

Mexico City, October 12, 2020.

The Energy Regulatory Commission approved modifications to the General Administrative Provisions that established the terms to request an authorization to modify or transfer electric generation or power supply permits, included in Resolution RES/390/2017.

Dear clients and friends,

On October 7, 2020, the Energy Regulatory Commission ("CRE") published the Resolution RES/1094/2020 on the Federal Official Gazette ("DOF"), which modifies the General Administrative Provisions that established the terms to request an authorization to modify or transfer electric generation or power supply permits, included in Resolution RES/390/2017 (the "Resolution").

This publication is the result of an amendment proposal filed by the CRE before the National Commission of Regulatory Improvement ("CONAMER") on October 5, 2020 (the "Draft"). The original draft was filed on February 13, 2020, together with a request for exemption from filing the Regulatory Impact Analysis ("RIA"), which CONAMER rejected at that moment, ordering various adjustments and clarifications to the original draft.

Along with the Draft, a new request for exemption of a RIA was filed, which was resolved by CONAMER in a favorable sense on October 5, 2020, therefore, the CRE was entitled to publish the Resolution in the DOF. The Resolution will enter into force on October 8, 2020 and in terms of the recitals contained in the Resolution, the purpose of the modification is to prevent "*...the continuing distortion of the nature and purpose of the permits granted under the Public Electricity Energy Service Law ("LSPEE")...*", as included in the "petition sheet" filed by the Federal Electricity Commission before the CRE in October 2019.

In this regard, the Resolution includes the following:

- Adds a section IV to Provision Sixth, by which the modification of generation permits is prohibited when it comes to the registration of load centers that have entered into a Basic Supply Contract (Contrato de Suministro Básico) under the Electricity Industry Law ("LIE").
- Derogates section I, subsection e), number i) of Provision Ninth, that implies a prohibition/ban to the modification of the permits granted under the LSPEE, to include new partners, other than those previously authorized in the permit, through the filing of a request for inclusion of said partners in the corresponding expansion plans.
- Modifies numerals ii) to iv) and adds number v), on the subsection e) section I of Provision Ninth, which ban generation permits granted under the LSPEE from being modified to include: (1) load centers that have entered into an electricity supply contract under the LIE; y, (2) load centers that have been required to register as Qualified Users in the Qualified User Registry even when such registration have expired or have decided to unsubscribe from it.

• In case of partners already approved or included on expansion plans, who have carried out a merger or spin-off, they are required to prove their status as partner or beneficiary of the electricity, as long as no new load centers are included.

We considered that the Resolution substantially affects the rights acquired under the LSPEE and LIE by the permit holders and the partners or establishments associated to such permits, who will be entitled to file an amparo (constitutional action), and since October 8th, an action for judicial review before the Federal Administrative Justice Court, in order to fight back such resolution.

The lawyers of Mañón Quintana are at your service for any question or comment related to the scope of the Resolution.

Sincerely,

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