

Nonetheless, in a study released in February 1995, about two months after the devaluation of the peso, the *CFE* estimated that demand for electricity in Mexico had risen by an average of 5.4 percent annually during each of the past ten years and is expected to continue at the same pace or higher in the coming years. It projected a need for investments of US \$30 billion in the electricity sector. About half of that amount will be needed for actual construction costs, while the rest will be required for support infrastructure financing and other purposes.

## THE ELECTRIC POWER SECTOR

*A major restructuring program is placing new emphasis on decentralization, diversification of energy sources and efficiency increases throughout the national electric power system.*

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. This utility, which has 36,000 employees, has so far been totally dependent on the *CFE* for its electricity supply. In the short run, however, the *CFE* will continue to generate about 90 percent of Mexico's electric power.

The Mexican power generation system is divided into nine areas. The National Interconnected System includes seven of these. The two areas not included are the two states of the Baja California peninsula, which are connected under contract to the Southern California Edison system by means of a 230 KV transmission line.

*CFE* has a total of about 350,000 kilometres of transmission, sub-transmission and distribution lines, about 1300 substations with 120,000 MVA, and a capacity of about 100 million KVA in transmission and distribution substations.