

During the term of former President Carlos Salinas, these restrictions, as they applied to electricity, were gradually relaxed. A new electricity law, *Ley de Energía Eléctrica*, came into force on December 1, 1992. It retained the monopoly of the *CFE* over the generation and distribution of electricity sold to the public. But for the first time, the law allowed the private self-generation of electricity by industrial users.

The new administration of President Ernesto Zedillo came to power on December 1, 1994, and three weeks later it issued an executive decree disbanding *Secretaría de Energía, Minas e Industrias Paraestatales (SEMIP)*, Secretariat of Energy, Mines, and State-Owned Industries, replacing it with the much smaller *Secretaría de Energía (SE)*, Secretary of Energy.

There had been much speculation that the new government would privatize the *CFE*, but the decree continued the previous policies. Nonetheless, the devaluation of the peso and the resulting economic crisis, have placed greater pressure on the *CFE* to use private sector resources to expand the electrical system.

Even before the crisis, the *SEMIP* ten-year plan contemplated a heavy reliance on private investment, largely through build-lease-transfer (BLT) options and build-operate-transfer (BOT) arrangements. The plan was based on the now-implausible assumption of 4.5 percent gross domestic product (GDP) growth, but it is still indicative of the government's priorities.

Opportunities

Under the *Secretaría de Energía, Minas e Industrias Paraestatales (SEMIP)*, Secretariat of Energy, Mines, and State-Owned Industries, high-demand scenario, the nation would need 14,639 megawatts of new generating capacity to meet projected electricity demand in the year 2003. Of this, 6,479 megawatts are being built by the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission. Mexico would therefore require an additional 8,160 megawatts of generating capacity from private sector sources, plus associated transmission and distribution systems. This is in addition to new plants for private consumption by individual companies or groups of companies. Moreover, *Petróleos Mexicanos (PEMEX)*, the national oil company, operates some 2,000 megawatts of its own electricity generating capacity, and it has continuing need for expansion and modernization of its facilities.

Under a new environmental regulation, which will come into force in 1998, new government power plants will be fueled by natural gas. Private plants will also be encouraged by the regulatory system to use natural gas, and many older plants will be converted.

No *CFE* power plants have yet been built by the private sector, and the major proposed plants have run into serious delays. Nonetheless, the commission is proceeding with contracting procedures to put this plan into action. Early in 1995, a consortium of American and Mexican utility and engineering companies received a concession to construct a thermoelectric plant in northern Chihuahua State. The plant, called *Samalayuca II*, will have a total production capacity of 700 megawatts generated in three separate units and will cost US \$650 million.