



CAMPUT CONFERENCE 06
Effective Energy Regulation
in an Evolving Policy Environment

Vision for Effective Regulation Across North America

Francisco X. Salazar
Chairman, Comisión Reguladora de Energía

- Any move towards a more effective regulation across North America requires to:
 1. Acknowledge the limits and capabilities of regulation in our own countries
 2. Identify limits due to legal and institutional framework in each country
- Once that is done, then we should
 1. Maximize the results allowed by current framework
 2. Recommend changes in in energy policy
 3. Work in parallel with the other regulators

- Gas sector
 - Private investment & competition in downstream activities
 - Exploration and production remains exclusive for PEMEX but gas can be imported directly by the private sector
- Electricity sector
 - Private investment is allowed in generation that does not involve public service:
 - Self-supply, cogeneration and small production
 - IPP's selling to CFE, exports and imports of electricity
 - Transmission, distribution and retail sales remain exclusive of CFE and LFC, but there is open access for transmission of private electricity

Will energy reform occur?



- Main reforms to the sector occurred between 1992 and 1995
- After that only two reforms have occurred. Last year Congress approved a new tax regime for PEMEX and private investment was allowed in cogeneration done by PEMEX
- Energy reform will happen sooner or later. Time will depend on the new government and composition of the Congress
- Nevertheless, current framework allows for more efficiency

- Regulation aims to achieve economic efficiency:
 - Production or internal efficiency
 - Allocation efficiency
- However, efficiency has to be achieved not only in the short run but in the medium and long run too, hence considering issues like:
 - Security of supply
 - Energy efficiency
 - Internationalization of externalities
 - Market integration

- Integration allows
 - Benefits from trade
 - Efficiency gains (economies of scale)
 - Security of supply (source diversification)
 - Transfer of capital, knowledge, experience
- However, this requires addressing issues like
 - Institutional and legal limits
 - Cultural and political limits
 - Infrastructure limits
- Coordination and cooperation between local regulatory bodies is key for a smoother and quicker process

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