

OCTOBER 11, 2025



REGULATION OF THE ELECTRIC SECTOR LAW

On October 3, 2025, the following regulations were published in the Federal Official Gazette (*Diario Oficial de la Federación*), which entered into effect the day after its publication:

1. Regulation of the Electric Sector Law;
2. Regulation of the Hydrocarbons Sector Law;
3. Regulation of the Geothermal Energy Law;
4. Regulation of the Biofuels Law;
5. Regulation of the Law of Energy Planning and Transition (the “Regulation of the LPTE”); and
6. certain amendments to the Regulation of the Hydrocarbons Revenue Law.

Below please find a summary of some aspects of the Regulation of the Electric Sector Law (the “Regulation”), which we consider particularly relevant to our clients.

1 Introduction

The Regulation is in turn the result of the constitutional reform of October 31, 2024, which amended Articles 25, 27 and 28 of the Mexican Constitution, and the subsequent publication, on March 18, 2025, of the Electric Sector Law (the “LSE”).

2 Binding Planning, Control and State Prevalence

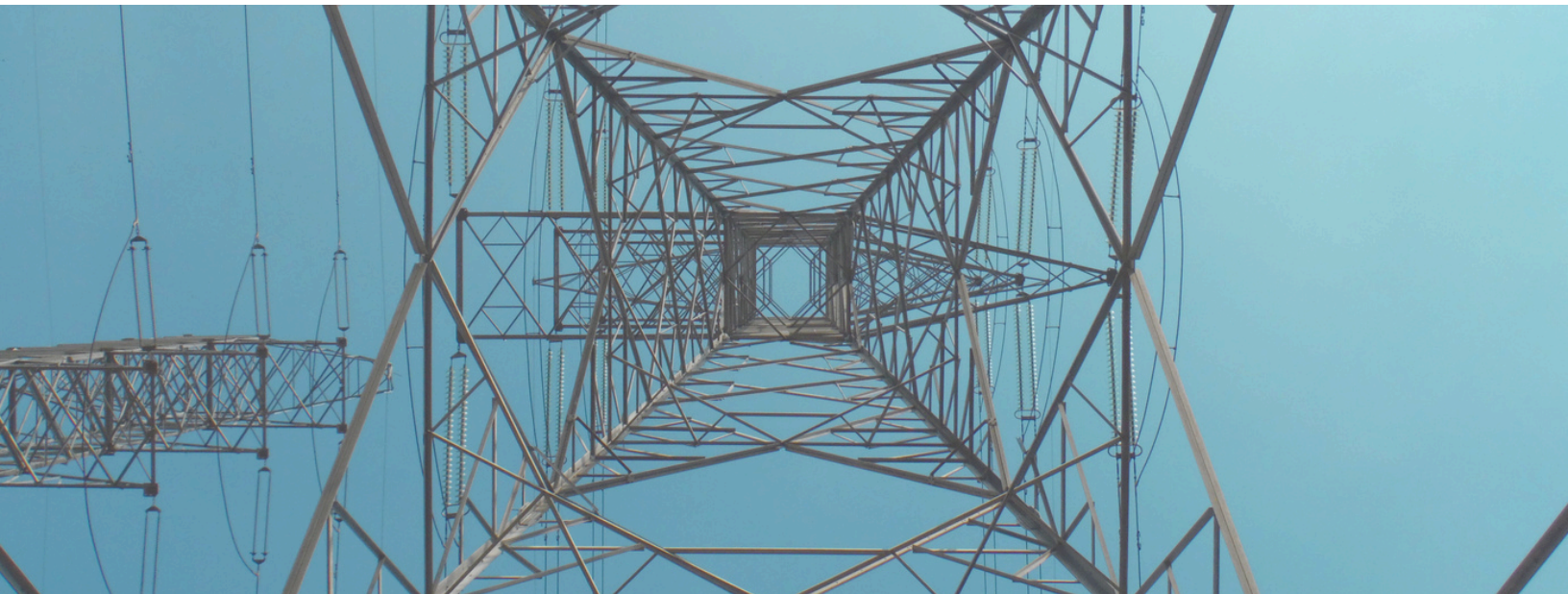
The LSE provides that the planning of the electricity sector shall be binding and provides as a requirement for the issuance of generation permits that the projects are aligned with the binding planning of the sector. For such purposes, the Regulation provides that the planning of the electricity sector shall be set out in the Electric Sector Development Plan (*Plan de Desarrollo del Sector Eléctrico*) (the “PLADESE”), to be published in May of each year (as provided on the the Law of Energy Planning and Transition and the Regulation of the LPTE) and shall include a list of all of CFE’s projects and capacity for generation by private parties, specifying the relevant regions and types of technologies.

