

WHAT SHOULD THE CRE TELL THE NEXT GOVERNMENT?

Business as usual is not an option

The Energy Regulatory Commission (CRE) has been a work-in-progress since its inception in 1995. As an institution with limited regulatory authority, it occupies an uneasy and insecure place among the heavenly bodies that constitute the Mexican federal government: the CRE is a moon in a wobbly orbit around the planet SENER (the Energy Ministry), which, in turn, orbits around the sun PEMEX. The CRE, as a government agency, is also in an awkward position in relation to the national energy narrative. It has the mandate of regulating two other government agencies which, measured by the number of employees and annual revenues, are orders of magnitude larger: Pemex and CFE.

In relation to natural gas, the CRE’s highest mission is to calibrate incentives and penalties in such a way that, in the foreseeable future, much of the 50% of the national territory that is presently not served by natural gas pipelines may obtain investments by the private sector to supply infrastructure and service. In relation to gas pricing, by regulation, CRE is obligated to follow a netback pricing scheme, based on spot prices at the Henry Hub regional hub, a system that introduces distortions in the allocation of gas and resources in Mexico.

In relation to electricity, the CRE has little authority, given that the most critical decisions are those that pertain to the dispatching of electricity, and there is no Independent System Operator (ISO) that exists independently of CFE’s in-house operation.

This short-list of topics suggests that there is much to talk about with officials from the incoming administration. The present report provides a wish list of policy and institutional matters needing attention by the incoming administration. By their nature, such conversations would need to be off the record, over coffee, wine or beer (depending on which party wins the July 1st presidential election).

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