Galicia

Energy Update

Administrative Provisions for the Granting and Amendment of Power Generation and Energy Storage Permits

Mexico City, October 31, 2025

On October 23, 2025, the National Energy Commission (*Comisión Nacional de Energía*, the "CNE") published in the Federal Official Gazette (*Diario Oficial de la Federación*, "DOF") the General Administrative Rules Establishing the Legal, Technical, and Financial Terms for the Application and Granting of Generation and Energy Storage Permits, as well as their Terms[1] (the "DACG Permits"), which became effective on October 24, 2025.

The DACG Permits were issued within the framework of the new legal and regulatory regime deriving from the Electric Sector Law (*Ley del Sector Eléctrico*, "LSE") and its Regulations ("RLSE") and replace the previously applicable regime issued by the extinct Energy Regulatory Commission (*Comisión Reguladora de Energía*, CRE)[2].

This new framework defines the procedures, requirements and criteria applicable before the CNE for the granting, amendment, assignment and migration of generation and storage permits, as well as the corresponding analysis and evaluation rules and terms of said permits.

[1] *Acuerdo de la Comisión Nacional de Energía por el que se emiten las Disposiciones administrativas de carácter general que establecen los términos legales, técnicos y financieros para solicitar el otorgamiento y la modificación de permisos de generación y almacenamiento de energía eléctrica, así como su vigencia*.

[2] Specifically: (i) Resolution No. RES/809/2015 of the Energy Regulatory Commission, whereby the mechanism is established to request the conversion of permits granted under the LSPEE into single-purpose generation permits, as well as the criteria under which permit holders under such regime may enter into an interconnection agreement while the MEM becomes operational, published in the DOF on December 18, 2015; (ii) Agreement No. A/006/2022 of the Energy Regulatory Commission, whereby the General Administrative Regulations are issued establishing the terms to submit information regarding corporate purpose, legal, technical and financial capacity, as well as the project description, and the application form for electric power generation permits, published in the DOF on March 30, 2022; (iii) with respect to generation permits, Resolution No. RES/390/2017 of the Energy Regulatory Commission, whereby the General Administrative Regulations are issued establishing the terms to request authorization for the amendment or transfer of electric power generation or supply permits; and (iv) Agreement No. A/062/2023 of the Energy Regulatory Commission, whereby Resolution No. RES/390/2017 is amended, which issued the General Administrative Regulations establishing the terms to request authorization for the amendment or transfer of electric power generation or electric power supply permits.

I. Applications for power generation and energy storage permits

The DACG Permits apply to all individuals or legal entities that request a permit for the generation or energy storage, that is, to those intending to develop a power plant or an energy storage system (not associated with power plants or load centers) with a capacity equal to or greater than 0.7 MW, pursuant to the provisions of the LSE and the RLSE.

The DACG Permits govern both applications for new permits and the amendments, assignments and, as applicable, migrations of permits granted under the LSE, as well as under the Electric Industry Law (*Ley de la Industria Eléctrica*, "LIE") and the Public Electric Power Service Law (*Ley del Servicio Público de Energía Eléctrica*, "LSPEE").

II. General requirements for applying for generation or storage permits

Applications must be submitted to the CNE through the Electronic Filing Office (*Oficialía de Partes Electrónica*, "OPE"), using the official form and attaching the corresponding documentation.

In its assessment, the CNE will take into consideration the information and criteria already set forth in the LSE and the RLSE and in the provisions previously repealed, particularly in technical, financial and regulatory matters, for the purpose of verifying the overall feasibility of the project and the experience of the applicant or of the corporate group/economic interest group to which it belongs.

The main requirements include the following:

- *Corporate Structure*. A corporate chart indicating the direct or indirect participation of the applicant's shareholders in other entities that directly or indirectly participate in the generation or storage of electricity, as well as the direct or indirect participation of the applicant itself in other entities that directly or indirectly participate in the generation or storage of electricity.

- *Business plan*. A document containing a comprehensive description of the project and its financial and operating projections, indicating the operating period, net cash flow, total investment, construction, operation and maintenance costs, and the expected internal rate of return (IRR).

- *Technical capacity*. The applicant, its economic interest group or corporate group must evidence proven experience in the design, construction and operation of generation or storage projects with similar characteristics.