The LSE recognizes the concept of state prevalence provided for in the Constitution, in the continuity, accessibility, security and reliability of the public electricity service. With respect to the provision in the LSE that the State shall maintain at least 54% of the average of energy injected into the grid in a calendar year, the Regulation defined injected energy as the net energy generated and injected into the grid by CFE’s power plants. To assess the non-prevalence of private parties in the generation activity of the electric sector, the Regulation provides that SENER, no later than the last business day of February of each year, must calculate the State’s participation in such activity in accordance with a methodology to be issued by SENER. Such methodology must establish that the State’s participation in electricity generation will be calculated annually as the quotient resulting from dividing the Electricity Injected (*Generación de Electricidad Inyectada*) by the State by the Total Injected Electricity (*Generación de Electricidad Inyectada Total*), multiplied by one hundred.

Based on the results, SENER must identify needs for additional generation, transmission and other electric infrastructure to be developed by the State and include them in the PLADESE, as well as carry out the necessary actions for the execution of the projects contemplated therein, which must not affect the Economic Dispatch (*Despacho Económico de Carga*), delay the satisfaction of demand or increase system costs.

SENER may designate Strategic Projects (*Proyectos Estratégicos*), which may benefit from simplified procedures and expedited execution.





3 Permits and Authorizations

With respect to permits and authorizations, the Regulation provides that the procedure, information and terms of validity under which permits and authorizations must be granted will be set forth in the general administrative provisions to be issued by SENER or the CNE⁽¹⁾, which have not yet been published. With respect to social impact authorizations, the provisions of Chapter I of Title VI of the Regulation and the general administrative provisions on social impact shall apply. The evaluation of applications and, as applicable, the granting of permits and authorizations and their modifications must be resolved within a maximum period of 60 business days from receipt.

Article 23 of the Regulation sets forth the requirements to apply for permits and authorizations, one of which is the evidence of ownership, lawful possession or use of the land. This requirement does not apply to generation permits for power plants that intend to exploit a geothermal reservoir or hydraulic resource, since such activities are subject to the rules on surface use and occupation (*disposiciones en materia de uso y ocupación superficial*), as described below.

Article 23 also provides that under no circumstance may construction, development or execution of the infrastructure associated with the permit or authorization commence until the definitive authorization regarding social impact has been obtained from the competent authorities and formal notice of such authorization has been given to SENER or the CNE, as applicable.

⁽¹⁾ Article 19 of the Regulation.

4 Energetic Justice

Under the Regulation, Energetic Justice (*Justicia Energética*)(2) will be considered a fundamental principle in every activity related to the energy sector, from planning through operation and, as applicable, decommissioning and final disposition of projects.

Each year SENER must propose to the Ministry of Finance (Secretaría de Hacienda y Crédito Público) support mechanisms, tax or financial incentives, such as the Universal Energy Service Fund (*Fondo del Servicio Universal Energético*) (the “Fund”), to promote investments, actions, programs or projects to achieve Energetic Justice. SENER must establish, administer and supervise the Fund to finance actions to achieve Electric Justice, prioritizing electrification, infrastructure, distribution and affordable supply projects, in particular those located in rural communities, marginalized urban areas and those aimed at vulnerable communities or in Energetic Poverty (*Pobreza Energética*). The Fund will be funded with surplus revenues resulting from the management of technical losses in the Wholesale Electricity Market (*Mercado Eléctrico Mayorista*) (“MEM”) in accordance with Article 45 of the Regulation.

5 Electricity Generation

Pursuant to the LSE and the Regulation, electricity can be generated in the following modalities: (i) self-consumption (*autoconsumo*); (ii) distributed generation (*generación distribuida*) up to 0.7 MW; (iii) cogeneration (*cogeneración*); (iv) generation for the MEM contemplated in the PLADESE; and (v) schemes for mixed development by private parties with State participation, through the following schemes: (a) long-term production (*producción de largo plazo*); (b) mixed investment (*inversión mixta*); and (c) any other scheme defined by the Regulation or the general provisions issued by SENER, each as described below.

- A) Distributed Generation (*Generación Distribuida*).** The sale of electricity and Associated Products (*Productos Asociados*) generated by a power plant under the Distributed Generation modality must comply with the general administrative provisions issued for such purpose.

