

SECTION SEVEN

SECRETARY OF ENERGY

RESOLUTION whereby the Long-Term Competitive Bidding Manual is issued

Below the National Coat-of-Arms seal, it reads: United Mexican States – Secretary of Energy

PEDRO JOAQUIN COLDWELL, the Secretary of Energy, pursuant to the Third Transitional Article of the Electricity Industry Law and Articles 33(XXVI) of the Organizational Law of the Federal Government and for the Internal Regulations of the Secretary of Energy

WHEREAS

In accordance with Article 25, paragraph four, of the Mexican Constitution, the public sector shall have exclusive jurisdiction over strategic areas stated in Article 28, paragraph four, of the Constitution;

Article 27, paragraph six, of the Mexican Constitution establishes that the Nation has exclusive jurisdiction to plan and oversee the National Electric System, as well as public services for transferring and distributing electricity, and that no concessions shall be provided for these activities, notwithstanding that the Government may execute contracts with private individuals in the terms established by law, which shall determine how private individuals may participate in activities related to the electricity industry;

The Third Transitional of the Electricity Industry Law establishes in its third paragraph that on one sole occasion the Secretary of Energy shall issue the first Rules for the Wholesale Electricity Market and that these Rules shall include the Electricity Market Terms and Market Operation Provisions determined by the Secretary;

On September 8, 2015 the Electricity Market Terms were published in the Federal Daily Gazette, which define the rules and procedures that must be carried out by the Market Participants and the authorities to maintain proper administration, operation, and planning of the Wholesale Electricity Market;

The Market Practices Manuals shall be included in the Market Operational Provisions and their aim is to develop detailed elements on the Electricity Market Terms and established procedures, rules, instructions, calculation principles, directives, and examples to follow for the administration, operation, and planning of the Wholesale Electricity Market, and

These Manuals are considered general administrative acts that must be published in the Federal Daily Gazette to become legally binding, so I hereby issue the following

RESOLUTION

SOLE ARTICLE.- The Secretary of Energy issues the Long-Term Competitive Bidding Manual.

TRANSITIONAL

SOLE.- This Resolution shall become effective on the day it is published in the Federal Daily Gazette.

Mexico, Federal District, on November 10, 2015.- The Secretary of Energy, **Pedro Joaquin Coldwell**.- Initialed.

LONG-TERM COMPETITIVE BIDDING MANUAL

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LONG-TERM COMPETITIVE BIDDING MANUAL

Chapter 1

Introduction

1.1 Purpose of the Market Practices Manual

- 1.1.1.** The Market Rules governing the Wholesale Electricity Market are comprised by the Electricity Market Terms and the Market Operational Provisions.
- 1.1.2.** The Market Practices Manuals are included in the Market Operational Provisions and their purpose is to develop more detailed foundations for the Electricity Market Terms and establish procedures, rules, instructions, calculation principles, directives, and examples to follow for the administration, operation, and planning of the Wholesale Electricity Market.

1.2 Nature, Purpose and Content of this Manual

- 1.2.1.** This Long-Term Competitive Bidding Manual is the Market Practices Manual, the purpose of which is to:
 - a) develop Term 14 of the Electricity Market Terms with regard to Long-Term Competitive Bidding in greater detail; and,
 - b) establish the procedures, rules, instructions, calculation principles, directives, and examples to follow in order to conduct Long-Term Competitive Bids referred to in Article 53 herein.
- 1.2.2.** **This Manual includes the following topics:**
 - a) Its nature, purpose, and content; defined terms used therein, and rules for interpretation (Chapter 1);
 - b) The Aim of the Competitive Bids, the period of city with which they are conducted, and the characteristics of the Products that may be offered to buy or offered for sale through these Bids (Chapter 2);
 - c) the characteristics and requirements that must be met by those who wish to participate in the Competitive Bids as Potential Buyers or Bidders, and the way in which the respective Contracts will be awarded (Chapter 3);
 - d) the essential characteristics of the Contracts that will be awarded through the Competitive Bits (Chapter 4); and,
 - e) the process that must be followed to conduct Competitive Bids, from the publication of the Invitations until the execution of the Contracts (Chapter 5).

1.3 Defined Terms

For purposes of this Manual, along with the definitions contained in Article 3 of the Electricity Industry Law, Article 2 of its Regulations, and the Electricity Market Terms the following shall be defined as followed:

- 1.3.1. Bidding Terms:** The document issued by the CENACE in accordance with the provisions of this Law, its Regulations, the Electricity Market Terms, and this Manual, to regulate the process to which the determined Competitive Bid shall be subject.
- 1.3.2. Competitive Bidding Calendar:** the calendar established by the CENACE to carry out a specific competitive bid which shall be included in the Bidding Terms.
- 1.3.3. Clearing House:** The entity that will centrally administer the Contracts awarded through the Competitive Bids after Section 3.2 respective Operational Guide.
- 1.3.4. Buyer:** the person who executes a Contract in which it agrees to buy a determined amount of Power, Accumulated Electric Energy or CECs from the Vendor.
- 1.3.5. Potential Buyer:** The Load-Serving Entity, whether a Utilities Supplier or other type of Load-Serving Entity, registered with the CENACE and authorized to submit Offers to Sell in a specific Competitive Bid.
- 1.3.6. Prequalification Certification:** Document issued by the CENACE to certify that the applicant verified sufficient legal, financial, technical, and performance capability to comply with an Offer to Sell it intends to submit in the Competitive Bid; that it has made all payments to acquire the Bidding Terms and to evaluate its prequalification application for the Offer to Sell, and that it has provided its Bid Bond, and therefore it is entitled to submit said Offer to Sell, as provided in the Certification itself and up to limit allowed in the Bid Bond.
- 1.3.7. Consortium:** Two or more individuals or entities jointly participate as one sole Bidder in a Competitive Bid and which agrees to execute the Contract(s) awarded in the event one or more of its Offers to Sell are selected, whether directly, or through a Special Purpose Entity that is established amongst them in terms of the respective Offer(s) of Sale.
- 1.3.8. Contract:** Electricity Coverage Contract awarded or executed as a result of the Competitive Bids.
- 1.3.9. Consortium Agreement:** Agreement executed between all members of the Consortium to establish rights and obligations for each one of them regarding their participation in the Competitive Bid and, where applicable, in the Contracts they are awarded as a Consortium.
- 1.3.10. Invitation:** The document issued by the CENACE to invite the general public to participate in a specific Competitive Bid, in which they will learn how they may consult the respective Bidding Terms.
- 1.3.11. Expected Difference:** The meaning given to this term by Section 2.85
- 1.3.12. Dollar:** Legal tender currency of the United States of America.
- 1.3.13. Energy Supplied at Negative Prices:** Energy Supplied that has been generated at times when the Local Marginal Price of the Real Time Market at the interconnection point of the respective Power Plant is negative, and as a result, is not considered as transferred by the Vendor to the Buyer.
- 1.3.14. Procured Energy:** Accumulated Electric Energy that the Vendor is required to transfer to the Buyer at the interconnection point of the respective Power Plant for each of the 15 years following the Bid Commercial Operation Date, in terms of the Contract that has been executed as a result of the Long-Term Competitive.

- 1.3.15. Energy Deferred by Negative Price:** The allotment of Accumulated Electric Energy procured that the Vendor does not produce in a specific time period when it is a result of Energy Avoided by Negative Prices; this also refers to the Accruable balance associated with this concept.
- 1.3.16. Energy Supplied:** The Accumulated Electric Energy Supplied to the Real Time Market associated with the Power Plants that has been committed to produce Accumulated Electric Energy in the agreed allotment and in accordance with the provisions established in the respective Contract, in the understanding that the same shall not be understood as being transferred by the Vendor to the Buyer when the Local Marginal Price at the interconnection point of that Power Plant is negative for the same in the Real Time Markets.
- 1.3.17. Energy Avoided by Negative Prices:** The amount of Accumulated Electric Energy that the Vendor could have generated and supplied at the interconnection point and has chosen to not generate because it would have been considered Energy Supplied at Negative Prices, or by virtue of an order given by the CENACE for an out-of-merit dispatch due to Trust issues.
- 1.3.18. Energy Produced:** The Energy Supplied that has been effectively transferred by the Vendor to the Buyer every hour through a Bilateral Financial Transaction in the Real Time Market at the interconnection point of the respective Power Plant.
- 1.3.19. Schedule Adjustment Factors:** The factors for each Price Area established by the CENACE in a specific Competitive Bid in order to calculate the value of the Energy Produced in accordance with Section 2.8.
- 1.3.20. Contract Award:** The legal action whereby the CENACE defines what the Offers to Sell are that were submitted by the Bidders in a Competitive Bid have been selected and awarded the respective Contract(s) so that they may be bound to the respective Offer to Sell.
- 1.3.21. Standard Commercial Operation Date:** The Starting Date of Standard Operations Established in the Bidding Terms for the Contracts that are awarded through the perspective Competitive Bid, pursuant to the provisions established by 4.4.1.
- 1.3.22. Commercial Operation Offered Date:** The start date of the of operations stated by the Bidder in it in its Offer to Sell in accordance with subparagraph 4.4.2, which may be up to one year before or two years after the Standard Commercial Operation Date.
- 1.3.23. Performance Bond:** the document whereby the Vendor guarantees to the Buyer, or the Buyer guarantees to the Vendor, performance of the obligations it assumes in a Contract pursuant to the provisions established therein.
- 1.3.24. Bid Bond:** The irrevocable and unconditional standby letter of credit issued to the CENACE, or any other security document established in the Performance Bonds Manual that has been duly granted by the respective Bidder or Potential Buyer to the CENACE to secure performance of its obligations assumed in a specific Competitive Bid.
- 1.3.25. Deficient Generation:** The difference between the Energy Procured for specific year and the Energy Produced in that same year when the Energy Procured is greater than the Energy Produced in terms of the respective Contract and measured in MWh.
- 1.3.26. Surplus Generation:** The difference between the Energy Produced in one year and the Energy Procured for that same year when the Energy Procured is less than the Energy Produced in terms of the respective Contract and measured in MWh.
- 1.3.27. Bidder:** The person or Consortium that participates in a Long-Term Competitive Bid determined by the submission of one or more Offers to Sell.
- 1.3.28. Manual:** This Long-Term Competitive Bidding Manual.
- 1.3.29. Compliance Bond Manual:** The Market Practices Manual that establishes the calculation principles, pools, instructions, directives, examples, and processes to follow so that the CENACE may satisfactorily administer the risk that Market Participants breach their payment obligations with the CENACE regarding their participation and transactions made in the Wholesale Electricity Market.

