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Mexico Opens Bids for Construction of Four Power Plants in Northern States

by LADB Staff

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To address Mexico's rapidly growing need for electrical power, the Energy Secretariat (SE) in late December opened bids to private investors to construct four major power plants and several smaller facilities throughout Mexico. The SE said private investors are expected to spend about US\$900 million to construct the four large complexes, which will increase the country's electricity-generating capacity by about 1,450 megawatts. According to the timetable announced by the SE, the bids for construction and operation of the plants will be announced in stages during the second and third quarters of the year.

Bids for the Rosarito III thermoelectric facility in Baja California state and the Mexicali geothermal complex will be announced in June. The government is then scheduled to announce concessions for the Monterrey and Chihuahua thermoelectric facilities in July and August, respectively. Each of the thermoelectric plants will have the capacity to produce about 450 megawatts of electricity, while the geothermal complex in Mexicali will produce 100 megawatts. In addition to the four large facilities, the SE is expected to announce the concession for the Merida III thermoelectric plant in Yucatan state in late January. The plant, which will cost an estimated US\$400 million to construct, will have the capacity to produce 440 megawatts of electricity. It is expected to become operational by the year 2000.

The CFE has narrowed the list for the Merida III concession to six consortia. The list includes a number of prominent Mexican engineering companies such as Grupo ICA, Tribasa, Gutsa, and Bufete Industrial, which have formed partnerships with foreign companies to submit their bids. Some of the foreign partners include such prominent companies as Japan's Mitsubishi, US-based companies General Electric and Enron, and Electricite de France. According to *El Financiero International* weekly business newspaper, the CFE is expected to award the concession to the partnership whose application offers the lowest fee structure for end-users.

Another facility, Samalayuca II in Chihuahua state, is scheduled to start operations in the third quarter of 1997. The plant, which is being constructed by a consortium of US and Mexican companies led by Mexico's Grupo ICA, will have a capacity of more than 500 megawatts (see *SourceMex*, 02/22/95). Under terms of the government's ongoing program to deregulate the electricity-generation sector, private contractors will fully finance the construction and operation of the new facilities, but will be required to sell energy to the federal electricity commission (Comision Federal de Electricidad, CFE). The Merida III plant is the first facility that will use this formula. In a study of the country's electricity needs, the SE projected demand for electric power will increase by almost 5% annually through the year 2005.

Not only is demand expected to grow, but the SE acknowledges that the country's electricity-generation capacity has actually declined since 1994. According to a recent SE report, Mexico's

electricity- generating capacity was 33,708 megawatts at the end of 1996, compared with 35,212 megawatts in 1994. Deputy SE secretary Javier Casas Guzman said Mexico will require new investments totaling US\$23.5 million in the electricity sector to meet the projected demand for an additional 12,500 megawatts of electricity by the year 2005. Guzman said the government has awarded concessions for projects to produce about 2,800 megawatts of the total requirement but needs to find private investors to construct facilities to account for the additional 9,700 megawatts.

For the near term, Guzman estimated that Mexico will require close to 6,500 megawatts of additional electricity to meet projected demands through the year 2000. In a separate but related report, CFE director Rogelio Gasca Neri said demand for electricity in January-September of 1996 increased by 8.6% from the same nine-month period in 1995. According to Gasca, the demand was greatest in the agriculture and industrial sectors, which increased their usage by 17% and 14% respectively.

On the other hand, Gasca said consumer usage in January- September increased by only 1.2% from the previous year. Gasca and other CFE officials are quick to acknowledge that the government must devote more attention to expanding electricity to remote areas of the country, since 4.6 million Mexicans still lack access to electricity. (Sources: El Financiero International, 12/23/96; El Economista, 12/04/96, 12/11/96; El Universal, 12/11/96, 01/07/97; La Jornada, 01/06/97, 01/07/97)

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