Galicia

Energy Update

General Administrative Provisions Applicable to the Electric Power Self-Consumption

Mexico City, December 19, 2025

On December 12, 2025, the National Energy Commission (Comisión Nacional de Energía, "CNE") published in the Federal Official Gazette (*Diario Oficial de la Federación*), the General Administrative Provisions Applicable to the Electric Power Self-Consumption (*Disposiciones Administrativas de Carácter General aplicables a la figura de autoconsumo de energía eléctrica*, "DACGs").

The DACGs implement the self-consumption (*autoconsumo*) framework set forth in the Electricity Sector Law (*Ley del Sector Eléctrico*, "LSE") and its implementing regulations (*Reglamento de la Ley del Sector Eléctrico*), by establishing technical, operational, and administrative criteria to: (i) structure isolated and interconnected self-consumption schemes; (ii) define the regulated treatment of surplus energy, where applicable; and (iii) introduce objective and verifiable parameters enabling the authority to confirm that a project continues to comply with the purpose of its self-consumption generation permit.

This note summarizes the core elements of the DACGs and highlights the issues that should be considered when structuring, operating and monitoring projects developed under this regime.

1. Essential Elements of Self-Consumption

Under the DACGs, a self-consumption scheme is built around three core building blocks: a generation facility (≥ 0.7 MW), one or more self-consumption users, and a dedicated private network, operating either in an isolated or interconnected modality.

➢ Generation Facility ≥ 0.7 MW

- Must hold a generation permit applicable to the self-consumption scheme.

- **<u>Self-Consumption Users</u>**

    - Individuals or legal entities that consume the energy generated by the project and, where more than one user exists, collectively form a Self-Consumption Group (*Grupo de Autoconsumo*).
    - Self-Consumption Users (*Usuarias de Autoconsumo*) receive the energy generated by the project through connections to the private network known as "Consumption Centers" (*Centros de Consumo*).

- **<u>Private Network</u>**

    - An internal network connecting the generation facility with the Self-Consumption Users.
    - Must be independent and exclusively dedicated to self-consumption.
    - Must not be interconnected with other private networks.
    - Its design and installation must comply with applicable technical regulations, including the Grid Code (*Código de Red*).

The Self-Consumption Group may include additional generation facilities with capacity below 0.7 MW.

- If such facilities are not interconnected to the Private Network, they are considered independent and are not aggregated into the capacity authorized under the permit.
- If they are interconnected to the Private Network, they must be incorporated through a prior permit amendment and, together with the authorized facility, are deemed a single self-consumption facility.

Operational aspects triggered depending on the modality (not "elements" per se but relevant to how the scheme operates).

- **Interconnection and studies**: in the interconnected modality, an interconnection request must be submitted, and the National Energy Control Center (*Centro Nacional de Control de Energía*, "<u>CENACE</u>") conducts the relevant studies.
- **Wholesale Electricity Market (*Mercado Eléctrico Mayorista*, "<u>MEM</u>")**: interaction with the MEM is typically required for (i) the purchase of Self-Consumption Shortfalls (*Faltantes de Autoconsumo*), even if no surplus energy is sold, or (ii) the sale of surplus energy, as applicable.

- **Surplus energy**: applies only where an interconnected scheme delivers energy into the National Electric System (*Sistema Eléctrico Nacional*, "SEN") under the regulated regime and the Model Contract.

2. Operational Modalities

The DACGs provide for two operational modalities for self-consumption projects: **isolated** and **interconnected**, each with distinct technical logic and regulatory consequences.

A. Isolated Self-Consumption

- Electricity generation is used exclusively to meet the demand of the Self-Consumption Group.
- Operates outside the SEN, without synchronization with the public grid.
- Does not require interconnection studies, MEM registration, or market representation.
- May be structured as a private or community microgrid. In such schemes, energy may be commercialized to third parties only if the Self-Consumption Group is incorporated as a single legal entity.

Technical consideration: the isolated operation must be demonstrated and maintained throughout the life of the project. This requires electrical designs capable of sustaining operational stability under load variations, internal expansions, or fault events. Compliance may be subject to verification or inspection by the authority.

B. Interconnected Self-Consumption

This modality has two variants: **without surplus energy sales** and **with surplus energy sales**.