- 1.3.30. Offer to Buy:** The Offer to Buy a specific amount of Power, Accumulated Electric Energy or CECs submitted in a Competitive Bid by an Load-Serving Entity in terms of the Electric Market Terms, this Manual, and the respective Bidding Terms.
- 1.3.31. Accepted Offers to Buy:** This Term has the meaning given it in provision 5.5.4(a).
- 1.3.32. Accepted Offers to Buy from Utilities Suppliers:** This term has the meaning given it in provision 5.5.2(g).
- 1.3.33. Offer to Sell:** The offer made in a Long-Term Competitive Bid to sell a specific packaged amount of Power, Accumulated Electric Energy or CECs in terms of the electric Market Terms, this Manual, and the respective Bidding Terms that make up a technical bid and a financial bid. The technical bid is defined through a prequalification application of the Offer to Sell and is ratified by the submission of the financial bid.
- 1.3.34. Peso:** Legal Competitive Bid currency of Mexico.
- 1.3.35. Product:** any product that may be acquired by the Load-Serving Entities through Competitive Bids, which are Power, Accumulated Electric Energy, or CECs.
- 1.3.36. Site:** Electronic platform where access may be gained through the CENACE website at www.CENACE.gob.mx, at the link expressly created for that.
- 1.3.37. NES [NES]:** National Electricity System.
- 1.3.38. Special Purpose Entity:** The entity organized by the Bidder in terms of its Bid(s) of Sale the purpose of this entity executing Contracts as the Vendor that have been awarded to this Bidder in a Competitive Bid, pursuant to the provisions herein and the respective Bidding Terms.
- 1.3.39. Competitive Bid:** Long-Term Competitive Bid.
- 1.3.40. Social Witness:** This term has the meaning given it in the Resolution establishing the guidelines regulating hearts patient of social witnesses in in procurements made by Federal Government agencies and entities, and published in the Federal Daily Gazette on December 16, 2004.
- 1.3.41. IU:** The counting unit referred to as “Investments Unit” whose value in Pesos for each day is published periodically by the Bank of Mexico in the Federal Daily Gazette. The amounts in IUs shall be settled in Pesos to make payments and shall be established in Pesos or Dollars when referring to debt instruments, based on the current value of the IU five business days prior to making payment or the submission of the instrument.
- 1.3.42. Vendor:** The individual that has executed a Contract as a result of a Competitive Bid whereby it agrees to be registered and certified as a Market Participant and to sell to a Buyer a specific amount of Power, Accumulated Electric Energy, or CECs.
- 1.3.43. Areas of Exports:** Generation Areas used in each Competitive Bid for purposes of subparagraph 1.3.44(c) when the transfer availability limit refers to electricity that may not be exported to the rest of the NES and that does not necessarily correspond in its geographic extension to Price Areas or Interconnection Areas. An Area of Export may also contain one or more Areas of Export and at the same time be located within another Area of Export.

1.3.44. Generation Areas: the areas referred to in Term 14.1.6.(d)(iii) of the Electric Market Terms and that shall be used in each Competitive Bid for the following purposes:

- (a) The CENACE shall inform on the expected difference between the Local Marginal Price in different Generation Areas referred to as a “Price Area,” in the average of the Vocal Marginal Prices of the NES, and these differences shall be taken into account when comparing Offers to Sell received in the Competitive Bid in order to consider the value of the electricity offered according to the Price Area in which it will be supplied;
- (b) For every Price Area, the CENACE shall inform on the Schedule Adjustment Factors that will be used to determine schedule value of the Accumulated Electric Energy supplied to the Buyer during the term of the Contracts awarded through the Competitive Bid; and
- (c) When there are relevant export restrictions in a geographic area to the rest of the NES, the CENACE of the fine and informed of this Generation Area and the transfer availability limits that exist there in, whether with regard to the limits on electricity that may be exported from that Generation Area to the rest of the NES in which case it shall be referred to as the “Export Area,” or regarding capability limits that this Generation Area may be intersecting with the NES, in the in which case it shall be referred to as the “Area of Interconnection,” so that these may be observed when evaluating and, if applicable, to select the Offers to Sell received in the Competitive Bid.

1.3.45 Areas of Interconnection: The Generation Areas that will be used in each Competitive Bid for purposes of subparagraph 1.3.44(c) when the transfer availability limit refers to the installed capability that may intersect with the NES and that does not necessarily correspond in its geographic extension to Price Areas or Areas of Export. An Intersecting Area may also contain one or more Intersecting Areas and at the same time be contained within another Intersecting Area.

1.3.46. Power Areas: The areas referred to in Terms 11.1.3 and 14.1.6(d)(ii) of the Electric Market Terms, that will be proposed by the CENACE and authorized by the CRE in order to define the Power.

1.3.47. Price Areas: The Generation Areas that will be used in each Competitive Bid for purposes of sections (a) and (b) of subparagraph 1.3.44 that do not necessarily correspond in their geographic extension to Areas of Export or Intersecting Areas.

1.4. Rules of Interpretation

1.4.1. The defined terms referred to in section 1.3 may be used in the singular or plural form without altering its meaning, provided that the context allows it.

1.4.2. Unless otherwise indicated, the days stated herein shall be understood as calendar days and when made reference to a year shall be understood as calendar years.

1.4.3. Events of any contradiction or inconsistency between the provisions contained in this Manuel and those set for in the Electric Market Terms, those established in the Electric Market Terms shall prevail.

1.4.4. Unless expressly indicated otherwise, whenever reference is made to the chapter, section, paragraph, subparagraph, subsection, clause, or in general any provision shall be understood is made to the respective Chapter, section, paragraph, subparagraph, subsection, clause or provision in this Manuel.

CHAPTER 2

Characteristics of Competitive Bidding

2.1 Purpose of the Competitive Bids

2.1.1. The purpose of the Competitive Bids shall be:

- a) To allow Utilities Suppliers to execute Contracts competitively and under prudent conditions to satisfy Power, Accumulated Electric Energy and CEC needs that need to be covered through long-term contracts in accordance with requirements established by the CRE.

- b) to allow other Load-Serving Entities to participate in them when they decide to and once the Clearing House is established in order to execute Contracts for quantities of Products in proportion to the Power, Accumulated Electric Energy, and CEC portfolios the Utilities Suppliers may obtain; and,
- c) to allow those who execute these Contracts as Vendors to have a stable source of payments contributing to the financial support of required efficient investments to develop new Power Plants or to Power the existing Power Plants.

2.2 Frequency of the Competitive Bids

- 2.2.1.** The CENACE shall open a Competitive Bid each year and the Invitation shall be published on its webpage during the month of April, except for the first invitation, which shall be published in November 2015. Execution times shall be determined in the respective Bidding Terms, including a minimum time frame of 20 business days between the publication of the Invitation and the submission of Offers to Sell, as well as a minimum time frame of 20 business days between the determination of the Accepted Offers to Sell and the reception of the Offers to Sell.
- 2.2.2.** When the total amount of Power, Accumulated Electric Energy and CECs that Potential Buyers Offer to Buy in a Competitive Bid called under the previous paragraph Ford installed capability less than 500 MW, considering a capability factor of 100%, the CENACE may determine that there is not enough interest justify the Competitive Bid. In this case, it shall inform the CRE within five business days after determining the Accepted Offers to Sell, so that within a time frame of 10 business days, the CR he may issue its opinion in this regard. If the opinion of the CRE coincides with that of the CENACE, the Competitive Bid shall be declared abandoned. Otherwise, the CENACE shall continue the Competitive Bidding process.
- 2.2.3.** The CENACE May call additional Competitive Bids to those established in subparagraph 2.2.1 the following cases:
 - a) When requested by the Utilities Supplier to the CENACE in order to comply with covers requirements as established by the Law.
 - b) When requested by the Secretary makes to the CENACE, in order to coordinate the reception of bids with the planning and execution processes of the fuel transport infrastructure.
 - c) When the requests that the CENACE conducts an additional Competitive Bid, in order to coordinate reception of bids with the completion of strategic infrastructure projects that are necessary to comply with national energy policy.
 - d) When all Contracts awarded in the Competitive Bid are insufficient to satisfy at least 25% of the amount of main Product offered to purchase by Potential Buyers in the Competitive Bid.

2.3 Cost to Participate in the Competitive Bidding Process

- 2.3.1.** The acquisition cost for the Bidding Terms shall be 5000 IUs for each interested party.
- 2.3.2.** The cost for evaluating the registration request as a Potential Buyer shall be 50,000 IUs for each Load-Serving Entity.
- 2.3.3.** The cost for evaluating a prequalification application of Offers to Sell shall be 50,000 IUs for each applicant plus 5,000 IUs for each Offer to Sell that the applicant considers submitting in the Competitive Bid, regardless of whether or not they are conditioned or mutually exclusive.

2.3.4. Payments received by the CENACE with regard to the foregoing costs shall be to allow this public agency to recover the costs incurred for:

- a) preparing and publishing the Invitation;
- b) issuing and modifying the Bidding Terms and its exhibits;
- c) registering Potential Buyers, receiving Offers to Sell, and defining Accepted Offers to Sell;
- d) evaluating prequalification applications on Offers to Sell, receiving Offers to Sell, evaluating Offers to Sell, and drafting and notifying the Awarded Contract of the Competitive Bid;
- e) responding to potential appeals and claims filed by Potential Buyers and Bidders;
- f) drafting the awarded Contracts and ensuring that they are signed by those were required to do so
- g) covering the costs of the Social Witness participates in the Competitive Bid; and,
- h) where applicable, cover the costs of consultants hired by the CENACE to assist in carrying out the foregoing activities.

2.3.5. The respective payment shall be made in authorized banks in the format included in the Bidding Terms.

2.3.6. The CENACE shall not reimburse the foregoing payments for any reason whatsoever.

2.4 Bid Bonds on Offers to Sell

2.4.1. Before receiving any Offers to Sell, and at the latest the deadline provided in the Competitive Bid Calendar, those who have applied for prequalification on bids of Sale shall admit their Bid Bond to the CENACE in accordance with this Manual and the respective Bidding Terms.

2.4.2. The Bid Bonds shall be completely or partially released, as the case may be, when the Bid(s) of Sale secured by the Bond have not been selected. Furthermore, in the event the Offers to Sell have been selected, once the respective Contract(s) have been signed by the Bidder, the value of the Bid Bond shall be released and the interconnection process in terms of subparagraph 2.6.6 shall not be required.

2.4.3. The Bid Bond shall be submitted to the CENACE in accordance with the following:

- a) when the applicant is the Market Participant, and the terms established for the performance bonds of the Short-Term Market.
- b) When the applicant is not a Market Participant, or being one prefers to provide a Bid Bond independently to that provided in the Compliance Bond Manual, the Bid Bond shall:
 - (i). Grant a revocable and unconditional standby letter of credit issued to the CENACE according to the template established in the Bidding Terms which is a template for a letter of credit provided in the Compliance Bond Manual with the indispensable requirements;
 - (ii). to be submitted in Pesos or otherwise submitted in Dollars, in which case, to determine the amount in Pesos the exchange rate published by the Bank of Mexico in the Federal Daily Gazette shall be used five days prior to the submission date to the CENACE; and,
 - (iii). meet all other requirements established in the respective Bidding Terms.

2.4.4. The minimum amount of the Bid Bond shall be calculated for each applicant according to the following:

- a) 300,000 IUs, regardless of the number of Offers to Sell intended for submission, plus
- b) 65,000 IUs per MW of Power expected to be bid in the Competitive Bid per year, plus
- c) 30 IUs for each MWh of Accumulated Electric Energy expected to be offered in the Competitive Bid per year, plus
- d) 15 IUs for each CEC expected to be offered in the Competitive Bid per year.

The foregoing amounts shall be calculated taking subparagraphs 2.4.8 and 2.4.9 into account.

2.4.5. The minimum amount of the Bid Bond shall be reduced proportionally to the bonds provided to the CENACE to secure obligations associated with the interconnection process of the Power Plants included in the respective Bid(s) of Sale without this reduction exceeding 50% of the minimum amount of the Bid Bond calculated prior to making any reduction and without considering, when determining the amount of the reduction, the bonds provided for an interconnection process that are not mandatory. Therefore, the interested parties shall submit a certificate of delivery of these bonds when submitting the respective Bid Bond. When the capability included in the interconnection process exceeds the capability included in the Offer to Sell, only the proportional part of the bond related to the interconnection shall be used in this reduction.

2.4.6. The Bid Bond given by an applicant who is awarded one or more Contracts shall be understood as automatically earmarked as a guarantee of the obligations related to the interconnection process associated with obtaining the interconnection of Power Plants included in its Bid(s) of Sale that were selected. Therefore, the release of the Bid Bond mentioned in 2.4.2 will be completed with the amount that results from subtracting from the original amount of the Bid Bond, the total amount required as a bond related with the interconnection process included with the Bid(s) of Sale that were selected, excluding the bonds previously given to the CENACE in the interconnection process, regardless of whether they have been given in an interconnection process where they are not mandatory.

