

## PRIVATE POWER GENERATION

The *Ley de Energía Eléctrica*, Electric Energy Law, provides for four types of private electricity generation.

### UNION MANAGEMENT OF CENTRAL POWER AND LIGHT

Mexican trade unions have always played an important role in the management of *paraestatales*, state-owned companies. In some cases they hold up to half of the seats on the board of directors. Privatization is threatening this traditional function, and the government has experimented with alternative approaches.

In February 1994, the government reached an agreement with the *Sindicato Mexicano de Electricistas (SME)*, Mexican Electrical Workers Union, to legally transfer management of the *Compañía de Luz y Fuerza del Centro (LyF)*, Central Light and Power Company, to the union. The government reorganized *LyF* and its three subsidiaries, creating a new company called *Luz y Fuerza del Centro (LyF)*, Central Light and Power. The subsidiaries are the *Compañía de Luz y Fuerza de Pachuca*, Light and Power Company of Pachuca, the *Compañía de Luz y Fuerza de Toluca*, Light and Power Company of Toluca and *Compañía Mexicana Meridional de Fuerza*, Power Company of Southern Mexico. Technically, the new company remains a government-owned property, but all decisions will be made by union-appointed executives.

As part of the deal, the administration of former president Carlos Salinas agreed to assume the US \$6 billion debt of the former company, which has operated at a deficit for the past 20 years. Industry experts point out that the operation will not earn a profit because the company generates only about 4 percent of the electricity it sells. The remaining power is bought from the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, at higher-than-market rates.

In the future, however, *LyF* will operate its own generation plants, but this will require large investments to compensate for the lack of maintenance in past years, and to expand the infrastructure.

The company, which supplies electricity to Mexico City and communities in the states of Hidalgo, Mexico, Morelos and Puebla, serves more than four million of Mexico's 20 million electricity consumers. This excludes an estimated 1.4 million users who obtain electricity through illegal connections.

- Self-generation is defined as generation for self-use where energy is provided by plants dedicated to the needs of the owners or co-owners. With government approval, shares can be sold so that the plant can be expanded to accommodate any new partners.
- Co-generation is the production of electricity from steam or any other secondary form of thermal energy that is a by-product of a production process. This is defined to include the combustion of materials derived from the production process. Co-generated electricity must be for consumption by establishments associated with the co-generator.
- Independent power plants are those with a capacity of 30 megawatts or more, to be sold exclusively to the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, or to export customers. Applicants for independent power generation licences must be domiciled in Mexico.
- Small production is defined as production from plants with a capacity less than 30 megawatts, mainly in isolated areas which receive no electricity from the *CFE*. Permits are granted provided that the plant does not conflict with the *CFE*'s plans for the region involved. Permits for small production in rural areas are usually granted to consumer cooperatives or other community organizations.
- In each case, an annual report on operations must be submitted to the *Secretaría de Energía (SE)*, Secretariat of Energy. The *SE* may also issue licences for the distribution of electricity purchased abroad.

Under the law, private power plants can sell their surplus electricity only to the *CFE*, and they may be required to do so in an emergency. The *CFE* has developed methods of interconnecting private generation plants within the national power grid. So far, 14 independent power stations have been interconnected and could potentially supply 161 megawatts to the public system. The *CFE* is working to interconnect existing power plants owned by *Petróleos Mexicanos (PEMEX)*, the national oil company, as well as the new private systems allowed under the 1993 Electric Energy Law.