Interconnected without surplus energy sales

Key requirements:

- **Interconnection and studies**: interconnection must be requested; CENACE conducts studies considering, among others, scenarios where: (i) the facility operates under "zero injection"; (ii) consumption centers are at maximum demand, and (iii) the facility is out of service while consumption centers remain at maximum demand.

- **No injection**: the facility must have a protection device preventing energy injection into the SEN.
- **Waiver letter**: the permit holder must submit a letter to CENACE, through its MEM representative, stating that no surplus energy will be sold.
- **Self-Consumption Shortfalls**: even without energy surplus sales, the permit holder may purchase Self-Consumption Shortfalls when the facility does not fully cover the demand of the Self-Consumption Group, subject to the applicable MEM representation and registration scheme.

Practical reading: this is a "closed" scheme in terms of sales, but not necessarily in terms of energy balance. If surplus sales are later desired, the project may change modality upon compliance with the applicable procedure.

Interconnected with surplus energy sales

Under this modality, energy not consumed by the Self-Consumption Group may be delivered into the SEN as **Self-Consumption Surpluses** (*Excedentes de Autoconsumo*), under a strictly regulated regime. Commercialization of such surplus energy may only be carried out through the "Self-Consumption Surplus and Associated Products Sale Agreement" (*Contrato de Venta de Excedentes de Autoconsumo y Productos Asociados*), the template of which forms an integral part of the DACGs (the "Model Contract"), and is subject to specific rules on acceptance, scheduling, metering, and payment.

The logic of this scheme is based on the fact that surplus delivery entails direct coordination with the SEN. Accordingly, this modality triggers market obligations and interaction with the relevant operating authorities.

a. Participation in the MEM

To sell surpluses, the project must:

- be registered in the MEM; and
- be represented by a single market participant, responsible for the scheduling, offering, and settlement of accepted surpluses.

Only surpluses accepted by CFE under the Model Contract may be offered in the MEM.

b. Model Contract: Acceptance and Commercialization

The Model Contract establishes a specific mechanism for surplus delivery and commercialization:

- The permit holder must notify surplus delivery 72 hours in advance.
- The Supplier (CFE) responds within the following 24 hours, indicating the amount of accepted energy surplus.
- Only the accepted quantity may be offered in the MEM.

The Model Contract expressly provides for consequences, including termination, if surpluses or associated products are commercialized with a party other than CFE.

c. Pricing of Surplus and Associated Products (Discounted Methodology)

Settlement is determined pursuant to regulatory methodologies with adjustment factors, resulting in an economic value below market benchmarks:

- **Clean energy**: the lower of (i) 0.9 applied to the levelized cost of the most recent long-term auction acquired by CFE, and (ii) 0.9 applied to the hourly Local Marginal Price (*Precio Marginal Local*, "PML") at the relevant node. If the PML is negative, it is deemed zero.
- **Non-clean energy**: the lower of (i) 0.8 applied to the levelized cost, and (ii) 0.8 applied to the hourly PML. If the PML is negative, it is deemed zero.
- **Clean Energy Certificates (CELs) and accredited capacity**: paid at 0.9 of the corresponding levelized cost.

CFE publishes these values annually (last day of January each year), subject to validation by the CNE.

d. Metering and Storage

- The permit holder must install and bear the cost of the metering system required for MEM settlement.
- Energy may be stored prior to delivery as surplus. Energy discharged from storage is settled as surplus; applicable operational rules are governed by the MEM provisions and CENACE criteria.

e. Intermittent Facilities

For wind or solar facilities:

- complementary services or schemes must be implemented to mitigate inherent generation variability; and
- programming, adjustment, and operational compliance obligations are governed by MEM rules and CENACE determinations.

Technical and operational considerations: the standardized surplus energy framework provides operational certainty but limits commercial flexibility, as:

- prices are determined through regulated methodologies with discount factors;
- sales may only be made to the State-Owned Enterprise (CFE); and
- CFE decides whether or not to accept offered surpluses pursuant to contractual terms.

3. Contracts With Users and Administration of the Self-Consumption Scheme

The DACGs make clear that self-consumption is not solely a matter of technical design, but also requires a contractual and administrative structure that allows the scheme to operate, adapt, and be verified over time.

