

## CENAGAS TO HOLD ITS FIRST OPEN SEASON FOR NATURAL GAS PIPELINES

On October 26, 2016, Mexico's National Center for Natural Gas Control ("CENAGAS") published the first open season notice to reserve transportation capacity rights in the National Integrated System for the Storage and Transportation of Natural Gas ("SISTRANGAS"). The CENAGAS will assign capacity rights on a firm basis to current and potential shippers through an auction mechanism, under open access and non-discriminatory principles.

Below please find relevant information regarding the open season procedure, calendar and general requirements.



Source: CENAGAS, 2016

### **Background**

CENAGAS is a federal agency created in the context of Mexico's Energy Reform to act as an independent manager of the SISTRANGAS, and to operate its own infrastructure to provide natural gas ("NG") storage and transportation services.

Pursuant to the Hydrocarbons Law, all capacity rights in NG transportation and storage systems may only be assigned or acquired through open season procedures, subject to open access and non-discriminatory principles. Furthermore, transitory article twelve (12) of the law, grants Pemex and CFE the right to reserve and/or maintain sufficient capacity for their hydrocarbon industrial transformation and power generation needs, limited to 40% of SISTRANGAS' capacity.

On September 21, 2016, the Energy Regulatory Commission ("CRE") authorized CENAGAS to hold its first open season procedure to assign available capacity in the SISTRANGAS.

### **SISTRANGAS**

The National Integrated System for the Storage and Transportation of Natural Gas is integrated by seven (7) natural gas pipeline systems, including the:

- Sistema Nacional de Gasoductos ("SNG")
- Gasoducto de Tamaulipas
- Gasoducto del Bajío
- Gas Natural del Noroeste
- Gasoductos del Noreste (Ramonés I)
- TAG P Norte (Ramonés Norte)
- TAG P Sur (Ramonés Sur)

The SNG, owned by CENAGAS, serves as the central system that connects the other six (6) pipeline systems, all of which were integrated to provide technical and economic benefits, such as redundancy, efficiency, competitive tariffs and operational coordination.

The SISTRANGAS has a longitude of 10,068 km and covers (20) twenty States within six (6) tariff zones. It has a total estimated transportation capacity of 6,307 million daily cubic feet of natural gas, supplied through twenty seven (27) injection points and delivered to (112) one hundred and twelve delivery points.

### **Open Season Procedure**

The open season procedure for capacity rights in the SISTRANGAS will be carried out through an auction mechanism in the following terms:

#### **Eligibility:**

CENAGAS will assign capacity rights in the following order of preference:

1. Current holders of capacity rights in the Sistema Nacional de Gasoductos ("SNG Capacity Holders")
2. All other interested parties, including state productive enterprises (Pemex / CFE)

#### **Calendar and Stages:**

The open season procedure shall take place within the following timeframe:

1. Interested parties shall submit a Reserve Request before CENAGAS between November 28 and December 23, 2016
2. Any deficiencies in the applications shall be notified to the corresponding parties between December 23 and 30, 2016
3. The Reserve Requests shall be evaluated by CENAGAS between January 2 and 20, 2017
4. The auction results will be published on January 25, 2017
5. The respective service agreements shall be executed within January 30 and February 28, 2017

#### **Assignment Criteria:**

SNG Capacity Holders will bid to reserve capacity at injection points, while the rest of the participants will bid to reserve capacity at both injection and delivery points. The corresponding capacity will be assigned to the participants that offer a greater unit price (measured in pesos per Giga-joule) in addition to the cost of the capacity covering a specific route.

#### **Guarantees:**

All interested parties shall submit a bid guarantee in the form of either a bond, letter of credit, or cash deposit for an amount equivalent to the cost of thirty (30) days of the capacity intended to be reserved.

Parties awarded with capacity shall submit a performance guarantee in the form of a bond, letter of credit, or cash deposit for an amount equivalent to the cost of 90 days of reserved capacity.

#### **Term:**

In this initial open season, the terms of the respective service agreements shall be for one (1) year starting on February 1, 2017. However, the agreements may be renewed in the amount of capacity actually used by its holders. Subsequent open seasons by CENAGAS will cover a three (3) year period.

### **Contact**

Should you have any questions regarding this open season procedure or any energy related matter, please feel free to contact us.

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