  Evidence may be submitted through a project track record, contracts, or letters of intent or commitment entered with companies specialized in engineering, construction or operation.

- *Financial capacity*. The applicant, its economic interest group or corporate group must evidence sufficient financial creditworthiness to develop the project, through the submission of **audited** financial statements for at least the last two fiscal years, as well as letters of credit or letters of intent supporting the financing or committed capital contributions. We note that, previously, audited financial statements were not required and letters of intent were sufficient; however, the DACG Permits now require both.

As an important point for projects intending to interconnect to the National Transmission Grid or the General Distribution Grids (*Red Nacional de Transmisión o a las Redes Generales de Distribución*), the DACG Permits reaffirm the requirement to submit evidence that the Impact Study (*Estudio de Impacto*) by the National Energy Control Center (*Centro Nacional de Control de Energía*, "CENACE") has been obtained. In this regard, the definition of "Impact Study" contained in the DACG Permits appears to contain an error, as it refers only to an Impact Study under the Guarantee the Availability of Physical Delivery Criteria (*Criterio para Garantizar la Disponibilidad de Entrega Física* or "DEF"), while omitting the Minimum Interconnection Criterion (*Criterio Mínimo de Interconexión*) which, in our view, should also operate for purposes of complying with this requirement set out in the DACG Permits.

The DACG Permits establish specific requirements for each of the generation modalities (i.e., isolated self-supply, interconnected self-supply from 0.7 MW to 20 MW, generation for the Wholesale Electricity Market, among others) or storage. For the self-supply structure, the following requirements are noteworthy: (i) the list of Self-Supply Users, and (ii) the agreement for the provision of the electricity production and utilization service between the applicant/holder of the generation permit and the corresponding Self-Supply Users.

III. Amendments, updates, assignments and migrations

The DACG Permits also establish the procedure and requirements applicable to the amendment of permits granted under the LSPEE, LIE or LSE. Likewise, as already provided in previous regulations, they reiterate that only the terms and conditions contained in the permit titles may be updated or amended –which is relevant when analyzing whether changes to the share capital

structure of permit holders (which, as a general rule, are not included in the permit titles) require authorization from the CNE or not.

The DACG Permits provide that any material change (e.g., generation modality, change of node/State/Municipality, technology or capacity increase in legated projects) is not subject to amendment and, as applicable, the existing permit must be terminated, and a new one must be requested.

Likewise, the DACG Permits principally provide that, in order to request an amendment:

- The permit holder must be in compliance with all of its obligations under the permit, including payment of governmental fees.

- If the relevant power plant has not yet achieved commercial operation, the permit holder must evidence construction progress demonstrating compliance with the current works schedule and, as applicable, request its amendment prior to the previously authorized commercial operation date.

a. <u>Amendments vs. updates</u>
Updates to the permit shall be understood as those set forth in the agreement currently in force establishing the events that constitute an update of a permit, or in any subsequent instrument replacing it[3].

b. <u>Relevant aspects on amendments, assignments and migrations</u>
The DACG Permits set differentiated requirements depending on the type of permit and the applicable regime, highlighting the following:

  - Amendments to the work schedule:
    - CNE may adjust or restrict the proposed timelines to ensure consistency with sectoral plans.
    - Postponements exceeding six months require an official communication from CENACE, including validation or updated results of the relevant interconnection studies.
    - Only the following extensions are allowed: (i) for one-half of the term originally granted, and (ii) derived from a duly documented force majeure event.

[3] The agreement currently in force that sets forth the events constituting an update of a permit is Agreement No. A/015/2022, whereby the Energy Regulatory Commission establishes the events that constitute an update of a permit, published in the DOF on June 15, 2022.

- Changes in self-supply partners and facilities associated with cogeneration under LSPEE
  - Although DACG Permits contemplate the possibility of adding new parties to the electricity utilization schemes developed under the legated self-supply and cogeneration modalities, the DACG Permits prohibit load centers that have entered into an power supply agreement under the LIE or the LSE (which virtually captures the entire universe of potential new offtakers) from being incorporated —through an amendment— into this type of permits.

- Incorporation of SAE
  - The incorporation of a SAE in the description of the facilities of a power plant covered by a generation permit is expressly allowed only for permits under the LSE regime –which could force an eventual migration of permit holders from the LIE regime to the LSE.

