

Mexican Federal Electricity Commission (CFE) Tenders Largest Transmission Line Project in Country's History

Introduction

The Federal Electricity Commission (CFE) is tendering a high voltage direct current (HVDC) transmission line with an approximate investment of USD 1.7 billion, which will transport the clean energy generated from the wind farms and cogeneration plants in the Tehuantepec Isthmus (Istmo de Tehuantepec), in the state of Oaxaca, to central Mexico. The project intends to take advantage of the massive generation capacity of the isthmus.

Description of the Project

- Design, construct, equip, install, operate and maintain 1,200 km of electric transmission line circuits with the capacity to transport 3,000 MW that will run at a voltage of 500 kV.
- 15 works:
 - 2 converter stations with voltage \pm 500 kV - Bipolo, 3,000 MW - 7,200 MVA - 500 kV DC / 400 kV AC
 - 7 substations with voltage of 400 kV with a capacity of 1,750 MVA, 166.68 MVAR and 11 feeders
 - 5 AC transmission lines with a voltage of 400 kV and a total of 437.3 km-C
 - 1 CD transmission line with a voltage of 500 kV and a total of 1,221.0 km-C, located in the states of Mexico, Morelos, Puebla, Oaxaca, Veracruz and Mexico City



Purpose of the Project

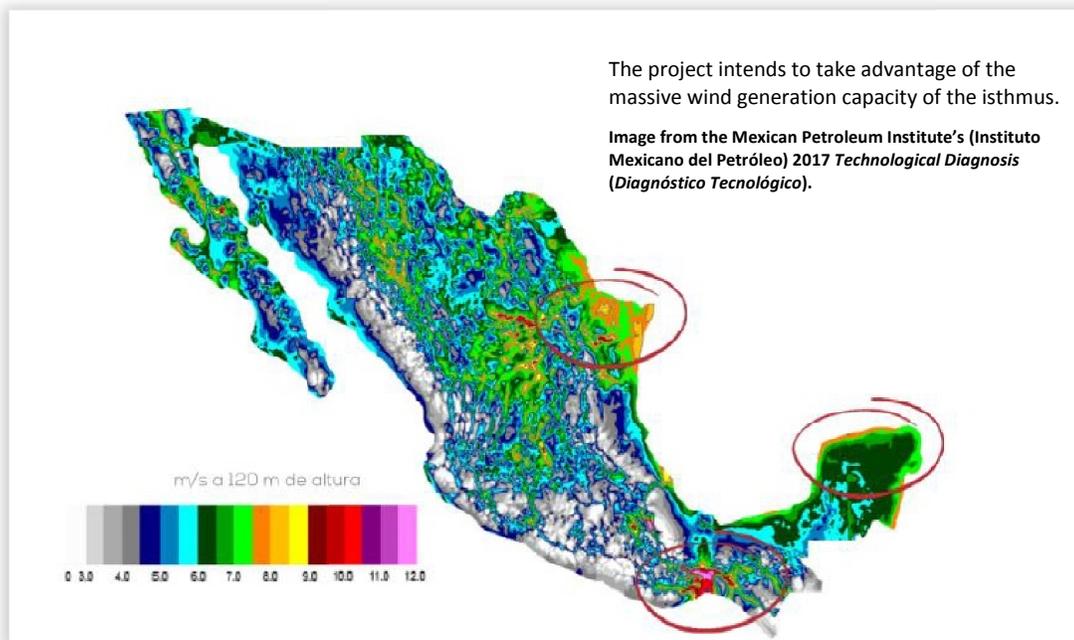
- Incorporate into the National Electric System (SIN) the renewable and clean energy generated in the state of Oaxaca.
- Transmit power from the Istmo de Tehuantepec to satisfy the increasing electricity demand in central Mexico and surrounding areas.
- Enable power transmission at great quantities and over long distances with less technical loss by using direct current (DC) technology.

Bidding Process

- The contract will be awarded through a competitive bidding process in which all interested parties are entitled to file an offer.
- The project will be structured as a public-private partnership under a BOT model (Build, Operate and Transfer) in which the contractor will (a) develop, manage, build, test and achieve commercial operation (COD) of the transmission system; (b) operate, maintain and upgrade the DC transmission system during the operative phase; (c) transfer all rights, licenses, permits, authorizations and property of the reinforcement works to CFE no later than

the commercial operation date; and (d) transfer all rights, licenses, permits, authorizations and property of the DC transmission system to CFE on the COD (expected in December 2021).

- Any interested party is entitled to participate on its own or as a consortium. Consortiums may file a joint offer without the need to incorporate a new legal entity.¹
- Interested parties that file an offer must grant CFE an irrevocable standby letter of credit for a total amount of USD 5 million, which will serve as a guarantee to support the offer. The guarantee shall stay in effect for 180 days counted from the date of the filing and opening of offers.
- Financial capacity to participate in the bidding process is MXN 7,000 million (approximately USD 370 million).
- Minimum national content is 35 percent.
- Winning bid: The project will be awarded to the bidder that entirely complies with the technical and economic requirements set in the bidding guidelines and, at the same time, offers the most competitive price *provided* that (i) the monthly charge for transmission capacity is acceptable to CFE and (ii) at least two solvent offers are filed.



Contract and Trust

The contractor must:

- As a performance guarantee, grant CFE an irrevocable standby letter of credit for the execution of the contract in an amount equal to USD 86.3 million. Furthermore, the letter of credit must be increased to USD 173 million upon construction.
- Acquire from CFE the real estate rights that it has to date, which include easements, possessory rights and properties. The contractor is obligated to acquire any missing real estate rights necessary for the completion of the works.
- Form, within 180 days after the execution of the contract, an irrevocable administration trust. Under the trust agreement, the contractor will be settlor, first beneficiary and beneficiary, while CFE will be second beneficiary. The trust property will be composed of:
 - a. An amount in USD determined by CFE;
 - b. Collection rights originated from the technical and commercial operation of the project;
 - c. Works and materials used for the construction of the project;
 - d. Real estate rights for the project;
 - e. Permits and authorizations required for the project;
 - f. Improvements, additions, repair works and reconstructions done to the project after COD; and
 - g. Any other income derived from a compensation or guarantee or for any other concept.
- Payments to the contractor will come from the rate received by CFE for the provision of the public transmission service.
- Term: 25 years.
- Any disputes shall be resolved by arbitration in accordance with the Rules of the London Court of International Arbitration.

Proposed Calendar

ACTIVITY	DATE
Publication of Call and Terms	February 8, 2018
Visit to Sites	February 19, 2018 to February 24, 2018
First Q&A Session	March 2, 2018 to March 15, 2018
Second Q&A Session	April 3, 2018 to April 19, 2018
Filing of Proposals	June 21, 2018
Opening of Technical Proposals	June 21, 2018
Opening of Economic Proposals	June 28, 2018
Award	July 4, 2018
Contract Execution	July 25, 2018
Initiation of Works	July 25, 2018
Commercial Operation Date	December 17, 2021

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Endnote

¹ However, consortiums may incorporate a new legal entity for the contract execution.

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