Restructuring Energy Markets: Regulatory and Commercial Perspectives

Regulación Eficiente de Mercados de Energía (Parte 1): Conversaciones entre México y Texas

March 4, 2016
EXPERIENCE IN MEXICO UNDER PRIOR MARKET DESIGN

- Optimistic about Mexico’s new market design, due in part to my experience with the prior rules.
- Examples of previous challenges included calculation procedure for wheeling costs and disposition of excess energy.
- Mexico’s new market design should attract investment more readily, although market design is a dynamic process that requires ongoing adjustments.
The Texas market was designed to ensure straightforward investment and participation, and included the following features:

- Ease of siting and permitting
- Reliable transmission connecting resources and demand centers
- Socialized transmission costs
- Standard interconnection procedures
- Non-discriminatory open access to ERCOT’s transmission grid
- Mandatory renewable portfolio standard (RPS)
CROSS-BORDER ELECTRIC TRADE

- Overall framework of Mexico’s new market design is excellent
- Discussion of issues affecting cross-border electric trade:
  - Treatment of grid upgrade costs
  - Priority of interconnection requests
  - Financial Security
ROLE OF TRANSMISSION IN CROSS-BORDER TRADING

- Important for both imports and exports
- Relatively small amount of commercial interconnectivity currently in place
- *Bases del Mercado* took a promising step regarding participation of cross-border trade in capacity market
POSSIBLE FUTURE CONSIDERATIONS

- Texas experience with the “Price to Beat”
- Issues encountered with establishing the “Provider of Last Resort” (POLR)
CLOSING THOUGHTS

- Optimistic about Mexico’s new market design
- Mexico’s new market design should attract investment more readily, although market design is a dynamic process that requires ongoing adjustments

M. Max Yzaguirre
The Yzaguirre Group, L.L.C.
4201 Bee Caves Road, Suite A-204
Austin TX 78746
(512) 322-9915
max@yzaguirreLLC.com