2.4.7. Once the Bid Bond has been submitted, the CENACE shall only issue the Prequalification Certifications on the Offers to Sell for the amounts equal to the value of the Bid Bond, in accordance with subparagraph 2.4.4. The CENACE shall issue the Prequalification Certifications associated with the Offers to Sell, the value of which exceeds the minimum amount necessary for the Bid Bond to be sufficient in terms of the amounts established by subparagraph 2.4.4. When the Bidder submit several Offers to Sell for prequalification, sufficiency of the Bid Bond shall be evaluated based on the order that the Offers to Sell have been submitted during the prequalification stage.

2.4.8. Four mutually excluding Offers to Sell, the minimum amount of the Bid Bond shall be calculated taking the highest Offer to Sell into account in terms of the total value to be secured in accordance with subparagraph 2.4.4.

2.4.9. Four conditioned Offers to Sell or combinations of conditioned or mutually exclusive Offers to Sell, the minimum amount of the Bid Bond shall be calculated taking into account the combination of the highest Offers to Sell in terms of the total value to be secured in accordance with subparagraph 2.4.4.

2.5 Invitations and Bidding Terms

- 2.5.1.** The date the Invitation is published shall indicate the start of the Competitive Bidding process, which shall be subject to the provisions of this Manual and the Bidding Terms.
- 2.5.2.** The procedure for preparing and authorizing the Invitation and the Bidding Terms, including the Contract template, shall be as follows:
- a) The CENACE shall prepare a preliminary version of the Invitation and the Bidding Terms contained in subparagraph 5.3.3 and shall forward it to the CRE;
 - b) The CRE shall have five business days to issue any comments or authorize the preliminary version. That the CRE does not provide any comments or the authorization resolution within the foregoing term, it shall be understood that the CRE authorizes the Invitation and the Bidding Terms;
 - c) If the CRE issues comments within the time period stated in the previous paragraph, the CENACE shall include those it deems pertinent within a time period no greater than five business days and shall send the new version to the CRE; and,
 - d) The CRE shall have five business days to authorize a new version or instruct the CENACE as to the required changes. If the CRE does not issue the respective resolution within the foregoing time period, the Invitation and the Bidding Terms shall be understood is authorized.

The first three competitive bids, the authorization for the Invitation, and the Bidding Terms shall be carried out by the Secretary instead of the CRE, and the foregoing process shall be applicable when pertinent.

2.6 Products that may be Subject to Competitive Bidding

- 2.6.1.** The Load-Serving Entities, whether Utilities Suppliers or other Load-Serving Entities may offer to buy, through the cut Competitive bids and by way of Contracts, the Power, Accumulated Electric Energy, and CECs required to satisfy the coverage needs they have, in accordance with the requirements established by the CRE.
- 2.6.2.** The individuals who wish to participate as Generators in the Wholesale Electricity Market may offer to sell, through the competitive bids and by way of Contracts, Power, Accumulated Electric Energy, or CECs required by the Load-Serving Entities.
- 2.6.3.** The quantities, prices, and parameters of the Products that shall be subject to a Competitive Bid shall depend mainly on the Offers to Sell that the Utilities Suppliers submit in the Competitive bids. The Offers to Sell submitted by the other Load-Serving Entities may only increase the amount of these Products, because the prices and parameters shall be defined based on the Offers to Sell submitted by the Utilities Suppliers. In other words, the Load-Serving Entities other than Utilities Suppliers the only offer to buy amounts of Products in proportion to the portfolio of Products obtained by the Utilities Suppliers in that competitive Bid, and the allotment they offer to buy shall be taken into account only to define the amounts in demand, but not to define the prices or other parameters.

2.7 Power

2.7.1. Concept

- a) Power, according to its definition in Term 2.1 .97 of the Electricity Market Terms is the commitment to maintain the Installed Capability of generation and offer it to the Short-Term Energy Market during each annual period with regard to Power acquisition obligations.
- b) Therefore, the Power commitments established in the Contracts awarded in the Competitive Bids consisting in the commitment assumed by the Vendor to transfer to the Buyer a specific amount of Power in the respective Power Area through a Bilateral Power Transaction mechanism and for a term of 15 years as of the Commercial Operation Bid Date.

2.7.2. Power Areas

- a) Bids to Buy Power and Offers to Sell that include the delivery of Power shall specify the Power Area in which said Power will be received and delivered. The interconnection points of the Power Plant with these Offers to Sell shall be located in the respective Power Area.
- b) When the CRE establishes Power acquisition requirements for specific Power Areas, the respective Bidding Terms shall define the Power Areas to be used for that Competitive Bid.
- c) When specific Power Areas are not defined in terms of the previous paragraph, the Power Areas used in the Competitive Bid shall be the following:
 - i. National Interconnection System;
 - ii. Baja California Interconnection System; and,
 - iii. Baja California Sur Interconnection System.
- d) Power Areas shall not be defined for Small Electricity Systems and Offers to Sell Power shall not be allowed from Power Plants located in the same systems; the trade of Power in these systems shall be done in terms of the Small Electricity Systems Manual.
- e) Commitments for Power delivery established in the Contracts awarded through Competitive Bids sell establish the Vendors obligation to deliver contracted Power within the Power Area in which the interconnection point is located for the Power Plant associated with the respective Contract, regardless of whether the geographic extension of that Power Area is subsequently modified. Therefore, Power Substitution permitted under Term 14.3.15(b) of the Electricity Market Terms shall only be valid when the delivery of Power is done within the current Power Area where the interconnection point of the respective Power Plant is located.

2.8 Accumulated Electric Energy

2.8.1. Concept

- a) Accumulated Electric Energy is the electricity delivered in the Real Time Market during the year, measured in MWh, in the interconnection point of each Power Plants associated with a Contract executed as a result of the Competitive Bid.
- b) Accumulated Electric Energy shall be necessarily generated in Power Plants that have a right to receive CECs for the electricity generated, and shall be delivered as a percentage of the electricity generated in each hour by the Power Plant identified in the Offer to Sell. For Vendors with intermittent clean sources, the delivery of Accumulated Electric Energy may be done at any time.
- c) Payment obligations related to Accumulated Electric Energy in the Contracts awarded through Competitive Bidding shall be calculated based on the Energy Produced. The Energy Produced is the Energy Supplied by the Vendor to the Buyer, excluding what has been supplied at times in which the Local Marginal Price of the Real Time Market at the interconnection point of the Power Plant has been negative. For every MWh of Energy Supplied by Vendors with intermittent clean sources, there shall be an adjustment fee or payment reflecting the temporary value of the Electricity Supplied, so that the difference from time to time are reflected in different payments based on the predicted value of electricity at those times.

2.8.2. Electricity Supplied at Negative Prices and Avoided Electricity by Negative Prices

- a) Electricity Supplied at Negative Prices, and Energy Avoided at Negative Prices shall not be included in the Energy Supplied.
- b) The Vendors who decide to generate Energy Supplied at Negative Prices shall remain financially liable for this and shall be required to pay the respective charges to CENACE. Electricity Supplied at Negative Prices shall not be included in the Electricity Deferred by Negative Prices.
- c) The Vendors who decide to not generate Electricity Supplied at Negative Prices or that reduce their generation in compliance with an out-of-merit dispatch order issued by the CENACE may agree with the Buyers on measures to estimate the generated amounts available during the reduced generation period. Otherwise the average amount between the generation one hour before the reduction and one hour after the termination of negative prices or respective dispatch order shall be used as an estimate. These amounts shall be considered the Energy Avoided at Negative Prices.
- d) The Energy Avoided by Negative Prices shall be taken into account to decrease the amount of Deficient Generation incurred by the Vendor in terms of subparagraph 4.9.2, provided that:
 - i. the Vendor duly and opportunity verifies the Energy Avoided by Negative Prices in the terms of the respective Contract;
 - ii. the Energy Avoided by Negative Prices is for the same year in which the Deficient Generation incurred; and,
 - iii. the Vendor agrees to compensate the amount of the Deficient Generation that has diminished in subsequent years, including those years after the 15-year period, as of the Commercial Operation Offered Date.

2.8.3. Adjustment Payments per Generation Hour

- a) Under the Accumulated Electric Energy scheme, Vendors with intermittent clean sources shall receive a monthly payment equal to the Schedule Adjustment Factors multiplied by the MWh of Energy Produced every hour. These payment adjustments shall be positive or negative amounts resulting from multiplying the amount produced every hour by the Schedule Adjustment Factor for that month, time, and location throughout the year. Schedule Adjustment Factors shall be calculated in accordance with Chapter 5 of this Manual.

Example						
Monthly Adjustment Payment						
Consider a competitive bid, Vendor A obtains a contract to generate an annual amount of Accumulated Electric Energy in a Price Area and that to simplify this example the month only has five hours. Schedule Adjustment Factors for the month shown in table 1 (\$/MWh). The Vendor produced a total of 250 MWh of electricity distributed throughout the five hours as shown in Table 1 on the Generation line (MWh) and therefore receives a total adjusted payment of \$1000 for the 250 MWh delivered in that month. This amount is additional to the total amount established in the contract according to the bid:						
Table 1						
	1	2	3	4	5	TOTAL
Schedule Adjustment Factor	\$15	\$5	(\$10)	(\$5)	(\$15)	
Energy Produced(MWh)	100	50	50	50	0	250
Adjusted Payment (\$)	\$1,500	\$250	(\$500)	(\$250)	\$0	\$1,000

- b) The Offers to Sell associated with sustainable clean sources may offer Accumulated Electric Energy; however, these bids on Accumulated Electric Energy shall be considered a constant amount for each hour throughout the year and shall not receive monthly adjusted payments
- c) Accumulated Electric Energy stemming from sustainable clean sources shall be supplied each hour as a fixed percentage of the energy in each year and the location of the plants identified in the bid.

Example

Suppose that a Bidder with sustainable clean sources offers 40,000 MWh of Accumulated Electric Energy for each year and its Offer to Sell is selected.

The Bidder, now the Vendor, shall be required to transfer 1.566 MWh for each hour of the year. This amount shall be scheduled through Bilateral Financial Transaction for each hour, regardless of the energy supplied by Power Plants.

2.8.4. Generation Areas

- a) Generation Areas shall be used in the Competitive Bids with four goals:
 - i. to take into account the value of electricity at a location where it will be supplied through the expected difference between the Local Marginal Price of the Generation Areas (referred to as "Price Areas") in which this energy will be supplied and the average of the Local Marginal Prices of the NES, shall be used when evaluating financial bids of the Offer to Sell;
 - ii. to take into account the value of the electricity at hours when it will be supplied through Schedule Adjustment Factors for each Price Area, which shall be used to determine the monthly adjusted payment;
 - iii. to enforce export restrictions that, where applicable, there are one or more specific Generation Areas to the rest of the NES by limiting the Accumulated Electric Energy that may be acquired in these areas (referred to as "Export Areas"); and,
 - iv. to enforce capability limits that may be interconnected to the NES in specific Generation Areas (referred to as "Interconnection Areas") by limiting the Offers to Sell that may be selected in accordance with the location of the interconnection points of the Power Plants associated with these bids.
- b) Price Areas that shall be used for a Competitive Bid for Contracts that arise from said Bid shall be included in the Bidding Terms and shall correspond to the transmission regions used by the Secretary to develop the Indicative Program or the Installation and Removal of Power Plants [*Programa Indicativo para la Instalación y Retiro de Centrales Eléctricas*] (PIIRCE).
- c) The Interconnection Areas that, where applicable, are used in a Competitive Bid for Contracts resulting from said bid shall correspond to the geographic areas determined by the CENACE for purposes of limiting the interconnection of Power Plants associated with the Offers to Sell when there are relevant export restrictions for the rest of the NES.
 - i. At the moment the Bidding Terms are published for a Competitive Bid, the CENACE shall define the Interconnection Areas that will be used in a Competitive bid, if they are used, and shall indicate the available interconnection capability at that time for each one of them.
 - ii. The Interconnection Areas shall include at least one NES substation and may be as large as necessary. The Interconnection Area may also contain one or more Interconnection Areas and at the same time be contained within another Interconnection Area.

