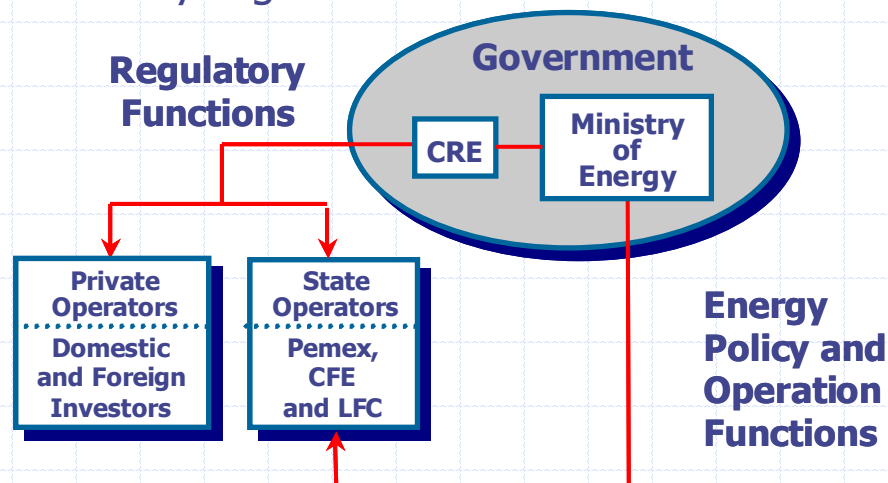
**GENERATION TRANSMISSION DISTRIBUTION USERS**



\* IPP projects are included in CFE's intalled capacity

As a result of 1992 amendment, in October 1995, Congress enacted the CRE Act. Since then, CRE has been developing regulatory mechanisms according to the industry requirements and to the legal framework by strengthening its regulatory role

- To provide technical and operational autonomy to render the regulatory framework operative
- To consolidate regulatory instruments previously scattered among several agencies
- To establish the CRE as an independent authority in charge of natural gas and electricity regulation



- **As a result of President Zedillo's restructuring reform in 1999, CRE created a work group in order to analyze and review the international restructuring of electricity sector in the context of the Mexico's sector modernization and CRE's strengthening process**
  
- **This group has focused its attention in finding solutions to solve the traditional challenges faced by regulators**
  - ➔ Efficient regulation of competitive and non-competitive activities
  - ➔ Asymmetric information derived from public utilities
  - ➔ Effective tariff restructuring
  - ➔ Improvement in electricity supply quality and efficiency
  - ➔ Fostering of private investment that does not require Government financial backup
  - ➔ Broadening the service coverage ensuring availability for all public

**The new organization of the industry requires a strengthened regulatory authority**

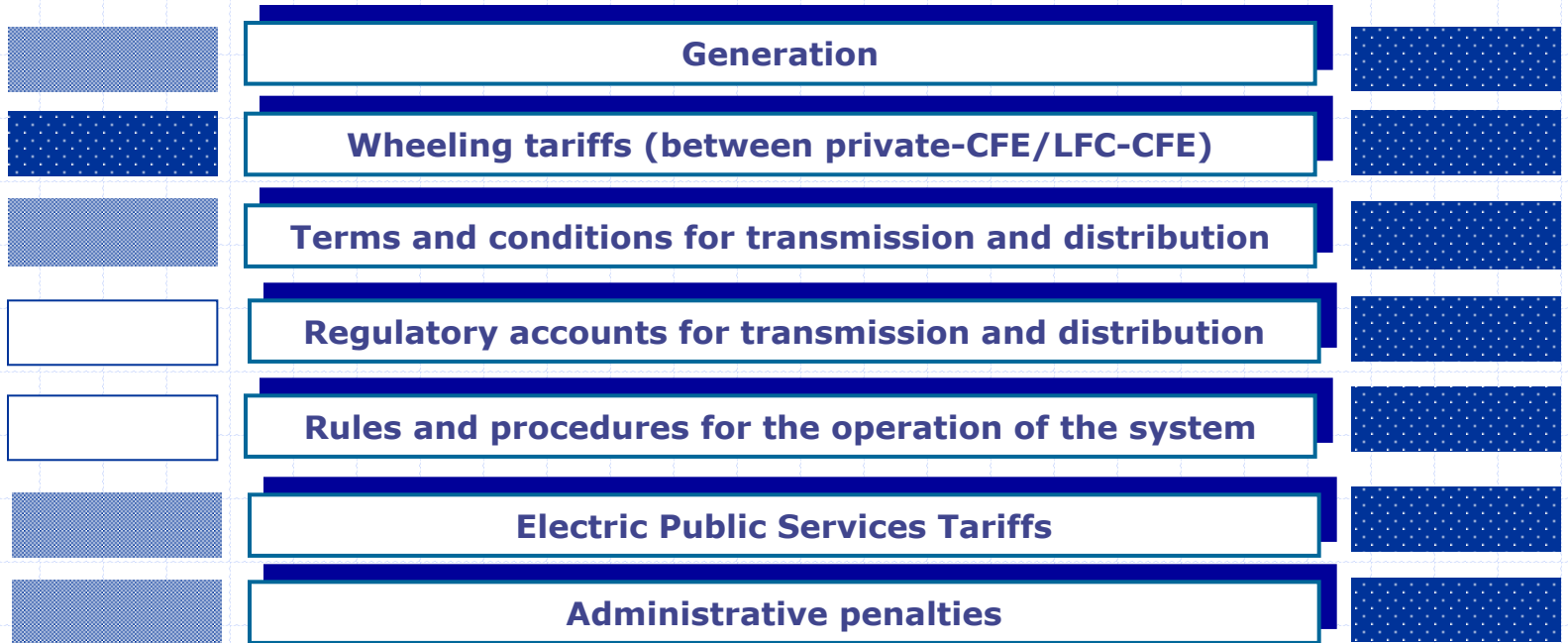
- To establish the terms and conditions for the provision of transmission, distribution and supply services
- To establish public services tariffs for transmission, distribution and supply services
- To enact economic regulation in transmission and distribution activities simulating competition
- To enact rules and procedures for the System's Operation
- To approve CFE's new generation projects

**The CRE will be granted a sufficient mandate to design, enact and enforce the new regulation, assuring that all participants are subject to the same rules**

**Current**



**Proposed**



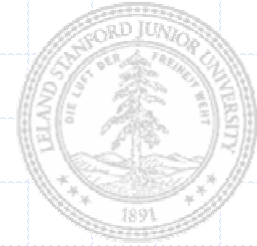
CRE with specific mandate



CRE with partial mandate



Non regulated activity



[\*www.cre.gob.mx\*](http://www.cre.gob.mx)



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