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Energy Regulator Moves to Privatize Natural-Gas System in Monterrey

by LADB Staff

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In early October, the federal energy regulatory agency (Comision Reguladora de Energia, CRE) launched the privatization of the natural-gas distribution network in Monterrey. The network is currently owned and operated by the Comision Federal de Electricidad (CFE).

The CRE decided to privatize the Monterrey distribution network after a thorough review of the operation. In the review, the agency concluded that the CFE's mission is to provide electrical power, not distribute natural gas. In the first phase of the privatization scheme, the CRE will accept technical proposals from interested participants. They must submit those proposals, plus a registration fee, by Dec. 19. The CRE has appointed the federal public-works bank (Banco Nacional de Obras y Servicios Publicos, BANOBRAS) to evaluate all applications. The participants whose technical bids are accepted will then be required to submit economic bids by Jan. 29. The awards will be announced on March 19.

The CFE currently distributes about 1.7 million cubic feet of gas to more than 300,000 residential and commercial users in the city. Monterrey is one of the few cities in Mexico with direct distribution lines to residential areas. The winner of the CFE's distribution system will compete for new customers in Monterrey with Compania Mexicana de Gas, a joint venture formed by Texas-based Enserch Corp. and Mexico's Grupo Divaz. In September, the partnership received a five-year concession to provide natural gas to 50,000 customers in Monterrey, primarily industrial users. Two other suppliers in Monterrey, Pemex-Gas and industrial cooperative GIMSA, cater primarily to a small group of industrial users.

Privatizations also move forward in Mexico City, Tamaulipas

Meanwhile, the government is proceeding with privatization of natural-gas distribution systems in Mexico City and northern Tamaulipas state. The terms for concession of both systems were initially announced in July of this year (see SourceMex, 07/23/97). The concession of the Mexico City system will involve construction of pipelines and other infrastructure, since the Mexican capital is one the largest cities in the world without a natural-gas distribution system. At present, most residents of the city rely on liquefied petroleum gas or propane. The project will create two different distribution systems to serve the city, which has been divided into two districts: Mexico City's central area and outlying regions in Mexico state.

According to CRE executive Javier Estrada, six consortia have expressed an interest in bidding to supply natural gas to customers in Mexico City. Estrada said potential bidders include a handful of companies that have already won CRE gas- distribution concessions in other parts of the country. One of those companies is California-based Enova Corp., which won distribution rights in Baja California and Chihuahua state. Another is construction company Gutsa, which recently won a

concession for several cities on the Gulf of Mexico. In late September, the CFE also announced that the list of companies competing for distribution rights in northern Tamaulipas state has been narrowed to three finalists.

The three competing consortia are: * Gaz de France International, Mexigas, and Bufete Industrial (GDFI-Bufete); * Grupo Mexicano de Desarrollo, British Columbia Gas and Shell Oil Co.; * Noram Energy de Mexico and Corporacion Gutsa. According to the CRE, the winning bidder is expected to invest about US\$19 million to upgrade the region's natural-gas distribution system, which would include the cities of Reynosa, Rio Bravo, Matamoros, and Valle Hermoso. The three consortia will be required to submit separate technical and economic proposals. La CRE is expected to announce a winning bidder by March 20, at the latest. (Sources: El Nacional, 09/30/97; Bloomberg news service, 10/02/97; El Economista, Excelsior, The News, 10/03/97; El Financiero International, 10/06/97; Houston Chronicle, 10/07/97; Proceso, 10/12/97)

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