- iii. The available interconnection capability at each Interconnection Area shall correspond to the existing interconnection capability in that area minus the interconnection capability that was already used or awarded to third parties through interconnection contracts or priority rights.
 - iv. The CENACE may update the existing interconnection capabilities by modifying the respective Bidding Terms until the publication of the final version of these Terms. The CENACE may update these available interconnection capabilities by publishing them on Site up to five business days prior to the deadline for submitting financial bids for the Offers to Sell, only when modifications to the interconnection capabilities are a result of changes in the interconnection capability already used or awarded to third parties through interconnection contracts or priority rights.
 - v. When evaluating the financial bid of the Offers to Sell, a restriction shall be applied that avoids selecting Offers to Sell associated with Power Plants that are not connected to the NES and do not have the interconnection capability awarded through interconnection contracts or priority rights, if by interconnecting them the interconnection capability available is exceeded at that moment in the respective Interconnection Area. The Offers to Sell associated with Power Plants that are interconnected with the NES or that have an interconnection capability awarded through interconnection contracts or priority rights shall not be affected by this restriction.
- d) Export Areas that, if applicable, are used for a Competitive Bid and the Contracts that result from the Bid shall correspond to geographic areas determined by the CENACE for purposes of limiting the amount of Accumulated Electric Energy that may be acquired in each one of these areas when there are relevant restrictions on exports toward the rest of the NES.
- i. At the moment the Bidding Terms are published for a Competitive Bid, the CENACE shall define the Export Areas that will be used in a Competitive bid, if they are used, and shall indicate the available interconnection capability at that time for each one of them.
 - ii. The Export Areas shall include at least one NES substation and may be as large as necessary. The Export Area may also contain one or more Export Areas and at the same time be contained within another Export Area.
 - iii. The available interconnection capability at each Export Area shall correspond to the existing interconnection capability in that area minus the interconnection capability that was already used or awarded to third parties through interconnection contracts or priority rights.
 - iv. The CENACE may update the existing export capabilities by Modifying the Respective Bidding Terms until the publication of the final version of these Terms. The CENACE may update these available interconnection capabilities by publishing them on Site up to 5 business days prior to the deadline for submitting financial bids for the Offers to Sell, but only when modifications to the interconnection capabilities a result of changes in the interconnection capability already used or awarded to third parties through interconnection contracts or priority rights.
 - v. When evaluating the financial bid of the Offers to Sell that include Accumulated Electric Energy, a restriction shall be applied that avoids selecting Offers to Sell associated with Power Plants that do not have export capabilities awarded through interconnection contracts or priority rights, if by doing so the available export capability is exceeded at that moment in the respective Export Area. The Offers to Sell associated with Power Plants that are interconnected with the NES or that have an export capability awarded through interconnection contracts or priority rights shall not be affected by this restriction.

- e) Offers to Sell that include the supply of Accumulated Electric Energy shall be referred to specific Generation Areas, for which it will be indispensable that each one indicates the Price Area in which that energy will be supplied and if applicable, the Export Area in which the interconnection point of the Power Plant will be located or each one of the Power Plants associated with the Offer to Sell. Furthermore, all Offers to Sell shall refer to specific Interconnection Areas, for which it will be indispensable that each one of these indicates the Interconnection Area in which the interconnection point of the Power Plant will be located for each one of the Power Plants associated with the Offer to Sell.
- f) Supply commitments of Accumulated Electric Energy established in the Contracts awarded through Competitive Bids shall establish the Vendor's obligation to supply Accumulated Electric Energy contracted within the Generation Areas in which the interconnection points of the Power Plant associated with the respective Contract is located, regardless of whether the geographic extension of these Generation Areas is subsequently modified.
- g) Price Areas or Export Areas shall not be defined for Small Electricity Systems in order to apply limits to the selection of Offers to Sell on Clean Energy Certificates from Power Plants located therein; the trade of energy in these systems shall be done in terms of the Small Electricity Systems Manual.
- h) Interconnection Areas may be defined for Small Electricity Systems in order to apply limits to the selection of Offers to Sell on Clean Energy Certificates from Power Plants located therein.
- i) No Offer to Sell may refer to more than one Price Area, to more than one Interconnection Area or, if applicable, to more than one Export Area. The areas referred to shall be geographically consistent amongst themselves.

2.8.5. Expected Difference is per Price Area and Schedule Adjustment Factors

- a) In the Bidding for each Competitive Bid, the CENACE shall inform on the following values:
 - i. the Expected Differences for the evaluation of Offers to Sell that contain Accumulated Electric Energy in different Price Areas; and,
 - ii. the Schedule Adjustment Factors for each Price Area, in order to reflect the temporary relative value of the Accumulated Electric Energy produced.
- b) In the first three Competitive Bids, the Secretary shall calculate the expected differences and the Schedule Adjustment Factors. Subsequently, the Secretary shall provide prognostics of the Local Marginal Prices to the CENACE, so that it may calculate the expected differences in the Schedule Adjustment Factors.
- c) Expected Difference is for the evaluation of the financial bid of the Offers to Sell that include the supply of Accumulated Electric Energy:
 - i. In order to compare Offers to Sell that include the supply of Accumulated Electric Energy in different Price Areas calculate expected difference the average Price of electricity and gas and Marginal Price Area, both at even values during the time period considered in the Competitive Bid.

$$\Delta PML_{zg} = VNPMLS - VNPML_{zg}$$

Where:

VNPML_{zg} = Even Value of the PML in the Price Zone *zg* – see formula below

VNPMLS = Even Value of the average between the PML in the NES – see formula below

$$VNPML_{zg} = \frac{\sum_{a=1}^{15} \sum_{m=1}^{12} \sum_{h=1}^{24} \frac{PML_{zg,h,m,a}}{(1+t)^a}}{\sum_{a=1}^{15} \sum_{m=1}^{12} \sum_{h=1}^{24} \frac{1}{(1+t)^a}}$$

$$VNPMLS = \frac{\sum_{zg} \sum_{a=1}^{15} \sum_{m=1}^{12} \sum_{h=1}^{24} \frac{PML_{zg,h,m,a}}{(1+t)^a}}{\sum_{zg} \sum_{a=1}^{15} \sum_{m=1}^{12} \sum_{h=1}^{24} \frac{1}{(1+t)^a}}$$

$PML_{zg,h,m,a}$	Predicted Local Marginal Price in the Price Area zg at the hour h each day of the month m during the year a .
h	hour to calculate the factor: 1, ..., 24.
m	Month of the year: 1, 2, ..., 12; where $m=1$ is the standard start date.
a	Year 1, 2, ..., 15; where $a=1$ is the standard start date.
t	Actual Social Discount Rate published by the Secretary of the Treasury and Public Credit, which is current at the moment the financial bids are received

- ii. The Secretary shall use the PIIRCE or an update thereto containing the most recent information as a basis to estimate the Local Marginal Prices stated in the preceding paragraph. The Secretary shall make the following adjustments to the results of these models, in order to calculate these prices.
 - (A) As of the results of the models used in developing the PIIRCE, the Secretary may apply formulas to limit the magnitude of extreme changes on the price projections.
 - (B) When these models do not include the last years of the contract period or when the Secretary considers that the quality of these models deteriorate for the final years of their simulation period, the Secretary shall use the results of the final model year with good quality or an average of the last model years with good quality, with a projection for all subsequent years.
- iii. To perform the evaluation of the Offers to Sell at each Competitive Bid, the CENACE shall adjust the package price (including the Accumulated Electric Energy) bid by the Bidder, adding the Expected Difference in price calculated by the Secretary for the Price Area for which the Offer to Sell was made, multiplied by the amount of Accumulated Electric Energy per year included therein. This adjusted bid shall be that which will be used to compare different Offers to Sell and select the winner, but it shall not affect the price offered by the Bidder for purposes of the Contract that, where applicable, is awarded.

Example

If the Secretary expects that the even value of the Local Marginal Price of the electricity in the NES is \$60/MWh, and the average Local Marginal Price in Price Area A is \$65/MWh and in Price Area B is \$55/MWh, the Expected Differences shall be \$-5/MWh for Price Area A and \$5/MWh for Price Area B.

If Bidder 1 makes an Offer to Sell of \$50/MWh per year for 100 MWh per year in Price Area A and Bidder 2 makes an Offer to Sell of \$50/MWh per year for 100 MWh per year in Price Area B, in order to evaluate Offers to Sell, the Offer to Sell from Bidder 1 shall be adjusted at \$-500 per year and the bid from Bidder 2 at \$500 per year. Therefore, if the demand for Accumulated Electric Energy only allows one of the Offers to Sell to be selected, the Bid from Bidder 1 will be selected, because it has the lowest adjusted price (\$45/MWh vs. \$55/MWh). However, the contract price shall be \$50/MWh.

- d) Schedule Adjustment Factors for monthly payments of Accumulated Electric Energy for Vendors with intermittent clean sources.
- i. Schedule Adjustment Factors shall be calculated for each Price Area, for each hour of the average day, for each month of each year included in the Competitive Bid.
 - ii. The Bidding Terms for each Competitive Bid, the CENACE shall inform on the Schedule Adjustment Factors for each Price Area, for each hour of the month for each year. The following table shows an example of the Schedule Adjustment Factors for Price Area X in year A:

Schedule Adjustment Factors for Price Area X in year A												
Hour	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1	-16.720	-3.800	-4.560	-7.600	-1.520	-9.120	-2.280	-2.280	-9.120	-0.760	-1.520	-3.800
2	-19.000	-3.800	-4.560	-6.840	1.520	-8.360	-6.080	0.000	-6.080	-3.800	-1.520	-3.040
3	-7.600	-3.800	-3.800	-8.360	1.520	-9.120	-6.840	0.000	-5.320	-6.840	-1.520	-3.040
4	-7.600	-3.800	-3.800	-7.600	-0.760	-7.600	-6.840	0.000	-5.320	-6.840	-1.520	-1.520
5	0.000	0.000	-0.760	-0.760	-0.760	0.000	0.000	0.000	-5.320	-3.040	0.760	0.760
6	0.000	0.000	-0.760	-0.760	-0.760	0.000	0.000	0.000	-5.320	0.000	0.760	0.760
7	0.000	1.520	0.000	-0.760	-0.076	0.000	0.000	0.000	0.760	0.760	1.520	1.520
8	-4.560	0.000	-1.520	0.000	0.000	0.760	0.760	-0.760	0.760	1.520	1.520	1.520
9	-2.280	0.000	-1.520	0.000	0.000	0.760	0.760	-0.760	0.760	1.520	1.520	1.520
10	0.760	0.760	3.800	0.760	-1.522	0.760	0.760	0.800	1.520	1.520	1.520	1.520
11	0.760	0.760	3.800	0.000	0.780	0.760	0.760	0.800	1.520	1.520	2.280	2.280
12	0.760	0.760	3.800	2.280	0.760	0.760	0.760	0.850	1.520	1.520	2.280	2.270
13	2.280	2.280	2.600	2.280	2.200	2.280	2.280	11.400	2.280	2.280	2.280	2.250
14	2.280	2.280	2.300	1.520	5.320	6.840	2.280	2.280	2.280	2.280	2.280	2.280
15	2.280	2.280	2.200	1.520	5.320	6.840	2.280	2.280	2.280	2.280	0.000	2.280
16	2.280	2.280	2.280	2.280	2.280	2.280	2.280	2.280	2.340	1.520	0.000	1.520
17	1.520	2.280	-2.280	2.280	2.280	2.280	2.280	1.520	1.520	1.520	0.810	1.520
18	1.520	2.280	-2.000	2.280	2.280	2.280	2.280	1.520	1.520	1.520	0.760	1.520
19	1.520	2.280	-1.520	1.520	2.280	2.280	1.520	1.520	1.520	1.520	0.760	0.760
20	1.520	2.280	-12.157	1.520	2.280	2.280	1.520	2.280	1.520	2.280	0.760	0.760
21	3.040	3.038	-9.120	3.800	3.770	3.040	3.040	2.280	2.280	1.520	1.520	-2.280
22	2.280	1.515	3.040	2.280	2.280	4.560	-1.520	0.760	-3.040	2.280	3.800	-3.040
23	2.700	2.420	-1.520	-1.52	-6.840	3.800	-1.52	1.520	-7.500	2.275	-2.350	-3.040
24	2.610	2.210	-1.520	-2.28	-5.320	4.560	-1.664	0.760	-6.920	2.275	-2.275	-3.509

