ENERGY AND INFRASTRUCTURE

NEWSFLASH

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NEW PROVISIONS FOR INTEGRATING ENERGY STORAGE SYSTEMS INTO THE NATIONAL GRID

On March 7, 2025, the Energy Regulatory Commission**(1)** ("Commission) issued General Administrative Provisions ("Storage Provisions") regulating Electric Energy Storage Systems ("SAE"), which came into effect on March 10, 2025.

The Storage Provisions aim to establish terms and conditions for the inclusion of SAEs to the National Electric System ("SEN") so as to improve SEN's efficiency, reliability and sustainability. The integration of the SAEs to the SEN can be carried out through: (i) **Electric Energy Storage Systems associated with an Electric Power Plant** ("SAE-CE"); (ii) **Electric Energy Storage Systems associated with a Load Center** ("SAE-CC"); (iii) **Electric Energy Storage Systems associated with an Isolated Supply scheme** ("SAE-AA"); (iv) **Electric Energy Storage Systems associated with an Exempt Generator** ("SAE-GE"); and (v) **Non-Associated SAEs**.

(1) Per decree published in the Official Gazette of the Federation on March 18, 2025 (with effect as of the following day), the Comisión Nacional de Energía was created and replaced the Comisión Reguladora de Energía.

SAEs can mitigate the variability of intermittent power plants and the products and services offered by SAEs, such as frequency regulation, operating reserve, and voltage support, can be used advantageously as a form of generation. The Storage Provisions establish the general requirements for the inclusion of SAEs to the national transmission grid, including the need to obtain generation permits and meet interconnection requirements set out by the National Energy Control Center (the "CENACE").Also, the Storage Provisions set out the requirements so that SAEs may participate in the Wholesale Electricity Market, including interconnection or connection procedures, permit or authorization procedures, and offers for the purchase and sale of energy, products associated thereto and related services. In addition, the Storage Provisions set out the Commission's supervisory and monitoring powers and its authority to impose sanctions for non-compliance and provides for dispute resolution mechanisms. SAEs must comply with the technical and safety standards established in the Grid Code and other applicable regulations.

Key considerations for integrating SAEs into the SEN include:

- SAEs, in any of their modalities, must be installed considering the existing Interconnection or Connection Point or other points as per the provisions of the Manual for the Interconnection of Power Plants ("MIC").
- Technical Modifications will be considered for Intermittent Power Plants with a valid permit that integrate a SAE, requiring (i) the request for the corresponding Studies before the CENACE and (ii) the request for the modification of the Permit before the Commission.
- Connection Studies for SAE-CC and Non-Associated SAE must be carried out according to the MIC.
- The interconnection request for SAE-CE, SAE-AA and Non-associated SAE must be in terms of the MIC.
- For SAE-GE, the general administrative provisions and the Interconnection Manual of Generation Plants with Capacity less than 0.5 MW must be followed.
- Detailed documentation on the SAE technology is required for interconnection or connection surveys, including capacity, available energy, power, response time, charge and discharge speed, depth of discharge, state of charge, useful life, one year power profile of the work cycle and an estimated degradation for subsequent years.
- The connection studies for SAE-CC and Non-Associated SAE, as well as SAE-CE loaded from the National Transmission Grid (the "NTG") or the General Distribution Networks (the "GDN"), must comply with the MIC.
- SAE-CE, SAE-AA and Non-Associated SAE modalities will have the regulatory treatment of a Power Plant; consequently requiring the issuance or modification of the existing Generation Permit, if applicable.

- Purchase and sale of energy, power and associated products, made by the SAE-CE and Non-Associated SAE, will be subject to the Market Rules and other applicable provisions regarding the representation of Power Plants or Load Centers.
- Sale offers made by the SAE-CE and Non-Associated SAE, will be based on the intermittent Power Plant's availability or the SAE's Available Energy, according to the hourly power Profile, Net Installed Capacity and SAE Power presented for the Interconnection Study.

