

Mexico City, february 4, 2021.

The Executive Branch filed an initiative to amend some provisions of the Electricity Industry Law.

Dear customers and friends,

On February 1st, 2021, the President of Mexico filed before the Congress, a preferential bill that seeks to amend some provisions contained in the Electricity Industry Law (the "Bill").

The main purpose of the Bill is to give priority of dispatch, within the National Electric System, to the electricity generated by the power plants owned by the Federal Electricity Commission ("CFE") - Hydroelectric plants in the first place -, compared to the generation plants that works from renewable sources and combined cycles, which are mostly operated by the private sector.

Additionally, the Bill contemplates the following modifications:

- (a)** Eliminates the provision that establishes that electricity generation and commercialization services must be provided in an open competition regime.
- (b)** It intends that any CFE new generation project be considered within the Legacy Contracts.
- (c)** Grants CFE, as a provider of basic services, with the faculty to enter into Electricity Coverage Contracts, through any other scheme besides auctions.
- (d)** Establishes that the granting of generation permits will be subject to the planning of the National Electric System by the Ministry of Energy.
- (e)** Adds a provision which establishes that Clean Energy Certificates will not be subject to ownership or to power plant operation date.
- (f)** The Energy Regulatory Commission is granted with the faculty to revoke any self-supply permits granted under the Electric Power Public Service Law, which have been obtained by carrying out "acts constituting fraud to the law."

From our point of view, the amendments and modifications contained in the Bill constitute an additional attempt by the current administration to reverse the effects of the Constitutional Energy Reform of 2013 and its secondary legislation, seeking to provide benefits for the State-owned companies.

In connection with the foregoing, it is important to point out that on previous occasions, the Courts analyzed different actions where the Executive Branch has sought to reverse the effects of said Constitutional Reform, and them have resolved in favor of the private sector, fighting for the protection of investments and projects in the electricity sector.

Even though it is a preferential bill filed by the President, it must complete with the legislative process before the Congress, which includes the analysis and discussions by the correspondent Commissions, and where appropriate, approved within a maximum term of 60 calendar days from its filing, by a majority.

Once the final version of the Bill is fled, approved and published, we will be able to analyze and propose the possible actions and mechanisms to challenge it.

The attorneys of Mañón Quintana will be glad to discuss or address any questions related to the scope of this Bill.

Sincerely,

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