A. Contracts with Users

- **Mandatory formalization**: the permit holder must formalize the contractual relationship with each user.
- **Regulatory denomination**: the DACGs expressly refer to this instrument as a "contract for the provision of electric power production and utilization services," while allowing equivalent legal instruments.
- **Minimum content**: metering and energy allocation rules, price terms, operational obligations, suspension events, applicable penalties or indemnities, and rules governing connection to and use of the private network.

Practical function: these contracts align technical operation with regulatory obligations and serve as supporting documentation before the authority.

B. Self-Consumption Registry

- **Purpose**: instrument through which the CNE monitors the configuration and operation of self-consumption, from permit issuance throughout the project's life.
- **Key information**: Self-Consumption Group users, estimated maximum demand and variations, configuration and expansion of the private network, relevant modifications to facilities, and, where applicable, the surplus-energy regime.
- **Pre-testing milestone**: at least three months prior to the commencement of performance testing, the permit holder must submit a registry update, together with the applicable technical and contractual documentation.
- **Ongoing updates**: the registry must be updated upon relevant changes and, in any event, annually.

Operational value: the primary point of regulatory traceability and verification for the scheme.

4. The 50% / 30% Parameter: Verification of the Permit's Purpose

The DACGs introduce an objective criterion to verify whether a self-consumption project preserves the purpose of its generation permit, linked to project sizing and the relationship between the Self-Consumption Group's maximum demand and the installed capacity of the facility.

Under the DACGs, a loss of permit purpose may be deemed to occur when, for 12 consecutive months following the project's commercial operation date:

- the maximum demand of the Self-Consumption Group is below 50% of installed capacity, for conventional technologies; or
- below 30%, for renewable energy facilities.

The DACGs allow the permit holder to request an extension, based on duly justified technical reasons, to restore the purpose of the permit. Any such request will be reviewed and resolved by the CNE in accordance with the procedure set forth therein.

This parameter does not apply in the same manner to efficient cogeneration schemes, for which the DACGs recognize specific scenarios allowing generation above the users' maximum demand.

Technical and operational reading:

- The 50% / 30% parameter seeks to ensure that installed capacity maintains a reasonable relationship with the Self-Consumption Group's maximum demand, preserving the nature of the scheme.
- Sustained changes in demand —due to operational adjustments, seasonality, or load reconfiguration— may directly affect this indicator.
- Compliance requires ongoing monitoring and coordination between the permit holder and users to anticipate sustained deviations and timely activate regularization mechanisms.

Key message: the 50% / 30% standard does not prohibit oversizing, but establishes a clear benchmark for assessing consistency between generation and demand. Proper management of this parameter is central to the project's long-term regulatory stability.

5. Rights of Self-Consumption Users

Under both self-consumption modalities, Consumption Centers that do not fully meet their electricity needs through the Generation Facility may: (i) withdraw from the Self-Consumption Group and undertake the necessary steps to receive Electric Supply, or (ii) remain within the Self-Consumption Group and request a direct connection to the National Transmission Network or the General Distribution Networks. In the latter case, they must:

- implement the infrastructure necessary to become independent from the Private Network, maintaining only a single connection; or
- have protection devices that prevent energy injection into the SEN.

Practical reading: this rule allows Self-Consumption Users' Consumption Centers to partially or fully migrate to electric supply, provided that a verifiable technical separation from the Private Network is preserved.

6. Transitory Provisions: Gradual Implementation and Coordination With MEM Rules

Pending the update of the Market Rules and the CENACE manuals, and the issuance of a single interconnection–connection contract template:

- representation is split: surpluses via the generator; shortfalls via CFE;
- there must be a single supply contract per connection point;
- separate interconnection and connection contracts remain in place;

- energy surpluses are offered through fixed schedules until MEM functionalities are fully enabled.

Practical reading: interconnected self-consumption will be implemented progressively and should be planned considering this transitional regime.

7. Opportunities and Challenges

Opportunities

- Greater regulatory order for the structuring of self-consumption projects, including defined modalities, documentation, and verifiable parameters.
- A defined pathway for surplus energy, where applicable, supported by a standardized contract and known payment methodology.

Challenges

- Adjusting project sizing and its evolution (loads/maximum demand) to remain within the applicable regulatory parameter (subject to the cogeneration carve-out).
- For energy surpluses: operating under a standardized model (notification/acceptance/offering) and a payment methodology with discount factors.

* * *