- iii. The Schedule Adjustment Factor only compensates for the temporary pattern of energy production, is calculated individually for each Price Area, given that the temporary costs may differ by area. These Schedule Adjustment Factors are developed by using predicted Local Marginal Prices for each Price Area.
- iv. Each Schedule Adjustment Factor is calculated as:
 - (A) the expected Local Marginal Price in a Price Area for each hour of a typical day in a given month, calculated individually for each month of every year of the 15 years starting in the Standard Commercial Operation Date, less
 - (B) the average expected Local Marginal Price in the same Price Area throughout all hours of the respective year

Therefore, there will be 24 factors per month, for each month and every year of the Contract for each Price Area.

$$FAH_{zg,h,m,a} = PML_{zg,h,m,a} - \frac{\sum_{m=1}^{12} \sum_{h=1}^{24} PML_{zg,h,m,a}}{12 * 24}$$

Where:

$FAH_{zg,h,m,a}$ is the Schedule Adjustment Factor per Price Area zg at hour h , in month m , in year a .
 $PML_{zg,h,m,a}$ Is the predicted Local Marginal Price in the Price Area zg at hour h , every day of month m , in year a .

- v. The Schedule Adjustment Factors that the CENACE has published through the respective Bidding Terms shall not experience any subsequent adjustments for purposes of the Competitive bid and shall not undergo any change for purposes of the Contract resulting from these Bidding Terms, even when imperfections in the price predictions identified and applied when calculating the Schedule Adjustment Factors.
- vi. The Schedule Adjustment Payment shall be calculated monthly as follows:

$$PAM_{g,m,a} = \sum_{d=1}^{D_m} \sum_{h=1}^{24} (EP_{g,h,d,m,a} * FAH_{zg,h,m,a})$$

Where:

The Power Plant g is located in area zg .

$PAM_{g,m,a}$ The Monthly Adjustment Payment for the Vendor who represents the Power Plants in the month m , in the year a
 $EP_{g,h,d,m,a}$ The Accumulated Electric Energy produced by the Vendor who represents the Power Plant at hour h , on day d , in month m , in year a
 $FAH_{zg,h,m,a}$ Schedule Adjustment Factor for Price Area zg , at hour h , in month m , in year a
 D_m The days of month m .

- vii. In the event any Contract requires the use of Schedule Adjustment Factors in years subsequent to the final year for which they been calculated, the Schedule Adjustment Factors of the last calculated year shall apply all subsequent years.

2.9 Clean Energy Certificates (CEC)

2.9.1. Concept

- a) the Clean Energy Certificates are defined in Article 3(VIII) of the Law, and they are certificate issued by the CRE that evidence production of a determined amount of electricity from Clean Energy, which is used to meet the requirements associated with Load Centers.
- b) Commitments of CECs established through Competitive bids consisting in the commitment to transfer a specific number of CECs annually in the Logging, Management and Withdrawal System of Clean Energy Certificates from the CRE, and thus the requirements of said log must be met. In the event that the Vendor does not have the CECs it is required to transfer, it shall be responsible for directly supplying them with the CRE.

2.9.2. Registration with the CRE

- a) the CRE shall transfer CECs from the Vendor's log to the Buyer's log at the request of the Vendor and prior acceptance by the Buyer in accordance with the CRE for the Logging, Management, and Withdrawal System for Clean Energy Certificates.
- b) Each Vendor shall carry out the necessary procedures to transfer the CEC log to the Buyers. Each Buyer shall carry out the necessary procedures to accept this transfer in accordance with the CRE for the Logging, management, and Withdrawal of Clean Energy Certificates.

CHAPTER 3

Participation in Competitive Bids

3.1 Potential Buyers

3.1.1. The following Load-Serving Entities may participate Competitive bids as Potential Buyers, provided that they meet the requirements conditions established in the Electricity Market Terms and this Manual:

- a) Utilities Suppliers;
- b) Qualified Service Suppliers;
- c) Last Resort Suppliers; and
- d) Qualified User Market Participants.

3.1.2. Load-Serving Entities other than Utilities Suppliers may participate in Competitive Bidding as Potential Buyers provided they meet the following three conditions:

- a) The Clearing House established in Section 3.2 has been established and potentially operable;
- b) The respective Load-Serving Entity has knowledge of any and is aware that the Offer to Buy that will be submitted in the Competitive Bid shall conform to term 14.3.9(d) of the Electricity Market Terms; and,
- c) The Load-Serving Entity meets all requirements and obligations established in this Manual, Clearing House Operational Guide, the respective Bidding Terms to be registered by the CENACE as a Potential Buyer in the respective Competitive.

3.1.3. In the Competitive Bids, Offers to Buy made by Utilities Suppliers that have been registered as Potential Buyers shall be received first and after the Offers to Buy from other Load-Serving Entities that also have been registered as Potential Buyers. This is done so that the Offers to Buy made by the latter may be submitted based on the amounts, prices, and parameters of the Offers to Buy submitted by Utilities Suppliers.

3.1.4. Potential Buyers who are awarded one or more Contracts in the Competitive Bids shall execute these Contracts directly or through a subsidiary or affiliate organized for that purpose, as established in the Offers to Buy that are selected and completed in accordance with this Manual and the respective Bidding Terms.

3.2 Clearing House

3.2.1. The Clearing House shall centrally administer the Contracts that are awarded by the CENACE in Competitive Bids called after the house is been created, including Contracts executed by Utilities Suppliers in Bids.

3.2.2. Duties of the Clearing House shall be to facilitate performance of with the obligations assumed by the Buyers and Vendors in those Contracts awarded in the Competitive Bids, and facilitate exercising the rights that these Buyers and Vendors have in accordance with the provisions contained in these Contracts.

3.2.3. The Clearing House shall represent all Buyers against the Vendors and the Vendors against the Buyers, so that it acts as an intermediary who ensures that the Buyers receive the products that are to be delivered by the Vendors, and that the Vendors receive payments that are to be made by the Buyers, in accordance with the stipulations in the respective Contracts.

3.2.4. The Contract templates used in the Competitive Bids held after the creation of the Clearing House shall be adjusted to include these in the Clearing House, which shall sign the Contracts awarded and signed by the Vendors as a Buyer, and as a Vendor in those Contracts awarded that are signed by the Buyers.

3.2.5. The net payment position of the Clearing House shall be neutral. In other words, it shall maintain a balance between payments received from the Buyers and payments made to the Vendors.

3.2.6. The net position of Products of the Clearing House shall be neutral. In other words, it shall maintain a balance between the Products received from the Vendors and the Products delivered to the Buyers.

3.2.7. The Clearing House shall receive and administer Performance Bonds that the Buyers provide to the Vendors and the Performance Bonds that the Vendor's provide to the Buyers. The Clearing House itself shall not provide any Performance.

3.2.8. If necessary, the Clearing House shall execute the Performance Bonds that have been granted in the terms of the respective Contracts to ensure that payments are made. Any missing payments that arise by non-receivable accounts shall be absorbed by Vendors in proportion to their accounts receivable. Any missing Products that arise due to non-delivery shall be absorbed by all Buyers in proportion to the total amount of payments each has to make.

3.2.9. The Operational Guide of the Clearing House shall establish what is considered necessary to ensure that the Contracts awarded through the Competitive Bids are signed in accordance with the provisions established in the immediately previous paragraph and a necessary balance is maintained with regard to the Products and the payment stipulated in these contracts.

3.2.10 The Operational Guide of the Clearing House shall establish additional credit requirements to those established herein, in order to reduce the frequency of breach by the Buyers and Vendors. Furthermore, this Operational Guide may establish additional bond requirements to those established herein, in general or based on the credit of each participant.

3.2.11. The Operation costs that the Clearing House may charge shall be set and supervised terms established in the Operational Guide of the Clearing House.

3.2.12. The performance and rules of operation of the Clearing House shall be established in more detail in the Operational Guide of the Clearing House.

3.2.13. The Contracts executed prior to the creation of the Clearing House may choose to substitute these four Contracts managed by said House, in terms of the respective Operational Guide. This substitution may only be done upon express request made by both the Buyer and the Vendor.

3.3 Bidders

3.3.1. Any person may participate in the Competitive Bids as a Bidder to offer to sell one or more of the Products referred to in the Competitive Bid, provided that it meets the requirements established herein, the Bidding Terms and that is not prevented by in terms of applicable law.

3.3.2. When two or more individuals wish to participate in the Competitive Bids together, they shall do so as a Consortium, and if applicable, submit their Offers to Sell as one sole Bidder.

3.3.3. Bidders who are awarded one or more Contracts in the Competitive Bids shall execute these Contracts directly or through a Special Purpose Entity incorporated for that purpose, according to the provisions established in the Offers to Sell that are selected and complying with the provisions herein and the respective Bidding Terms.

3.3.4. Only Bidders who may identify Power Plants with those who are considering honoring their Offers to Sell may make Offers to Sell in the Competitive Bids. For purposes of the foregoing Power Plants that are in the planning, development, or construction phases shall be accepted.

3.3.5. The Bidders may make Offers to Sell in the Competitive Bids through any technology coming from:

- a) Existing Power Plants, i.e., those that are commercially operable at the moment the prequalification application is submitted; or,
- b) new Power Plants, i.e., that have not commenced commercial operations at the moment the prequalification application was submitted.

3.3.6. There must be a strict legal separation between Bidders in the Competitive Bids and Potential Buyers who participate in the Competitive Bid. Therefore, no Offers to Sell shall be accepted from those Bidders or in any of the following scenarios:

- a) The same legal entity as any Potential Buyer in the Competitive Bid;
- b) Those who have corporate control of any Potential Buyer in the Competitive Bid or are a majority owner of the same; or,
- c) Our controlled by or owned by any Potential Buyer Bid.

3.3.7. Power Plants that are owned by those in any of the foregoing scenarios may not be included in the Offers to Sell, even when the Bidder makes a bid as a different person.

3.3.8. Power Plants that are not as references in Legacy Contracts for Utilities may not be included in Offers to Sell, except when Powering these Power Plants and only for the additional amounts created.

3.3.9. The Bidder shall identify the Power Plant or Power Plants they will use to generate the Products offered in their Offers to Sell, as well as the production percentage of each Power Plant that will be used to honor their Offers to Sell.