The Storage Provisions set out four modalities for the inclusion of SAEs to the SEN, summarized below:

1.SAE-CE: The association of a storage system to a new or existing intermittent power plant with the same Interconnection Point, in order to manage the variability and improve the stability of the grid.

- The aggregated systems (Power Plant and SAE -CE):
  - will be represented by the same Market Participant.
  - shall share the same Interconnection Point to which the Power Plant is linked, and will be located in the same facilities.
- The injection of electricity to the Electric Grid shall not exceed the maximum power established in the Interconnection Agreement, except when requested by CENACE for the SEN_ security, reliability, and continuity .
- The SAE-CE's charge must be conducted with the resources of the associated intermittent Power Plant. However, if the SAE-CE intends to charge its SAE from the National Transmission Grid, this must be indicated in the Interconnection Request.
- Drawing power from the SAE will be subject to the variability of the primary source; therefore, the electricity of the SAE-CE must be available to contribute to compensate the variability of the intermittent Power Plant.
- The SAE-CE that are only charged from the resources of the associated Power Plant Unit may credit power as Firm Power Plant Units.

Legacy Interconnection Agreements ("CIL"): Since Energy Storage is provided for in the Market Rules in accordance with the regulatory framework of the Electricity Industry Law, in order to install a SAE in any of its modalities, the Power Plants and Load Centers included in a CIL must migrate their regime, considering the incorporation of the SAE as a Technical Modification, in accordance with the provisions of the MIC .

2.SAE-CC: The association of a storage system to an existing or new load center, without including a Power Plant and sharing the same Connection Point, without injecting electricity into the SEN. The SAE-CC may receive the energy supply for its SAE and Load Center through a Supplier or Participate in the MEM.

- The SAE-CC's Power is considered a part of the Load Center's Agreed Demand or Maximum Demand and cannot exceed the User's Agreed Demand for Basic Supply or the Load Center's Maximum Demand. If the maximum demand exceeds the agreed demand, Connection Surveys will be requested.
- For a SAE-CC represented by a Supplier, an Electric Power Generation Permit is not required, considering the related actions are carried out through the Supplier.
- The stored energy will be used to satisfy the demand of the Load Center itself.

3. SAE-AA: The association of a storage system to a power plant or load center intended for isolated supply.

- New Power Plants intended for Isolated Supply must apply for a single Generation Permit specifying the SAE-AA infrastructure. If there is an existing permit modifications specifying the characteristics of the SAE-AA must be requested.
- Electricity import and export projects in isolated supply mode that include a SAE must request the corresponding authorization and generation permit.
- SAE-AA intended to meet the demand of its facilities are exempt from registration and representation by Market Participants.

4.SAE-GE: In this case, the SAE-GE will be installed in accordance with the general administrative provisions, model contracts, consideration calculation methodology and the general technical specifications applicable to power plants for distributed generation and clean distributed generation.

5.Non Associated SAE: This refers to a battery-based SAE that will not be included in a Power Plant or Load Center, and its injection and/or consumption to the RNT or to the RGD will be observed independently. This modality requires a Generation Permit granted by the Commission. The Non-Associated SAE shall comply with the corresponding connection and interconnection processes, according to the applicable regulations as any other Power Plant or Load Center, and with the operation conditions established in the Storage Provisions. The Non-Associated SAE shall be registered as a firm Power Plant and shall be represented in the MEM by a Market Participant in the Generator modality. The SAE, in the non-Associated SAE modality, shall submit its energy purchase and sale offers in accordance with the provisions of the Short-Term Energy Market, subject to the provisions established for any other Power Plant or Load Center, as applicable, in the Market Rules and other applicable provisions. For purposes of the Capacity Balancing Market, CENACE will consider the Non-Associated SAE as a firm Power Plant Unit with continuous operation limitations in accordance with the Capacity Tests during Commercial Operation.

We encourage you to reach out to your usual contacts at Ritch Mueller to discuss any questions regarding the Storage Provisions . Please feel to send us an e-mail so that the appropriate members of our team can assist you.

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