(2) Article 3 of the LSE contains the following definition of Energetic Justice: actions or strategies aimed at reducing Energetic Poverty (*Pobreza Energética*) and social and gender inequalities in the use of energy and promoting regional development and shared prosperity through access to reliable, affordable, safe and clean energy and energy infrastructure to meet basic needs and reduce impacts on health and the environment. It also includes the expansion of inclusive participation spaces, mainly for indigenous peoples, in the local productive chains of energy projects.

- B) **Self-Consumption (Autoconsumo).** Self-consumption may be isolated or interconnected. For purposes of self-consumption, “on-site or local needs” means the electricity demand required by the consumption centers associated with the Self-Consumption Users (*Usuarias de Autoconsumo*)(3) and, as applicable, the holder of the generation permit under the self-consumption modality, which is satisfied without transporting or distributing electricity through the grid. Where more than one Self-Consumption User, other than the applicant for the permit and owner of the power plant, intends to meet its needs through a Self-Consumption Group (*Grupo de Autoconsumo*)(4), the Self-Consumption Users that belong to the Self-Consumption Group must be disclosed. Thus, Self-Consumption may be Isolated or Interconnected, as follows.

Isolated. Projects for the generation of electricity through isolated self-consumption are exempt from filing a Social Impact Assessment provided their generation capacity does not exceed 20 MW.

Interconnected. The Regulation provides for a simplified procedure to obtain generation permits for interconnected self-consumption with capacity between 0.7 MW and 20 MW.

- C) **Generation for the MEM.** Generation projects for the MEM are subject to the binding planning criteria. Within 20 business days of the publication of the PLADESE, CENACE must publish the maximum interconnection capacities (without reinforcements to the grid) in order to receive interconnection requests from private parties interested in developing a new power plant.

(3) Article 2 of the Regulation provides the following definition of Self-Consumption User (*Usuarias de Autoconsumo*): person whose consumption centers receive and use electricity from a power plant with a generation permit under the self-consumption scheme, and who may be part of a Self-Consumption Group when there is more than one user.

(4) Article 2 of the Regulation provides the following definition of Self-Consumption Group (*Grupo de Autoconsumo*): jointly, a power plant associated with a generation permit for self-consumption and the consumption centers of one or more Self-Consumption Users that allocate the electricity from such power plant to satisfy their needs through a private grid.

- D) **Mixed Development Schemes (*Esquemas de Desarrollo Mixto*)**. Projects developed through mixed development schemes must be subject to the applicable energy sector planning instruments and to the principles and criteria established in the LSE and the Regulation. They must also ensure the best economic, technical, financial and operational conditions for the grid. Projects under mixed development schemes may include, in addition to the power plant, associated infrastructure and ancillary works, as well as electricity storage and Associated Products. In all cases, conditions for the transfer of assets at the end of the term or upon termination must be established, which transfer shall be optional for the State and the State shall have priority.

CFE's participation in projects to be carried out under mixed development schemes must be approved by its board of directors (*consejo de administración*). Once approved by its board of directors, CFE must conduct the procedure for selecting private parties in adherence to the principles of transparency, rationality, efficiency, timeliness and accountability, in accordance with guidelines issued by the board of directors, which must be published in the Federal Official Gazette.

The Regulation provides two types of Mixed Development Schemes and contemplates that others may be regulated through administrative provisions to be issued by SENER:

- i) *Long-Term Production (Producción de Largo Plazo)*. Long-term production is a mixed development scheme to generate electricity and Associated Products for their exclusive sale to CFE or its affiliates. Power plants developed under this scheme may not be subject to another permit, be contracted under a different modality, or commercialize with third parties any excess capacity that may arise. They must also be represented in the MEM by CFE. The private party must build, finance, operate and maintain the power plant, its associated infrastructure and ancillary works, such that CFE does not contribute capital for development. The transfer of assets is optional for CFE, must be at no cost and subject to the agreed technical conditions. Projects under the long-term production scheme must be developed so that the total economic cost of the electricity produced is on the best possible terms for CFE.

Article 81 of the Regulation includes a list of clauses that must be included in long-term production contracts.

- ii) Mixed Investment. Mixed investment is a scheme jointly developed by private parties and CFE for the construction, financing, operation and maintenance of power plants, their associated infrastructure and ancillary works to generate electricity and Associated Products. CFE must have a direct or indirect participation in the project of at least 54% of the equity capital or a similar or comparable figure of the legal or financial vehicle used for such purpose. This participation must be formalized no later than 180 days after the start of commercial operation of the mixed investment project.