3.3.10. Bidders shall observe the following rules with regard to Power Plants that have been identified in their Bids:

- a) Power Plants must be capable of generating the offered Products under normal operational conditions.
- b) The capabilities of the Power Plants may not be compromised through other contracts or have been granted as a security interest in other contracts. Interconnection Legacy Contracts are an exception to this and shall not be considered a commitment.
- c) Power or the CECs will not be required to be generated by Power Plants identified in the contracts; free substitution of the CECs and Power generated by other sources shall be allowed, provided that the Power is from the same Power Area.
- d) Withdrawal of the Power Plants included shall not be permitted in the Contracts read that result from the Competitive Bids during the term of these Contracts. In order to remove them, the Vendor shall request that the Buyer execute an amending agreement to formalize the permanent substitution of the Power Plant included in the contract. In order to carry out this substitution, the Vendor shall identify and commit capacity of other Power Plants capable of performing the respective obligations the remaining period of the Contract. The Buyer shall execute the amending agreement if the request is supported by an independent expert who confirms the validity of the proposed capacity for the remaining contract period and that the new capacity has equal or superior conditions of availability. The foregoing notwithstanding the obligations established in Articles 18 and 135 of the Law and term 3.6 of the Electric Market Terms.

3.3.11. Offers to Sell shall include the following information regarding the Power Plant identified in their bid and the commitments acquired through other Contracts.

- a) The type of technology of the Power Plants;
- b) The following information regarding the plant's capabilities, supported by an independent expert, whose opinion shall be submitted at the prequalification stage:
 - i. The plate capacity, in MW;
 - ii. The expected plant factor in the 100 critical hours in a typical year, or during all hours of a typical year, taking into account the expected unavailability of the Power Plant due to maintenance or forced outages;
 - iii. The expected plant factor during a typical year.
 - iv. The percentage of Energy Produced is considered clean.
- c) The following information on the prior commitments made with regard to the Power Plant, supported by a letter signed under affirmation by the Bidder and that shall be submitted at the prequalification stage, as well as the consultation of the Associated Electricity Coverage Contracts registry on the Power Plant performed by CENACE during the prequalification stage:
 - i. the amount of Power of the Power Plant, in MW, committed through other Contracts or identified as a source of reference in the Legacy Contracts for Utilities;
 - ii. the maximum amount of energy, in MWh per hour, committed at any time of the year through other Contracts or identified as a source of reference in Legacy Contracts for Utilities; and,
 - iii. the number of CECs per year, committed through other Contracts or identified as a reference source in Legacy Contracts for Utilities.

3.3.12. If there are any commitments on a part of the capabilities of the Power Plant or that this identified as a source of reference in the Legacy Contracts for Utilities the capacity of each Product available for the Offer to Sell shall be considered to be the capacity of said Product supported by the expert, minus the capacity of said Product previously committed or identified as a source of reference in the Legacy Contracts for Utilities, both calculated in terms of the previous paragraph.

3.4 Contracts Awarded between Buyers and Vendors

3.4.1. The Contracts awarded in the Competitive Bids called before the creation of a Clearing House shall be executed directly by the Potential Buyers, as Buyers, and by the Bidders or the Special Purpose Entity incorporated for that reason by the Bidders, as Vendors.

3.4.2. The Contracts awarded in the Competitive Bids called after the creation of a Clearing House shall be executed by the Potential Buyers as Buyers and the Clearing House as the Vendor, and by the Bidders or the Special Purpose Entities organized for that reason by the Bidders as Vendors and the Clearing House as the Buyer.

3.4.3. When only one Load-Serving Entity participates in the Competitive Bid, all amounts selected as a consequence of the Competitive Bid shall be awarded to this entity.

3.4.4. When two or more Load-Serving Entities to participate in a Competitive Bid, the awarding of the Contract shall be done taking into account the following:

- a) Product packages selected shall be awarded to the Potential Buyers:
 - i. in proportion to the number of CECs that each Loan Servicing Entity has offered to buy; or,
 - ii. when the Potential Buyers have not offered to buy CECs, in proportion to the amounts of Power that each Potential Buyer has offered to buy; or,
 - iii. when the Potential Buyers have not offered to buy CECs or Power, in proportion to the amounts of Accumulated Electric Energy that each Potential Buyer has offered to buy.

- b) Due to the above:
 - i. the right and obligation to acquire the Products included in each package selected shall be awarded proportionally between the Load-Serving Entity, and
 - ii. the cost of each package selected shall be awarded proportionally between the Load-Servicing Entities.
- c) The Load Servicing Entities other than the Utilities Suppliers shall make Offers to Buy once the Offers to Buy from Utilities Suppliers have been considered accepted and reported to the other Load Servicing Entities. In terms of paragraph 5.5.3., the Offers to Buy from the Load Servicing Entities other than Utilities Suppliers shall be saved in proportion to the bids submitted by the Utilities Suppliers. Therefore, the awarding of contracts to Load Servicing Entities other than the Utilities Suppliers shall always be consistent with the Offers to Buy that have been submitted.

Example			
in a Competitive Bid, Offers to Sell have been selected from three Bidders:			
	Bidder A	Bidder B	Bidder C
Annual Amount of Power	30 MW	30 MW	0 MW
Annual Amount of Electricity	120,000 MWh	0 MWh	60,000 MWh
Annual Number of CECs	120,000 CECs	0 CECs	90,000 CECs
Annual Package Price	\$120,000,000	\$15,000,000	\$60,000,000
A Utilities Supplier (SSB 1) and a Load Serving Entity that is not a Utilities Supplier (ERC 2) are participating with the following Offers to Buy (the Offer to Buy from the ERC 2 is 50% of the amounts of Products offered to buy by SSB 1 and the same prices):			
	SSB 1	ERC 2	
Annual Amount of Power	40 MW	20 MW	
Power Price	\$1,300,000	\$1,300,000	
Annual Amount of Electricity	200,000 MWh	100,000 MWh	
Electricity Price	\$800	\$800	
Annual Number of CECs	200,000 CECs	100,000 MWh	
Price of CECs	\$350	\$350	
The amounts and prices between participants shall be awarded proportionally to the number of CECs that each Buyer offers to buy, which results in the following awards:			
	Bid. A – SSB 1	Bid. B – SSB 1	Bid. C – SSB 1
Annual Amount of Power	20 MW	20 MW	0 MW
Annual Amount of Electricity	80,000 MWh	0 MWh	40,000 MWh
Annual Number of CECs	80,000 CECs	0 CECs	60,000 CECs
Annual Package Price	\$80,000,000	\$10,000,000	\$40,000,000
	Bid. A – ERC 2	Bid. B – ERC 2	Bid. C – ERC 2
Annual Amount of Power	10 MW	10 MW	0 MW
Annual Amount of Electricity	40,000 MWh	0 MWh	20,000 MWh
Annual Number of CECs	40,000 CECs	0 CECs	30,000 CECs
Annual Package Price	\$40,000,000	\$5,000,000	\$20,000,000
Verify that the amounts and prices awarded to each Buyer are consistent with their Offers to Buy: the amounts awarded do not surpass the amounts of the Offers to Buy, and the prices of the packages awarded are not lesser in value to the Products awarded in each package, based on the prices of the Offers to Buy.			

3.4.5. Furthermore, when two or more Utilities Suppliers participate, their Offers to Buy shall be added together and the amounts selected in the Competitive Bid shall be awarded between these two suppliers proportionally, based on the Products demanded, using the following hierarchy: CECs, Power and Accumulated Electric Energy. Therefore, the amounts and prices awarded to a Utilities Supplier may not correspond to their Offers to Buy, mainly when there is a smaller Utilities Supplier whose requirements differ from those requirements of a larger Utilities Supplier.

Example

In a Competitive Bid, Offers to Sell have been selected from three Bidders:

	Bidder A	Bidder B	Bidder C
Annual Amount of Power	30 MW	30 MW	0 MW
Annual Amount of Electricity	120,000 MWh	0 MWh	60,000 MWh
Annual Number of CECs	120,000 CECs	0 CECs	90,000 CECs
Annual Package Price	\$120,000,000	\$15,000,000	\$60,000,000

Two Utilities Suppliers (SSB 1 and SSB 2) are participating with the following Offers to Buy (it must be pointed out that the Offers to Buy from both Utilities Suppliers have no relationship between each other):

	SSB 1	ERC 2
Annual Amount of Power	40 MW	10 MW
Power Price	\$1,300,000	\$1,000,000
Annual Amount of Electricity	200,000 MWh	0 MWh
Electricity Price	\$800	\$0
Annual Number of CECs	200,000 CECs	100,000 MWh
Price of CECs	\$350	\$300

The amounts and prices between participants shall be awarded proportionally to the number of CECs that each Buyer offered to buy, which results in the following awards:

	Bid. A – SSB 1	Bid. B – SSB 1	Bid. C – SSB 1
Annual Amount of Power	20 MW	20 MW	0 MW
Annual Amount of Electricity	80,000 MWh	0 MWh	40,000 MWh
Annual Number of CECs	80,000 CECs	0 CECs	60,000 CECs
Annual Package Price	\$80,000,000	\$10,000,000	\$40,000,000
	Bid. A – SSB 2	Bid. B – SSB 2	Bid. C – SSB 2
Annual Amount of Power	10 MW	10 MW	0 MW
Annual Amount of Electricity	40,000 MWh	0 MWh	20,000 MWh
Annual Number of CECs	40,000 CECs	0 CECs	30,000 CECs
Annual Package Price	\$40,000,000	\$5,000,000	\$20,000,000

In this case, it is verified that the amounts and prices awarded to each Buyer are not consistent with their offers: the amounts awarded surpass the amounts of the Offers to Buy, and the prices of some packages awarded are greater in value to the Products awarded in each package, based on the prices of the offers to buy from SSB 2.

3.4.6. Due to the possibility that small Utilities Suppliers cannot satisfy its needs in a Competitive Bid in which other larger Utilities Suppliers are participating, any Utilities Supplier that represents at least 20% of the total energy consumption of the Utilities on a national level may request that the CENACE conduct a specific Competitive Bid to meet their needs and the CENACE shall respond to this request within the following 10 business days. In this Competitive Bid, other Utilities Suppliers may not participate but other Load Serving Entities may, once they are in conditions to operate a Clearing House.

3.5 Special Purpose Entity

3.5.1. Bidders who choose to not incorporate a Special Purpose Entity to execute contracts in the event of being awarded them, shall indicate this in their Offer to Sell and specify who shall be the partners and shareholders comprising this company and how the capital stock of the company will be distributed.

3.5.2. Special Purpose Entities shall comply with the requirements mentioned below, as well as those requirements established in the Bidding Terms:

- a) Have their corporate domicile in Mexico;
- b) Duly incorporated in accordance with applicable Mexican law;
- c) To be incorporated 25 calendar days following the date of the contract award at the latest; and,
- d) Their corporate purpose shall be to carry out the activities that are considered necessary as a consequence of the objectives of the awarded Contract or Contracts.

3.5.3. When it is the Specific Purpose Entity who executes a contract or contracts awarded to the Bidder, this entity shall assume joint liability with the Bidder with regard to the obligations of the latter assumed in the Competitive Bid with regard to the Offers to Sell associated with these Contracts.

3.5.4. The Bidding Terms shall establish the applicable commitment conditions to the control change in the change and participation of the capital stock of the Special Purpose Entities that are incorporated, if applicable, in order to safeguard the interests of the Buyers.

3.6 Conflict of Interest

3.6.1. No person who has participated in the development of this Market Practices Manual, under direct or indirect compensation by the Secretary, the CRE or the CENACE, may participate as an employee or contractor of any Bidder in the course of the Offers to Sell during the subsequent nine months of its publication.

