

## 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. A 1960 amendment to Article 27 of Mexico's constitution gave the *CFE* exclusive authority for all planning, development and operation of electricity generation systems. 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.

Traditionally, the *CFE* has not operated on a full cost-recovery basis, and the federal government has filled the gap with large subsidies. This policy has resulted in inefficient use of energy, with considerable losses within the distribution system itself. In 1989, the government paid off some N \$1.3 billion pesos of the *CFE* debt, and subsidies have since been gradually reduced. In 1994 the *CFE* recovered close to 90 percent of its costs from electricity sales.

The present electrical power reserve is only about 6 percent, and the system will have to expand and modernize to meet Mexico's rapidly increasing needs. Many rural areas remain unserved, and the government's objective is to extend service to two-thirds of the rural population over the next 20 years.

The government has acted to bring about the needed expansion and modernization. It has enacted the *Ley de Servicio Eléctrico*, Electric Power Service Law, which privatizes the construction and operation of larger electrical projects. 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, at a cost of US \$34 billion, between 1993 and 2000.

The *CFE*'s installed generating capacity is expected to more than double by the year 2010, as the utility extends service to previously unserved communities and keeps pace with rising demand stemming from economic growth. Consumption is forecast at about 160,000 gigawatt hours for 1995.

The *CFE* signed a major agreement to sell electricity to customers in California in 1987. Since then, annual exports to the U.S. have averaged 2 billion kilowatt hours, about 2 percent of the *CFE*'s capacity. The *CFE* has a contract with Southern California Edison to import 70 megawatts of electricity for the Baja peninsula during the summer months.