CFE's participation in mixed investment may be implemented through (i) a contribution (i.e., contributing to a legal or financial vehicle capital, rights of use, enjoyment and exploitation of its assets, permits, authorizations and any other tangible or intangible right or asset) or (ii) an association (i.e., forming a partnership with private parties and defining its rights and obligations in the relevant legal or financial vehicle).

Power plants, their associated infrastructure and other assets and rights related to mixed investment projects may be pledged as collateral in any manner permitted by law, to secure financings or other obligations assumed for the development, operation and maintenance of the project.

- iii) Other Mixed Development Schemes. Any other mixed development schemes referred to in the LSE must be regulated through general administrative provisions issued by SENER, only where necessary for the best development of the electric sector.



- E) **Cogeneration.** Cogeneration is a method of producing electricity and heat sequentially from a single energy source in order to substantially increase the efficiency of the first process, as well as to reduce the combined consumption of fuels and associated emissions, and production costs and electricity sale prices. This form of electricity generation may be implemented under the Distributed Generation, self-consumption and MEM generation modalities.

Subject to CENACE's Reliability Criteria (*Criterios de Confiabilidad CENACE*), the Market Rules (*Reglas del Mercado*) must determine and establish mandatory dispatch rules for power plants holding MEM generation permits under the cogeneration modality.

6 Transmission and Distribution

In accordance with Article 27 of the Constitution, Transmission and Distribution are activities exclusive to the Nation and are therefore solely performed by CFE. The Transmission and Distribution of electric energy must be subject to the general administrative provisions issued by the CNE, in coordination with SENER, regarding accessibility, quality, reliability, continuity, efficiency, safety and sustainability. The Regulation establishes a procedure for handling complaints that may be filed by End Users (*Usuarias Finales*) of the public service of Transmission and Distribution.

CFE, as the responsible entity for Transmission and the Distribution services, must carry out the interconnection of power plants and the connection of load centers to the grid, provided this is technically feasible and does not affect the reliability of the grid. Where an applicant for connection or interconnection services considers that the actions of CENACE or CFE are not in accordance with the LSE, the Regulation or other applicable legal provisions, the applicant may file a claim before CENACE or CFE, as applicable, under the Market Rules or other applicable legal provisions.

Electricity Tariffs must recognize the costs of operation, auxiliary services, maintenance, faults, modernization, investment, expansion and growth of the grid and Energetic Justice, to reflect Prudent Practices of the electric sector. The CNE must issue, in coordination with SENER, general administrative provisions establishing methodologies for determining Electricity Tariffs, prices, costs and regulatory accounting guidelines for the provision of the Public Service of Transmission and Distribution of Electric Energy, as well as Electric Supply. Electricity Tariffs, prices or consideration amounts determined or approved by the CNE must be maximums. The CNE may apply Electricity Tariffs, prices and consideration amounts based on market conditions, in accordance with best regulatory practices, if this contributes to compliance with the objectives of the Regulation.

With SENER's authorization, CFE may explore and, as applicable, formalize financing arrangements with third parties to carry out projects for the expansion and modernization of the grid. Such projects must be awarded through open, competitive, transparent and non-discriminatory processes and must not contravene the CFE Law (*Ley de la Empresa Pública del Estado, Comisión Federal de Electricidad*). These arrangements may include development, short- and long-term financing, construction and commissioning of projects, provided that asset ownership remains with the State.

7 Other Activities of the Electric Sector

a. Small Electric Systems (*Pequeños Sistemas Eléctricos*). A small electric system is one that is not permanently interconnected to the grid and that has a demand between 5 MW and 100 MW. These systems must be regulated and operated in accordance with the Market Rules, under special operating criteria.

b. Small Electric Systems under a Microgrid Regime (*Pequeños Sistemas Eléctricos en Régimen de Micro-Red*). A small electric system under a microgrid regime is a system that supplies a demand not exceeding 5 MW, has clearly defined electrical boundaries and behaves as a single entity. This modality is subject to obtaining a generation permit for isolated self-consumption. Where the total generation capacity of the small electric system under a microgrid regime is equal to or less than 0.7 MW, a generation permit is not required.

c. Separation of Electric Sector Participants. SENER may order and regulate the legal separation of Generators, Marketers (*Comercializadoras*) and suppliers of primary inputs for the electric sector, as well as order the divestiture of assets, rights, partnership interests or shares, when necessary to foster access to and the efficient and reliable operation of the electric sector. This does not apply to CFE.

d. Energy Storage. Electric Energy Storage Systems may participate jointly in generation and commercialization activities, whether or not associated with load centers or power plants, or be integrated as part of the infrastructure for the transmission and distribution services, as well as in services considered by the CNE and SENER, to maintain the accessibility, quality, reliability, continuity, efficiency, safety and sustainability of the grid and contribute to Energetic Justice.