- Assignment of permits. The Assignor and the Assignee must submit a joint application before the OPE together with a notarized assignment agreement subject to a condition precedent to the CNE's authorization. In addition, integrity statements are required (e.g., not being disqualified by the *Secretaría Anticorrupción y Buen Gobierno* and not being included in the list referred to in article 69-B, fourth paragraph of the Federal Tax Code (*Código Fiscal de la Federación*), signed both by the assignee and by the members of its management body.

- Merger or split-off:
  - The notarized instrument evidencing the merger or split, duly registered with the Public Registry of Commerce (*Registro Público de Comercio*), must be submitted within 30 business days following its effective date.
  - When the permit holder ceases to exist, the new permit holder must once again evidence its identity, direct and indirect shareholding structure, powers of attorney, technical and financial solvency, and integrity statements.

- Migration of permits (LSPEE/LIE → LSE)
  - The permit and the target scheme (self-supply or MEM) must be identified.

- For self-supply, a list of users, the private network, tax certificates, evidence of affiliation and, as applicable, an official letter from CENACE evidencing that the power plant is interconnected, if applicable, are required.
- The applicant must request the migration of its entire capacity (i.e., it is confirmed that partial migrations are not allowed).
- In addition, the applicant must declare that it has no outstanding debts with CFE.
- In principle, no Social Impact Statement for the Energy Sector (*Manifestación de Impacto Social del Sector Energético*) is required.

IV. Assessment procedure

The CNE must review and issue resolution on applications for the granting, amendment or migration of permits within a maximum period of 60 business days from their receipt, pursuant to article 25 of the RLSE and the Binding Planning Rules (*Disposiciones de Planeación Vinculante*).

The procedure is structured in the following stages:

Stage	Term	Action / Requirements
1. Admission	10 business days from receipt	The CNE admits the application or requires that deficiencies be remedied. If no response is issued, the application is deemed admitted.
2. Technical, financial and regulatory review	50 business days (once admitted)	The CNE reviews the application in accordance with the DACG Permits and the RLSE.
3. Request for clarification/completion (only within the first 20 business days)	30 business days to remedy/complete	The applicant must address the deficiencies or omissions indicated.
4. Suspension of terms	—	The terms are suspended while requests or clarifications are being addressed.
5. Additional information	Up to 20 business days before the end of the review	The applicant may voluntarily submit supplementary information.
6. Resolution	Within the overall maximum term of 60 business days from filing of the application	The CNE may grant or deny the application.

The CNE must publish on its website, on a monthly basis, the applications received under the DACG Permits, thereby strengthening transparency and traceability in the authorization and amendment processes for energy permits.

V. Maximum terms of validity

The CNE will determine the term of validity of generation, and energy storage permits on a case-by-case basis, taking into account financial and technical criteria and the purpose of the project, as well as whether it involves a migration from the LSPEE or the LIE to the LSE regime.

In its analysis, the CNE will assess the project's feasibility and investment amortization, the useful life of the power plant or storage system, and the technology employed, also considering the historical information submitted by applicants in prior processes and specialized national and international references. Under this approach, the term of the permit is not automatically set in accordance with the maximum terms provided in the DACG Permits but will be determined based on the actual economic and operating horizon of each project, and the CNE may grant shorter terms when justified by the system's technical, financial or planning conditions.

In this regard, the maximum terms of validity of the permits are as follows:

Scheme	Maximum term (years)
Self-Supply (*Autoconsumo*)	20
MEM (other than *esquemas mixtos*)	25
MEM with an *esquema mixto*	30
Energy Storage	20
Specific uses	Emergency: 1 / Others: 5
Exportation	20
Migration to Self-Supply or MEM of operating LSPEE/LIE permits	15, plus the remaining term of the original permit, without exceeding 30
Migration to Self-Supply of non-operating LSPEE/LIE permits	20
Migration to MEM of non-operating LSPEE/LIE permits	25

Although the terms of validity set forth in the DACG Permits appear to be presented as maximum terms, they should not be construed as automatic or uniformly applicable.

In our view, the CNE retains the discretionary authority to grant shorter terms, depending on the useful life of the equipment, the investment amortization horizon and the nature of the project in each specific case.

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