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Federal Electricity Commission Reopens Bids for La Yesca Dam

by LADB Staff

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The Mexican government has reopened bids for construction of the huge La Yesca hydroelectric plant near the border of Jalisco and Nayarit states. The government has projected the cost at the facility, which will have a capacity of 746 megawatts, at about US\$836 million (see SourceMex, 2006-10-04), but potential contractors contend the project could be more costly.

The Comision Federal de Electricidad (CFE) launched the project late last year, with several Mexican and foreign companies submitting bids. None of those bids were deemed acceptable, however, which forced President Vicente Fox's administration to leave the project to incoming President Felipe Calderon.

The CFE reopened the process in early January but did not initially change the terms that disqualified several bidders, including a ceiling of US\$836 million on the cost of the project. Two bidders, Mexican engineering company Grupo ICA and its Russian partner Energo Machexport Power Machine and the partnership between China's Sinohydro Corp. and Mexico's Grupo Gutsa, surpassed the ceiling. ICA-Energo Machexport had bid US\$908.7 million and Sinohydro-Gutsa US \$1.250 billion.

A third partnership, Italy's Impreglio and Mexico's Technit, had submitted a bid of US\$805 million, but the proposal lacked the appropriate technical requirements, the CFE said. The three consortia that participated in the initial bidding process spent a total of US\$3 million in an eight-month period to prepare their bids, said the Mexico City business newspaper El Economista. The bidders, which intend to participate in the new process, contend that the CFE should raise the ceiling to close to US \$1 billion because the price of international materials has increased.

The CFE could consider an increase, but the Calderon administration is facing a mandate from Congress to keep costs down. One alternative under consideration is to divide the bidding process into three different stages construction of support infrastructure, access roads, and the actual facility, said the Mexico City daily newspaper Milenio Diario.

One change in the process is that Mexican companies will no longer be required to submit bids in partnership with a foreign company, said CFE director Alfredo Elias Ayub. "We are changing the process to create some flexibility for Mexican companies to construct the facility," said Elias Ayub. The change could allow some Mexican companies to participate in some aspects of the project, such as constructing access roads.

But Mexican firms lack the capital to take on the construction of the dam on their own. Officials at Grupo ICA have already said that their company would resubmit a joint bid with its Russian

partner. The two companies are working jointly on the nearby El Cajon hydroelectric plant. La Yesca dam is one of several hydroelectric projects planned by the government in the next several years. The facility, which CFE officials say will have the highest dam in the world at 210 meters, will have a basin of 12 million cubic meters. The size of the project has brought protests from environmental advocates, which have raised concerns about deforestation, the possibility of inadequate water supplies, and the displacement of wildlife habitat (see SourceMex, 2006-10-04).

Conversely, the government is promoting the project, which is targeted for completion by 2011, as an opportunity to create 10,000 jobs and to expand Mexico's capacity to generate electricity. (Sources: Reuters, 11/01/06; Excelsior, 11/02/06; Reforma, 11/02/06, 12/05/06, 12/11/06, 12/13/06; El Economista, 11/03/06, 12/19/06; Milenio Diario, 11/02/06, 01/08/07; El Universal, 01/15/07; Businessnews Americas, 01/24/07)

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