Electric Energy Storage Systems integrated as infrastructure elements of the grid are considered part of the transmission and distribution activities exclusive to CFE.

All Electric Energy Storage Systems not associated with a power plant or load center with capacity equal to or greater than 0.7 MW require a storage permit granted by the CNE. Electric Energy Storage Systems that form part of a power plant with a generation permit do not require a storage permit. All Electric Energy Storage Systems that participate in the MEM must have a permit granted by the CNE or an authorization by SENER, as applicable, and must be represented by a Market Participant acting as a Storage Entity (*Almacenadora*), Generator or Supplier. Electric Energy Storage Systems may not receive Clean Energy Certificates.



8 Social Impact Assessment and Prior Consultation

CFE and any person interested in developing projects in the electric energy sector subject to an authorization or permit must submit to SENER for authorization a Social Impact Assessment for the Energy Sector, except where expressly excluded under Title VI of the Regulation. SENER's authorization of the Social Impact Assessment for the Energy Sector is a mandatory requirement for CFE or interested parties to obtain a permit or authorization before beginning construction of the relevant infrastructure. SENER must resolve the social impact application within no more than 90 calendar days.

Prior Consultation (*Consulta Previa*) must be informed, conducted in good faith, culturally appropriate, flexible, inclusive, and transparent, with a duty to accommodate and reasonableness, with the goal of reaching agreements or, as applicable, consent, and with a view to ensuring that indigenous and Afro-Mexican peoples and communities have fair and equitable access to and participation in the benefits associated with the project, in accordance with applicable regulations and in compliance with the objectives of Energetic Justice.

9 Surface Use and Occupation (*Uso y Ocupación Superficial*).

The LSE provides that surface occupation or affectation rules and creation of easements necessary are applicable to the construction of infrastructure projects of the public transmission service and power plants exploiting a geothermal reservoir or hydraulic resource, or any other as applicable. However, the Regulation provides that the surface occupation or affectation provisions or creation of easements set forth in Title VII apply to the construction of infrastructure projects of the public transmission service and power plants that exploit a geothermal reservoir or hydraulic resource, being limited to the aforementioned and excluding others. CFE and permit holders must notify SENER and the Ministry of Agrarian, Territorial and Urban Development (*Secretaría de Desarrollo Agrario, Territorial y Urbano*) of the notices of commencement of negotiations within 20 business days from receipt of the letter of interest from the owner or holder of the land, property or right.

CFE and permit holders must submit in writing to the competent judicial body the agreement reached between the parties within 60 business days following its execution. Once validation by the relevant authority has been notified, CFE and permit holders must submit to SENER, within the following 30 business days, a copy of the validated agreement or the measures ordered by the competent authority. The Regulation establishes a mediation process with the support of Social Witnesses (*Testigos Sociales*).

10 National Content and Strategies for Industrial Promotion and Investment in the Electric Sector

For purchases, acquisitions and procurement of goods and services carried out by the Mexican State for purposes of electricity generation and the provision of the Public Service of Transmission and Distribution of Electric Energy, SENER must establish in the bidding guidelines and in the relevant contract or association the minimum percentages and other national content conditions. With the support of the Ministry of Economy, SENER must establish and implement strategies to promote the inclusion of local small and medium-sized enterprises in the supply of goods and services, with increasing value added in the production chains.

11 Transitory Provisions

Below please see a summary of the transitory articles we consider most relevant, noting that several of them set deadlines for SENER and the CNE to publish various administrative provisions related to the Regulation.

Third. Existing contracts entered into under the regulation of the Electricity Industry Law must be transferred to CFE and will remain in effect until the end of their term to the extent they do not conflict with the LSE and the Regulation. Such instruments may not be extended once they expire.

Fifth. SENER will coordinate the update of the Market Rules to align them with the LSE and the Regulation, with the participation of the CNE, CENACE, CFE and, as applicable, representatives of the private sector.

Sixth. Clean Energy Certificates issued before the Regulation entered into effect will remain valid until their settlement or voluntary cancellation.