3.6.2. No person who has participated in the development of the Bidding Terms for a Competitive Bid, under direct or indirect compensation by the Secretary, the CRE, or the CENACE may participate as an employee or contractor of any Bidder in the course of the Offers to Sell in the Competitive Bid in question. As of the creation of the Clearing House, these people may also not participate in the development of the Offers to Buy in each Competitive Bid.

3.6.3. The Secretary, the CRE, and the CENACE shall published the list of individuals who meet the conditions of the previous paragraphs no later than five business days after the publication of the respective Bidding Terms.

3.6.4. Each financial bid of the Offers to Sell shall include a statement under affirmation, signed by the legal representative of the Bidder, which states that the individuals identified by the Secretary, the CRE, or the CENACE in accordance with paragraph 3.6.3., had no participation as employees or contractors.

3.6.5. As of the creation of the Clearing House, each Offer to Buy shall include a statement under affirmation, signed by the legal representative of the Potential Buyer which states that in the development of said Offer to Buy the individuals identified by the Secretary, the CRE, and the CENACE in accordance with paragraph 3.6.3., had no participation as employees or contractors.

CHAPTER 4

Contracts Awarded through Competitive Bids

4.1 Contract Template

4.1.1. The Bidding Terms for each Competitive Bid shall contain the Contract template that the CENACE will use to prepare the Contracts that shall be executed by the Potential Buyers and the Bidders that have been awarded these contracts, or each of these and the Clearing House.

4.1.2. The foregoing templates shall comply with the Law, its Regulations, the Electronic Market Terms, and this Manual, as well as, if applicable, the Operational Guide of the Clearing House.

4.2 Allowed Adjustments after Bidding

4.2.1. Prior to the offered start date, the Bidders may adjust the interconnection points of the Power Plants in the Competitive Bid, provided that the new interconnection points remain in the Generation Areas and the Power Area referred to in the technical bid of the Offers to Sell.

4.2.2 Prior to the start of the contract term, the Vendor shall ratify the specific Power Plants that will produce the Accumulated Electric Energy in the exact percentage of production for each Power Plant that will be committed to Accumulated Electric Energy. These percentages shall correspond to the percentages included in the Offer to Sell, but substitutions shall be allowed in the case referred to in the previous paragraph. The Power Plants and percentages shall be included in the Contract. These percentages shall be used to determine the amounts of Produced Energy every hour under the Contract terms.

4.2.3. A Vendor of intermittent clean sources that has committed Accumulated Electric Energy in the Contract may increase the generation capacity included in the Contract by adding new Power Plants and with a committed percentage or by increasing the committed percentages of the Power Plants already included in the Contract, once per year and complying with the following requirements:

- a) The new Power Plants must be interconnected in the same Generation Areas as the original Offer to Sell.
- b) The Vendor shall notify the Buyer four months in advance of the change.
- c) The changes may only be recorded as of the anniversary date of the commencement of the contract.
- d) In the 12 months prior to the notice of the change, the Vendor must have had a deficient amount of Accruable Energy, or a must present an expert opinion supporting the expectation of a deficit. In both cases, the deficit must be greater or equal to the expected generation in the capacity to be added.

4.2.4. The change in the generation capacity must be recorded in an amendment agreement and shall become effective four months after notification to the Buyer, provided that the requirements established in the previous paragraph are met.

4.3 Term

4.3.1. The term of the Contracts that are awarded through the Competitive Bids shall begin as of the moment they are signed, and shall include:

- a) The obligations of providing Power or Accumulated Electric Energy will have a term of 15 years, as of the Offered Commercial Operation Date;
- b) The obligations to provide CECs will have a term of 20 years as of the Offered Commercial Operation Date, notwithstanding the provisions of paragraph 4.4.2(c).

4.4 Commercial Operation Date

4.4.1. The respective Bidding Terms shall establish a Standard Commercial Operation Date for those Contracts awarded through a Competitive Bid, which shall be the first of January of the third calendar year following the publication date of the Invitation. However, if the receiving date of Offers to Sell occur in the calendar year following the publication date of the Invitation, the Standard Commercial Operation Date shall be two years after receiving date of Offers to Sell.

Example

If the Invitation is published in October 2015 and the Offers to Sell received on December 15, 2015, the Standard Commercial Operation Date for those Contract shall be January 1, 2018.

If the Invitation is published in October 2015 and the Offers to Sell are received on February 22, 2016, the Standard Commercial Operation Date for those Contract shall be February 22, 2018.

4.4.2. In order to allow for a certain margin to develop projects and for the construction of works associated with the contracts that are awarded through the Competitive Bids, those who submit Offers to Sell may specify an Offered Commercial Operation Date other than the Standard Commercial Operation Date, subject to the following conditions:

- a) The Offered Commercial Operation Date shall be unequivocally stated as a part of the documentation submitted in the respective technical bid of the Offer to Sell in the event of a technical bid of an Offer to Sell does not include an Offered Commercial Operation Date, the Standard Commercial Operation Date shall be applied.
- b) The Offered Commercial Operation Date may be up to one year before or two years after the Standard Commercial Operation Date. The Bidders may submit Offers to Sell for any date within these limits.
- c) In the event that the Offered Commercial Operation Date is before the start date for the granting and requirements of CECs in terms of the guidelines issued by the Secretary, the respective contract shall not include contractual obligations to deliver CECs or to make associated payments in the previous in the period prior to this last date. For purposes of appraising the CECs separately and making the respective reduction in payments for this., The specific estimated price established in Section 4.5.5 shall be used.
- d) An Offered Commercial Operation Date shall be considered normal when it is within the six months before or after the Standard Commercial Operation Date. All other Offered Commercial Operation Dates shall be considered abnormal.

4.4.3. In the event of a delay attributable to a breach by any federal, state, or municipal government authority, any Transporter or any Distributor or even the CENACE itself, as well as the unexpected adjustments to the interconnection process referred to in the following subparagraph (d) shall allow the Vendor to adjust its Offered Commercial Operation Date. These adjustments shall only be allowed when the breach or adjustment directly prevents the Vendor from allowing the Power Plants to commence their commercial operation and only during the time of breach or adjustment. For these purposes:

- a. Delays in the launch of parts of the National Transmission Network or the General Distribution Networks under its responsibility required for the delivery of the Products referred to in the Competitive Bids shall be considered attributable to the Transporters or Distributors.

- b. As an exception to the previous paragraph, delays in transmission or distribution works shall not be considered attributable to the Transporters or Distributors when the Vendors or other third parties are responsible for the entire execution, even when there are commitments so that these works are included in the National Transmission Network or the General Distribution Networks, or when they have been contracted to the Transporters or Distributors to perform activities associated with their execution.
- c. Failure to meet the maximum required time periods by provisions that govern the interconnection analysis process under its responsibility shall be attributable to the CENACE.
- d. The following cases are considered unexpected adjustments to the interconnection process for purposes of paragraph 4.4.3. When these cases occur, the adjustments to the Offered Commercial Operation Date referred to in paragraph 4.4.3 shall be allowed. Furthermore, in the case of early termination of the Contract that results directly from these cases, the Buyer shall not charge the associated guarantee:
 - i. When the interested party has requested that the CENACE to include the interconnection of the Power Plant in the planning expand expansion process of the NES, and
 - (A) the CENACE includes the works required for the interconnection of said Power Plant in the program proposal sent to the Secretary in Terms in terms of Article 9 of the Regulations to the Law before the reception date of the financial bids of the Offers to Sell of the respective Competitive Bid; and
 - (B) these works are not included in the Development Program of the National Electric System, or that are included in a date of 6 or more months after the original date proposed by the CENACE.
 - ii. When the interested party has requested to the CENACE to perform an individual interconnection process for the Power Plant and for that they have requested that some interconnection studies be conducted in terms of the Public Service of Electricity Law, and
 - (A) The interested party receives the results from the indicative study or the pre-feasibility study prior to the submission of the financial bid of the Offer to Sell in the Competitive Bid.
 - (B) The interested party requests an impact study on the system or the feasibility study for the interconnection of the Power Plant, in compliance with all requirements and associated payments, prior to the submission of the financial bid of the Offer to Sell in the Competitive Bid.
 - (C) After the submission of the financial bid of the Offer to Sell in the Competitive bid, the interested party receives the final results of the study on the facilities for the interconnection of the Power Plant or the decisive official notice, and the cost of the required infrastructure determined in this stage exceeds the cost of the estimated infrastructure in the individual interconnection process by amount greater than 200,000 IUs per MW of installed capacity. To verify compliance with this scenario, the Vendor shall submit an expert opinion to the Buyers regarding the costs of the facilities identified in both studies. In this case, the Buyers, represented by the Load-Serving Entity of greater participation in the Competitive Bid, may obtain a second expert opinion at its own cost in order to corroborate the conclusion of the first. If the second opinion is not consistent with the first, the CENACE shall obtain a third expert opinion the cost of which shall be charged to the Vendor and shall be definitive.
- e. The dismissal of an interconnection process due to a breach by the interested party shall not be considered attributable to the CENACE or an unexpected adjustment to the interconnection process.
- f. And adjustment to the Offered Commercial Operation Date shall be allowed in the case of a government authority failing to meet the required response times established by current law, with regard to an act required to operate the Power Plants. For these purposes, the adjustment shall be equal to the period of breach by the government authority.

- g. Adjusting the Offered Commercial Operation Date shall not be allowed in cases of delays in the other actions that are under the responsibility of the Vendor or in the case of surcharges for their realization.
- h. The Offered Commercial Operation Date may be adjusted many times as long as the conditions of breach or respective adjustments are submitted.
- i. In order to compensate for the increases in the respective risks of breach of Contract, it shall be indispensable that the Vendor increases the original amount of its Performance Bond by 2% for every month of delay in the Offered Commercial Operation Date, when the person responsible for the delay is a federal government authority, any Transporter, any Distributor or the CENACE.
- j. In order to compensate for the increases in respective risks in breach of the Contract, it shall be indispensable that the Vendor increases its Performance Bond by 5% of the original amount for each month of delay in the Offered Commercial Operation Date, when the person responsible is a state or municipal government authority.
- k. The maximum limit for extending the Offered Commercial Operation Date shall be three years. If there are conditions of breach or adjustment that allow for an extension of three years in the Power Plants are not in commercial operation once this period has lapsed. The Vendor may request the early termination of the Contract due to causes on attributable to the parties within 10 business days subsequent to when this time period has been completed. Once this time period has ended, the Vendor shall be considered as in breach of the new Commercial Operation Date and shall proceed with the provisions of paragraph 4.4.5.
- l. Furthermore, the Vendor may request the early termination of the Contract at any time, if there are conditions attributable to any federal, state, or municipal Government Authority, or any Transporter or any Distributor or the CENACE, that result in delays greater than six months, or in the case of unexpected adjustments to the interconnection processes in terms of the preceding paragraph (d). In this case, early termination shall be considered as not attributable to the parties.

4.4.4. The Power Plants that shall produce the Products sold in a Competitive Bid are not required to have an identical commercial operation date to the Offered Commercial Operation Date. If the Power Plants were operating before the Offered Commercial Operation Date, the Vendor may sell the production not related to the Contract or Contracts awarded in the Competitive Bid in the short-term markets or through other Contracts. If the Power Plants begin to operate after the Offered Commercial Operation Date, the Vendor may obtain Power or CECs in the short-term markets or through other Contracts to meet its contractual obligations; Accumulated Electric Energy that is lacking shall be liquidated in terms of this Manual. In the event the Vendor does not deliver the Power or CECs to the Buyer, the Vendor shall accept the obligation of delivering these instruments directly to the CRE.

