

Oscar Moreno Silva, Jerónimo Ramos Arozarena, Antonio De Lisi Martínez, Mariajosé Raimond-Kedilhac Barba

Publication of Regulations for the New Energy Sector

On November 1, 2024, Mexico implemented an energy reform that created a new constitutional model under which state-owned enterprises, the Federal Electricity Commission (the “**CFE**”) and **Petróleos Mexicanos (“PEMEX”)**, regained their status as public entities. Additionally, the reform granted the Mexican State a greater role in the energy sector to ensure the “non-prevalence” of private entities over the State.¹

As a result of this constitutional change, on March 18, 2025, the **secondary legislation** for the energy sector was published in the Official Gazette of the Federation. This legislative package included the issuance of new laws for the electricity and hydrocarbons industries, as well as the amendment or repeal of existing regulations that governed the market up to that date.²

Under the transitional provisions of the secondary legislation, the regulatory authority was compelled to issue **tertiary regulations** to specify the details of implementing the new energy paradigm. Consequently, on October 3, 2025, the decrees issuing the tertiary rules for the energy sector were published in the evening edition of the Official Gazette of the Federation, including the following rules:

- a) Regulation of the Hydrocarbons Sector Law
- b) Regulation of the Electricity Sector Law
- c) Regulation of the Geothermal Law
- d) Regulation of the Biofuels Law
- e) Regulation of the Energy Planning and Transition Law
- f) Regulation of the Hydrocarbons Revenue Law

The content of the regulation on electricity is provided below:

Regulation of the Electricity Sector Law

As part of the issuance of the tertiary regulations mentioned above, the Federal Executive published the Decree issuing the Regulation of the Electricity Sector Law (the “**LSE Regulation**”) to regulate the provisions of the Electricity Sector Law that govern the planning and operational control of the National Electricity System (the “**SEN**”); the generation, storage and commercialization of electricity; the public service of electricity transmission and distribution, and other activities of the electricity sector.

¹ This shift was implemented through the constitutional reform of Articles 25, 27, and 28, which took effect on the same date.

² See note “Approval of the New Legislative Framework for the Electricity Sector in Mexico” prepared by

PLL on March 18, 2025, available at: <https://www.perezllorca.com/en-mx/news/legal-briefing/approval-of-a-new-legislative-framework-for-the-electricity-sector-in-mexico/>

In this regard, the LSE Regulation introduces innovative frameworks and elaborates on the operational aspects of the concepts outlined in the LSE, which are described below.

1. State Participation in Generation Activities

The LSE initially stipulated that the State should be preferred over private entities for generation and commercialization activities, requiring the State to maintain at least 54% of the average electricity injected into the grid in a calendar year.

However, the LSE Regulation specifies that the Secretariat of Energy (“**SENER**”) must calculate the State’s annual participation in electricity generation by the last business day of February to assess the non-prevalence of private entities, using the following formula:

$$\text{State Participation (\%)} = (\text{State Generation} / \text{Total Generation}) \times 100$$

Where:

- **State Generation** = electricity generated by the CFE and its production subsidiaries, plus the output of power plants operated under mixed development schemes.
- **Total Generation** = all electricity generated in the SEN during the calendar year.

Additionally, the LSE Regulation provides that SENER must carry out prospective evaluations based on **(i)** scenarios of electricity demand growth; **(ii)** generation capacity expansion plans; **(iii)** the adjustment factor for availability and reliability risk; and **(iv)** unforeseen circumstances or force majeure that may affect output.

SENER will issue the detailed methodology for these evaluations through administrative provisions.

2. Electricity Sector Planning

The LSE Regulation stipulates that electricity sector planning shall be developed through the Electricity Sector Development Plan, in accordance with the Energy Planning and Transition Law and its regulations. It further specifies that, based on the results described above, SENER must identify the additional Generation, transmission, and other electrical infrastructure that the State must develop for inclusion in said plan.

Specifically, the Electricity Sector Development Plan must take into account, at a minimum:

- Forecasts of electricity demand and prices of primary inputs for the electricity sector.
- Criteria for the minimum cost of the long-term Generation and supply of electricity, with preference given to domestic goods.
- The promotion of Energy Justice.

The LSE Regulation also stipulates that, before the issuance of the first Electricity Sector Development Plan, during the last four months of 2025, SENER may receive proposals from interested parties for Generation, industrial, production, and infrastructure projects in the electricity sector for consideration in the binding planning.