Eighth. Holders of generation permits granted before the enactment of the LSE who requested a modification prior to March 18, 2025 to incorporate Electric Energy Storage Systems or to increase capacity may be recognized under the new physical availability criteria if they migrate to the LSE.

Eleventh. In the event of a substantial modification of projects that have a social impact evaluation resolution issued under the Electricity Industry Law and its regulation, a Social Impact Assessment for the Energy Sector must be submitted, which must be processed and resolved in accordance with the Regulation and other applicable provisions. Legal acts regarding social impact, consultation and surface occupation issued or entered into under the repealed regulations and legal provisions must be respected under their terms.

Fifteenth. Within a maximum period of 120 business days from the Regulation's entry into effect, the CNE must publish the regulation necessary for CENACE to operate the Controllable Demand (*Demanda Controlable*).

Sixteenth. SENER must publish the Clean Energy Requirements for 2025, 2026, 2027 and 2028 within 120 calendar days following the Regulation's entry into effect.

Eighteen. Prior to issuance of the first PLADESE, during the last quarter of 2025, SENER may receive from any interested person proposals for generation, industrial, productive and electric sector infrastructure projects to be considered in the binding planning.

Nineteenth. The guidelines regulating the expedited procedure for the migration to figures under the LSE of self-supply, cogeneration, small production, independent production, importation, exportation and continuous own-use permits granted under the Public Electricity Service Law, and the contracts and agreements related thereto, must be issued by SENER no later than 120 calendar days from publication of the Regulation.

Twentieth. CNE must publish within 180 business days from the Regulation's entry into effect, the general administrative provisions regarding Electric Energy Storage Systems referred to in Article 193 of the LSE.

Twenty-First. Within no more than 60 business days from the Regulation's entry into effect, SENER must publish a call in the Federal Official Gazette addressed to private parties for the submission of applications for generation permits for the development of power plants that are strategic and a priority in the sector's binding planning through 2030.



The call must include at least the capacity requirements, areas and technologies for the development of power plants, as well as the requirements and deadlines for submitting applications for new generation permits and, as applicable, for the migration of permits granted under the Public Electricity Service Law and the Electricity Industry Law that cover the operation of such power plants.

Private parties interested in participating in the call and that ratified a generation permit application under item four of the *“ACUERDO por el que se reanudan los plazos y términos para la recepción y tramitación de los asuntos competencia de la Comisión Nacional de Energía, conforme a las atribuciones que le fueron conferidas y transferidas, y establece la estrategia para su atención,”* published in the Federal Official Gazette on June 5, 2025, may withdraw the corresponding application and submit a new application in accordance with the call referred to in this transitory article.

CNE must give priority to resolving permit applications submitted under the call because they are strategic projects in the binding planning, and must evaluate each application in accordance with the general administrative provisions for binding planning issued by SENER. Submission of a permit application under the call does not entail the granting of a generation permit.

Also, CENACE must prioritize requests to conduct interconnection studies for power plants associated with such permit applications; submission of a request under the call does not imply a positive resolution of the interconnection studies. Where there is a pending request to conduct interconnection studies or such studies are already being processed, they must be resolved under the terms set forth in the call. The above-mentioned calls will not consider distributed generation, self-consumption in its various modalities, cogeneration or mixed development schemes.

Twenty-Third. If migration to the LSE is approved, permits will be subject, as established in this transitory article, particularly to the following:

- for fully constructed Power Plants that are not in operation, the commercial operation date must occur within six months from the date of notification of the relevant resolution;
- for Power Plants in operation, the term of the permit will be conditioned on the fulfillment of CENACE's operational tests and the execution of the interconnection contract under the LSE framework, which must be completed by the permit holder within six months from notification of the relevant resolution; and
- for Power Plants that are not constructed, the term of the generation permit will be conditioned on demonstrating verifiable construction progress every three months; and in the case of partial migration requests, the CNE must deny or dismiss them, without prejudice to the right of the interested party to request migration for the full generation capacity.



Twenty-Fourth. Applications for electricity generation permits that were filed up to March 18, 2025 before the now-extinct Energy Regulatory Commission, that were ratified before the CNE and remain under evaluation upon the Regulation's entry into effect, must be resolved under the LSE framework as follows:

- generation projects for isolated supply must be resolved under the self-consumption figure, whether isolated or interconnected;
- generation projects intended to serve export activities must continue their evaluation on the same terms; and
- all other applications not covered by the foregoing must be resolved under the figure of generation for the MEM, or the applicable figure.

We invite you to contact your usual Ritch Mueller contacts to discuss any matters related to the issues described in this note.

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