

Oversight Functions of the Mexican Energy Regulatory Commission Over Permits and Authorizations Concerning Energy

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On Nov. 6, 2018, the Mexican Energy Regulatory Commission (*Comisión Reguladora de Energía*, CRE or the Commission) published Resolution No. A/035/2018 (the Resolution) in the Federal Official Gazette (*Diario Oficial de la Federación*), to regulate the scope and specifications of CRE's annual supervision services over the permits and authorizations regulated by CRE, and describing the activities related to such supervision services.

The publication of the Resolution makes it easier for companies interested in obtaining such permits and authorizations, as well as current permit holders, to understand CRE's requirements and identify the elements considered in the supervisory activities in different regulated markets.

The Resolution became effective upon publication.

CRE Authority

Pursuant to the provisions in articles 48, section II and 81, section I, of the Hydrocarbons Law (*Ley de Hidrocarburos*), and article 12, sections I and XXVIII, 17, 22 and 46 of the Electricity Industry Law (*Ley de la Industria Eléctrica*), CRE may grant and revoke any permits or authorizations required to perform the following activities:

- I. Transportation, storage, distribution, compression, liquefaction, decompression, regasification, marketing, and sale of hydrocarbons, petroleum products or petrochemicals, as applicable, and for integrated systems' management; and
- II. Production, import, and export of electrical energy and electricity supply in its three modes: basic supply, qualified supply, and last resort supply.

Likewise, article 22, sections II, XIII, XXII and XXIII of the Law of the Coordinated Regulatory Bodies on Energy Matters (*Ley de los Órganos Reguladores Coordinados en Materia Energética*), state that CRE has the authority to:

- I. Monitor and supervise compliance with the Commission's acts and resolutions, with the regulations and general or internal administrative provisions, and with the Mexican official standards applicable to those that perform regulated activities within the scope of its authority;
- II. Request and perform inspections, verifications, or supervisory visits; and
- III. Hire consulting, advisory, and research services required for its activities, including those intended to support the exercise of its supervisory authority and technical management of permits.



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Rights/Fee Payment

Under articles 56, section II; 57, section II; and 58, section II of the Federal Rights Law (*Ley Federal de Derechos*), individuals and legal entities subject to CRE's supervision or regulation are required to pay annual fees for such supervisory service.

Annual Supervisory Services

CRE's annual supervisory activities include the following, among others:

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- Conduct the analysis, monitoring, and documentary or field evaluation of the regulated activities, through electronic controls and administrative management platforms. This is to facilitate the monitoring and follow-up of the permit holders' obligations, and to assess their compliance.
 - Make available to the regulated companies electronic platforms for scheduling meetings with CRE's personnel to address questions and complaints that may arise from their operations in different markets.
 - Address and resolve the processes regarding permit updates, prioritizing the use of information and communication technologies through the CRE's Electronic Filing Office (*Oficialía de Partes Electrónica*).
 - Prepare and update aggregated information on market behavior of the sectors regulated by the CRE.
 - Apply the established criteria to determine the verification or inspection visits that must be conducted, and perform such visits to assess the level of compliance with the applicable regulations.
 - Receive, compile, and organize the information received from the different permit holders, to ensure the regulated activities are carried out in compliance with the applicable legal provisions. Otherwise, the Commission must initiate and provide grounds for the administrative sanction procedures, the administrative revocation procedures, or the complaints that may be filed before other authorities.
 - Facilitate and simplify processes by coordinating with other federal government agencies, including creating single filing desks.

Description of Activities

The Sole Exhibit of the Resolution designates the areas over which CRE carries out its supervisory activities, structured as follows:

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- Petroleum (except for liquefied petroleum gas), petrochemical, or biofuel matters;
 - Natural gas and oil matters;
 - Liquefied petroleum gas matters; and
 - Regulated activities in terms of the Electricity Industry Law and its regulations.

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