Additionally, the LSE Regulation stipulates that the Market Rules governing the operation of the Wholesale Electricity Market (the “**MEM**”) are exempt from regulatory improvement provisions.

3. Energy Justice

The LSE Regulation also develops the concept of Energy Justice, which is already provided for in the LSE. It establishes that it is the fundamental principle for developing, evaluating, and determining the planning, operation, and, where appropriate, the dismantling and final disposal of projects.

Therefore, SENER must promote mechanisms to facilitate access to infrastructure and electricity under reliable, affordable, safe, and clean conditions, including:

- The establishment of the Universal Energy Service Fund for the purpose of financing electrification, infrastructure, distribution, and affordable supply projects.
- The provision of infrastructure to provide access to electricity to domestic users who do not yet have electricity.
- The prevention and redress of damage caused by electricity sector infrastructure projects.
- The reliable, affordable, and safe provision of electricity to Persons in Vulnerable Situations.

4. Permits and Authorizations

The LSE Regulation establishes specific requirements for obtaining and modifying the following permits and authorizations:

- Electricity generation permits for Self-Consumption and MEM Generation.

As an additional note, the LSE Regulation requires Exempt Generators that wish to sell electricity on the MEM without a Supplier's intermediation to apply for a generation permit from the National Energy Commission (the "CNE"). Once granted, this permit changes their status from Exempt Generator to Generator.

- Commercialization permits for Basic Service Supply (exclusively held by the CFE), Last Resort Supply, and Qualified Service Supply.
- Electricity storage permits.
- Authorizations for the import or export of electricity.

Additionally, the 21st Transitional Article includes SENER's obligation to publish a convocation within 60 business days of the LSE Regulation's entry into force for submitting generation permit applications for power plants deemed strategic and priority in the electricity sector's binding planning through 2030.

The LSE Regulation also clarifies that granting or modifying a permit or authorization does not mean approval for interconnection or connection to the SEN.

5. Types of Generation

5.1. Distributed Generation

The LSE limited distributed Generation to power plants with a capacity below 0.7 MW that are interconnected to a distribution circuit with a high concentration of load centers. The LSE Regulation further defines this capacity as the "Installed Capacity" that the power plant can provide to the General Distribution Networks ("RGDs").

5.2. Self-Consumption

In addition, the LSE replaced the self-supply scheme with self-consumption in its various forms (isolated and interconnected), referring to the production of a Power Plant with a capacity equal to or greater than 0.7 MW, intended to satisfy the on-site needs of the holder of the current generation permit.

The LSE Regulation also recognizes Self-Consumption Groups, which comprise a Power Plant associated with a generation permit for self-consumption and the Load Centers of one or more Self-Consumption Users that allocate the electricity to meet their needs through a Private Network.

5.3. Small Electricity Systems and Micro-Grids

The current regime provides for a new scheme consisting of small electricity systems and microgrids, indicating a preference for decentralization.

The LSE Regulation classifies a small electricity system as one not permanently interconnected to the National Transmission Network (the “**RNT**”) or an RGD, with a demand from 5 MW to 100 MW. It considers a small electricity system under a micro-grid regime as one that supplies a demand that does not exceed 5 MW, with clearly defined electrical boundaries.

6. Mixed Development Schemes

The LSE also introduced a collaboration regime between the State and private parties for the development of electricity generation projects, and the LSE Regulation governs its operation. Specifically, it regulates the following categories:

- **Long-Term Production:** Exclusively for sale to the CFE or its subsidiaries. Under this scheme, private entities build, finance, operate, and maintain the plants, with no capital contribution from the CFE.
- **Mixed Investments:** Joint developments between the CFE and private entities, with the CFE holding a direct or indirect shareholding of at least 54% in the project.

7. Energy Storage

The LSE provides for electricity storage as part of the production chain, and requires intermittent generators with interconnected self-consumption to have their own backup through Electricity Storage Systems (“**SAEE**”) or to pay the CFE for such services.

The LSE Regulation clarifies that “own backup” means that the power plant has SAEE capacity or has contracted coverage with the CFE, or, when technically feasible, with a third party, to address ramp management, intermittency, and variability requirements.

The LSE Regulation specifies that electricity storage permits must state the specific services that the SAEE can provide and whether such permits operate under a contract with the National Energy Control Center (“**CENACE**”); in this case, the services must be outlined in the contract. The LSE Regulation further provides that the specifications for SAEE services, types of participation, and conditions for grouped installation must be included in the general administrative provisions issued by the CNE within 180 business days of the regulation’s publication.

8. Social Impact Statement and Prior Consultation

The LSE defines the Social Impact Assessment as a “specialized document that, based on studies, describes the significant and potential social impact of a project or activity on a community, analyzing positive and negative effects and proposing strategies to maximize benefits, mitigate impacts, and ensure social sustainability with

a participatory, gender focused, and human rights-based approach.” It also mandates SENER to conduct prior, free, and informed consultation procedures in coordination with interested parties.

The LSE Regulation extensively develops the Prior Consultation process, and establishes five specific stages: **(i)** the consultation plan, **(ii)** the preliminary agreements, **(iii)** the information stage, **(iv)** the deliberation stage, and **(v)** the consultation stage. Notably, the LSE Regulation grants SENER the authority to reject the Energy Sector Social Impact Assessment if the community or people subject to the consultation withhold consent for the project. It also regulates the fair and equitable participation of communities in project benefits, without specifying how to calculate or fulfill this obligation.

The LSE Regulation clarifies that the Social Impact Assessment is not required for projects that do not need a generation permit (e.g., infrastructure projects for electricity generation through isolated self-consumption with a capacity that does not exceed 20 MW).

9. Intervention and Requisition

The LSE Regulation grants SENER the authority to intervene and temporarily requisition a permit holder’s facilities when irregularities in their administration or operation jeopardize the quality, reliability, continuity, or safety of the electricity supply. In such cases, the permit holder must be temporarily replaced in the administration and operation of its assets, rights, and facilities.

Additionally, the LSE Regulation stipulates that SENER may issue administrative provisions regulating intervention and requisition procedures, as well as the continuation or termination of activities.

Moreover, the LSE Regulation establishes that ordinary legal remedies are not available against intervention or requisition declarations, and their execution cannot be stayed in amparo proceedings. Similarly, the LSE Regulation establishes that the ordinary means of defense against a declaration of intervention or requisition are not permitted and prohibits the stay of a declaration of intervention or requisition within the framework of amparo proceedings.

10. Electromobility Regime

The LSE Regulation introduces a specific regime for electricity infrastructure and the supply of electricity in the context of mobility, stating that electric charging encompasses installations from the grid connection point to the point of electricity supply for charging equipment. It also allows electromobility load centers to register as Controllable Demand.

11. Transitional Provisions

The LSE Regulation enters into force the day following its publication in the Official Gazette of the Federation.

Similarly, the LSE Regulation provides as follows in terms of the schemes provided for in the previous legislation:

- The repeal of the Regulation of the Electricity Industry Law.
- The express prohibition on the extension of legacy instruments.
- For CFE-owned power plants that request new interconnection contracts, the 3rd Transitional Article provides a maximum of 10 business days for the CNE to issue the respective interconnection validation notice.
- Regarding Qualified User registration, the 26th Transitional Article states that, until SENER establishes the required consumption or demand levels, Load Centers with a demand equal to or greater than 1 MW may be registered. Additionally, Qualified Users participating in the MEM must have a demand equal to or greater than 5 MW.

- For permit applications filed before the LSE entered into force, the 24th and 25th Transitional Articles provide that these applications must be resolved in accordance with the equivalent category in the LSE (e.g., self-supply generation projects will be determined under the self-consumption regime).

Finally, the transitional regime provides the deadlines for the publication of additional regulations, namely:

- 120 calendar days for the CNE to publish the Controllable Demand regulation on electromobility matters.
- 120 calendar days for SENER to publish the Clean Energy Certificate requirements for 2025-2028.
- 150 working days for SENER to install the Independent Market Monitor funded by tariffs determined by the CNE.
- 120 calendar days for SENER to issue guidelines regulating the migration of permits for self-supply, co-generation, small independent production, import, export, and continuous own use granted under the Public Electricity Service Law, as well as related contracts and agreements.
- 180 working days for the CNE to publish the general administrative provisions on SAEE.

Contacts



Oscar Moreno Silva

Projects, Energy and Infrastructure Partner

oscar.moreno@perezllorca.com

T. +52 55 5202 7622



Jerónimo Ramos Arozarena

Projects, Energy and Infrastructure Partner

jeronimo.ramosarozarena@perezllorca.com

T. +52 55 5202 7622



Antonio De Lisi Martínez

Projects, Energy and Infrastructure Counsel

antonio.delisi@perezllorca.com

T. +52 55 5202 7622

Offices

Europe ↗

Barcelona
Lisbon
Madrid
Brussels
London

Americas ↗

Bogotá
Mexico City
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Asia-Pacific ↗

Medellín
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