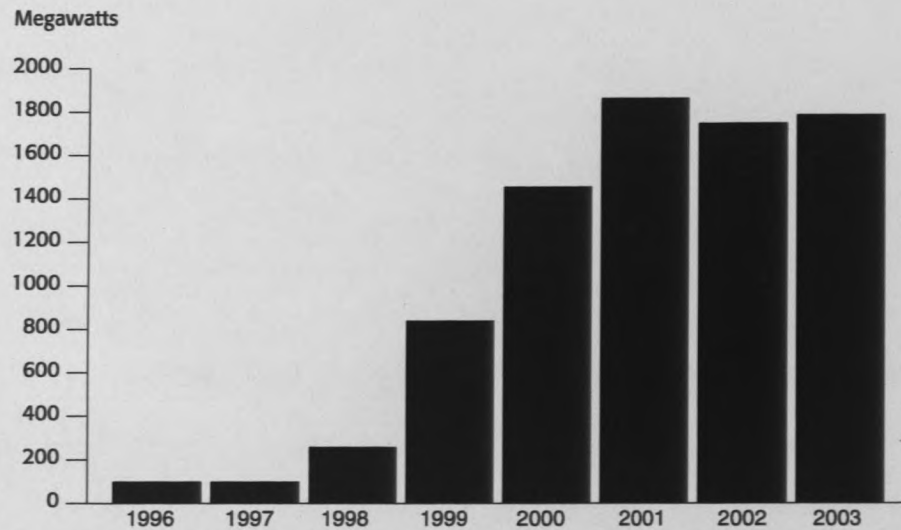


## Electricity Generation Needs not Included in Government Spending Plans



Source: *Secretaría de Energía, Minas e Industria Paraestatal (SEMIP)*, Secretariat of Energy, Mines, and State-owned Industries.

million, will be located in the outskirts of Ciudad Juárez, near the border with El Paso, Texas.

Another new electricity generation facility in the planning stages is the gas-fueled *Mérida III* plant, whose construction is due to begin sometime during 1995. *Mérida III* will differ from *Samalayuca II* in that private companies will be hired to manage and operate the facility after completing construction.

In August 1995, the *CFE* announced that tenders for the construction of six electricity generation plants would be issued soon. The announcement went on to say that by the year 2000, the *CFE* will require 13 new generation plants, worth an estimated US \$8.5 billion, to be built by private producers. The plants will most likely be constructed under the build-lease-transfer (BLT) option allowed under Mexican law.

## THE ELECTRIC POWER SECTOR

Mexico's population of about 90 million is spread over a land area of approximately 2 million square

kilometres. Electricity is distributed to almost 20 million households located in some 50,000 communities. The *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, is the state-owned company responsible for the generation and public distribution of electrical power throughout Mexico. *Petróleos Mexicanos (PEMEX)*, the national oil company, also generates electricity with an installed generation capacity of roughly 2,000 megawatts.

Under a ten-year electricity development plan announced in 1994, the national electricity system is being expanded, diversified and modernized. Industrial plants and isolated communities can now generate electricity for their own use. *Luz y Fuerza del Centro (LyF)*, Central Light and Power Company, is now an independent utility with a new mandate to generate electricity as well as distribute it. In the short run, however, the *CFE* will continue to generate about 90 percent of Mexico's electric power.

### Federal Electricity Commission

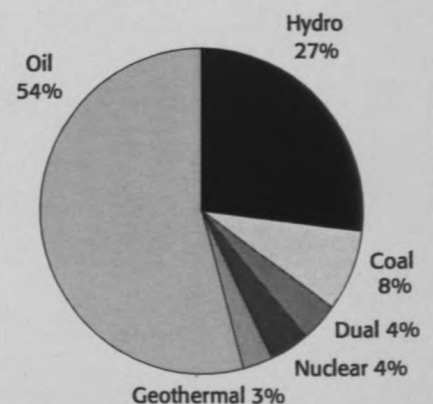
The *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission,

was created in 1937. Under a reorganization implemented by the government of President Ernesto Zedillo, it now reports to the new *Secretaría de Energía (SE)*, Secretariat of Energy. New regulations were introduced in 1993 to expand the opportunities for small-scale private power generation, but the *CFE* maintains its monopoly over power sold to the public. With an installed capacity of 33,000 megawatts, the *CFE* ranks among the world's 20 largest electricity suppliers. In 1994, it generated about 90 percent of Mexico's power needs.

The government is now demanding that the *CFE* bring revenues into line with costs. Subsidies are expected to be completely eliminated by the year 2000. This is putting enormous pressure on the utility to rationalize and modernize its operations. Prices will also have to rise, stimulating demand for more efficient equipment by electricity users.

New projects will be contracted to the private sector on a turnkey basis, and will no longer be managed by the *CFE* staff. The *CFE* plans to build nearly 14,000 megawatts of new generating capacity between 1993 and 2000. Consumption is forecast at about 160,000 gigawatt hours for 1995.

### CFE Installed Capacity, 1994



Source: *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission.