

ELECTRICITY GENERATION NEEDS NOT INCLUDED IN GOVERNMENT SPENDING PLANS

Under the *SEMIP* high-demand scenario, the nation will 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 *CFE*. Mexico would therefore require an additional 8,160 megawatts of generating capacity from private sector sources.

Early in 1995, the *CFE* acted on these new priorities. In February, a consortium of American and Mexican utility and engineering companies received a concession to construct a thermoelectric plant in northern Chihuahua state. The plant, dubbed *Samalayuca II*, will have a total production capacity of 700 megawatts generated in three separate units. The facility, which will be constructed at a cost of US \$650 million, will be located in the outskirts of Ciudad Juárez, near the border with El Paso, Texas.

The partners include the subsidiary of the Mexican engineering and construction company *Ingenieros Civiles Asociados (Grupo ICA)*, the engineering company Bechtel Enterprises, the giant multinational company General Electric, and the Texas-based utility, El Paso Natural Gas.

The consortium will design, implement and finance construction of the plant, which will then be leased back to the *CFE*. According to the president of *Grupo ICA*, *Samalayuca II* is the first plant financed entirely with private funds and without government loan guarantees.

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

An earlier project in the state of Coahuila near the American border was scrapped. This coal-fired plant, known as *Carbón II*, ran into difficulty when the major partners demanded the right to set rates for electricity generated at the plant in order to pay for costly anti-pollution equipment.

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 burn natural gas with residual fuel as backup. The project will obtain its gas via a pipeline from *Ciudad PEMEX* in Tabasco. *Mérida III* will differ from *Samalayuca II* in that private companies will be hired to manage and operate the facility after completing construction. The electricity generated at the 440-megawatt plant would then be sold to the *CFE*.

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* would 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 BLT option allowed under Mexican law.

Industry experts caution that the ten-year plan for the development of Mexico's electricity sector is flawed in a number of respects. For one thing, it is based on GDP growth projections that are no longer realistic. Also, the plan does not take into account the effects of future energy pricing policies.