4.4.5. In the event that the Power Plants are not in commercial operation on the Offered Commercial Operation Date the following shall apply:

- a) In order to compensate for the increases in risk regarding breach of contract the Bidder shall be required to increase its bid Bonds by 10% of the original amount for each month of breach of the Commercial Operation Date.
- b) A penalty of 5% of the monthly payment on the offered price shall apply during every month of breach.
- c) The total limit in the breach of the Offer Commercial Operation Date is two years. If the Power Plants are not in commercial operation after this time period, the contract shall be terminated early due to causes attributable to the Vendor. If the Offered Commercial Operation Date has been adjusted in terms of paragraph 4.4.3, the period of breach and the two-year limit shall be calculated as of the new Offered Commercial Operation Date.

4.4.6 Term 14.3.5(e) of the Electric Market Terms, in the event that the Power Plants are not in commercial operation on the Offered Commercial Operation Date, all balances that the Vendor must pay to the Buyers shall be paid by the Vendor during normal invoicing cycles.

Example

A Vendor with intermittent clean energy agrees to deliver 10,000 MWh of Accumulated Electric Energy each year beginning on January 1, 2018 and due to delays in construction, it didn't begin operations until July 2019. The contract price is \$10,000,000 pesos per year. At the end of 2018 is calculated that the average price for the missing energy is \$1,200 pesos per MWh, so the Vendor must make a reconciliation payment of \$12,000,000 pesos to the Buyer.

In 2018, the Buyer has not made any monthly payment because the Power Plant is not commercial operation. At the end of 2018 the net effect of the contract payment is calculated at \$10,000,000 pesos; the penalty is \$500,000 pesos and the reconciliation payment are \$12,000,000 pesos: the total results in the payment by the Vendor to the Buyer of \$2,500,000 pesos. This payment is made during the normal invoicing cycle.

4.4.7. In accordance with Term 14.3.5 (e) of the Electric Market Terms, if the Power Plants are not a commercial operation on the Offered Commercial Operation Date, any balance that the Buyers must pay to the Vendor shall be withheld by the Buyers and paid to the Vendor once the Power Plant becomes operational. The foregoing notwithstanding advance payments that will be disbursed in terms of the following paragraph.

Example

A Vendor with intermittent clean energy agrees to deliver 10,000 MWh of Accumulated Electric Energy each year beginning on January 1, 2018 and due to delays in construction, it didn't begin operations until July 2019. The contract price is \$10,000,000 pesos per year. At the end of 2018 is calculated that the average price for the missing energy is \$600 pesos per MWh, so the Vendor must make a reconciliation payment of \$6,000,000 pesos to the Buyer.

During the year, the Buyer has not made any monthly payment because the Power Plant is not commercial operation. At the end of the year, Lexington opulent the net effect of the contract payment is calculated at \$10,000,000 pesos, the penalty is \$500,000 pesos and the reconciliation payment is \$6,000,000 pesos: the total results in the payment by the Vendor to the Buyer of \$3,500,000 pesos. However, this payment will not be made during the normal invoicing cycle because the Power Plant is not operational. This payment shall be withheld until the Plant becomes operational, which in this example is July 2019.

4.4.8 When the Power Plants are not operational on the Offered Commercial Operation Date and the Vendor has complied with obligations to deliver CECs and Power, it may request the disbursement of a collateralized advance payment. The amount that the Vendor may receive shall be the lesser between:

- a) the market value of the Products delivered, based on the most recent Market results on the CECs operated by the CENACE or the Power Imbalance Market, as the case may be.
- b) The annual payment component attributable to the Products delivered, whose estimated specific prices shall be calculated in terms of paragraph 4.5.5.

Example

Vendor with intermittent clean sources agrees to deliver 10,000 CECs and 10,000 MWh of Accumulated Electric Energy each year beginning on January 1, 2018. However, due to delays in construction it did not begin operations until July 2019. The contract price is \$10,000,000 pesos per year. At the end of 2018, the Vendor performs its obligation to deliver 10,000 CECs, delivering the CECs acquired in the market. The price of the CECs is \$300 pesos per CEC in the CEC Market. Furthermore, the average price for the missing energy is \$600 pesos per MWh, so the Vendor must make a reconciliation payment of \$6,000,000 pesos to the Buyer.

During the year, the Buyer has not made any monthly payment because the Power Plant is not operational. At the end of the year the net effect of the contract payment of \$10,000,000 pesos will be calculated, the penalty of \$500,000 pesos and the reconciliation payment of \$6,000,000 pesos, which results in a payment by the Buyer to the Vendor for \$3,500,000. However, this payment shall not be made within the normal invoicing cycle, because the Power Plant is not operational.

The Generator requests disbursement of a collateralized advance payment, so the following calculations have been carried out:

- The market value of the CECs delivered is 10,000 times \$300 = \$3,000,000 pesos.
- The annual payment component attributable to the CECs is $\$10,000,000 * (20 * 10,000) / (20 * 10,000 + 40 * 10,000) = \$3,333,333$ pesos.

The amount that the Vendor may disburse is the lesser of the foregoing, \$3,000,000 pesos. The remaining balance, \$500,000 pesos, shall be withheld until the Plant enters into commercial operation, which in this example, is July 2019.

4.4.9. Collateralized advance payments shall be subject to the following conditions:

- a) Collateralized advance payments may only be disbursed after the CEC Market operated by the CENACE or the Power Imbalance Market is made, as the case may be.
- b) The collateralized advance payments may only be disbursed when the Generator has delivered all the CECs and Power that was committed during the respective year in the terms of the Contract.
- c) Delivery of the CECs is done through the respective registry operated by the CRE or the assumption of obligations before the CRE, so the delivery may be verified before or after the development of the CEC Market.
- d) Power shall be delivered through the Power Bilateral Transaction schedule, so delivery may only be verified before the development of the Power Imbalance Market.
- e) Accumulated Electric Energy provided from sources other than those Power Plants included in the contract is not permitted.

4.4.10. Commencement of commercial operations must be verified through a technical opinion signed by a verification or inspection unit, in accordance with Article 33(IV) of the Law, or its equivalent, which certifies that the Power Plants, and the percentages included in the Contract, have the capacity to provide the committed Products. In the case that the capacities only partially cover the amounts committed to in the contracts, the withholding of payments shall be in proportion to the value of the missing capacities. The value of the different Product shall be calculated in terms of paragraph 4.5.8.

4.5 Payment and Settlement

4.5.1. Annual payments resulting for each Contract shall equal the offered price for by each Bidder in its selected Bid or Offers to Sell, adjusted for inflation and the exchange rate in accordance with the provisions established in section 4.6.

4.5.2. Monthly payments shall equal one twelfth of the annual payment.

4.5.3. At the end of each year a payment or charge shall be made in accordance with the variances in volumes of Accumulated Electric Energy procured, pursuant to the provisions set forth in section 4.9.

4.5.4. If a package of Products selected are awarded to different Buyers, the charges made by the Vendor to each Buyer shall be in proportion to the percentage of the packet awarded to each Buyer. The amount of the charges made to each Buyer by the Vendor with regard to the package of Products offered shall be the price offered by that Vendor for that package of Products.

4.5.5. Even though annual payments are part of a package of Products, a specific estimated price for the Products shall be calculated separately for different reasons established in this Manuel. Specifically:

- a) In order to calculate specific estimated price per CEC, the following procedures shall be applied:
 - i. The annual price of the package shall be divided between the amount of (P times the amount of Power in WM per year included in the package, plus E times the amount of Accumulated Electric Energy in MWh per year included in the package, plus C times the number of CECs per year included in the package).
 - ii. The initial values of P, E, and C shall be 70,000, 40, and 20, respectively.
 - iii. The resulting amount from the calculations referred to in subparagraph (i) above shall be multiplied by sea in order to calculate the specific estimated price per CEC.
- b) The annual payment the last five years of the Contract shall be the specific estimated price per CEC multiplied by the number of CECs per year included in the package.
- c) In order to calculate the specific estimated price per MW of Power, the provisions established in subparagraphs (i) and (ii) of paragraph (a) above shall apply; the resulting amount of the calculations established in subparagraph (i) shall be multiplied by P in order to calculate the specific estimated price per MW of Power.
- d) In order to calculate the specific estimated price per MWh of Accumulated Electric Energy, the provisions set forth in the foregoing subparagraphs (i) and (ii) shall apply; the amount resulting from the calculation provided in subparagraph (i) shall be multiplied by E in order to calculate the specific estimated price per MWh of Accumulated Electric Energy.

Example

A Vendor offers a package of 1 MW of Power per year, 20,000 MWh of Accumulated Electric Energy per year and 19,000 CECs per year. This package has a total price of \$30,000,000 pesos per year, with payments indexed in pesos.

For purposes of simplicity in this hypothetical situation, suppose that the inflation of the dollar, inflation of the peso and the devaluation of the peso between the date bids were submitted and the Offered Commercial Operation Date was 0% so the Initial Factor (IF) is 1.00. Furthermore, suppose that inflation of the peso during the first 15 years of operation 0%, so the Monthly Factors for payments indexed to the peso for all previous months m ($F_{\text{A pesos}_m}$) are also 1.00.

Annual payment for each of the last five years is:

$$30,000,000 / (70,000*1 + 40*20,000 + 20*19,000) * 20*19,000 * 1.00 = \$9,120,000 \text{ pesos per year.}$$

4.5.6. The values of P, E, and C represent an expectation of the relative value for each Product, and they may be modified through a specific operational guide in order to maintain consistency with the prices observed in the Market for Power Balance, the Short-Term Energy Markets, and the CEC market; any adjustment shall be used only in those Competitive Bids subsequent to their issuance.

4.5.7. Payments and charges shall be made in pesos.

4.5.8. In order to calculate capacity value that is not become operational for purposes of paragraphs 4.4.7 and 4.4.10 the following concepts shall be added:

- a) The annual contact price divided by the amount of (P times the amount of Power in MW per year included in the package, plus E times the amount of Accumulated Electric Energy in MWh per year included in the package, plus C times the number of CECs per year included in the package), multiplied by P times the amount of Power in MW per year that is not become operational.
- b) The annual contact price divided by the amount of (P times the amount of Power in MW per year included in the package, plus E times the amount of Accumulated Electric Energy in MWh per year included in the package, plus C times the number of CECs per year included in the package), multiplied by E times the amount of Accumulated Electric Energy in MWh per year that is not become operational.
- c) The annual contact price divided by the amount of (P times the amount of Power in MW per year included in the package, plus E times the amount of Accumulated Electric Energy in MWh per year included in the package, plus C times the number of CECs per year included in the package), multiplied by E times the amount of Accumulated Electric Energy in MWh per year that is not become operational.

Example

A Vendor offers a package of one MW of Power per year, 20,000 MWh of Accumulated Electric Energy per year, and 19,000 CECs per year. This package has a total price of \$30,000,000 pesos per year.

In the first month of operations, only enough capacity as a become operational to produce 0.5 MW of Power per year, 10,000 MWh of Accumulated Electric Energy per year, and 10,000 CECs per year.

The value of the missing capacities is the sum of:

$$30,000,000 / (70,000*1 + 40*20,000 + 20*19,000) * 70,000*0.5 = \$840,000 \text{ pesos per year}$$

$$30,000,000 / (70,000*1 + 40*20,000 + 20*19,000) * 40*10,000 = \$9,600,000 \text{ pesos per year}$$

$$30,000,000 / (70,000*1 + 40*20,000 + 20*19,000) * 20*9,000 = \$4,320,000 \text{ pesos per year}$$

The total value of the missing capacities is \$14,760,000 pesos per year

Therefore, from the total payments of $\$30,000,000/12 = \$2,500,000$ pesos per month, $14,760,000/12 = \$1,230,000$ pesos per month will be withheld until the respective capacities become operational except to the extent that a collateralized advance payment is requested.

4.5.9. The CENACE shall maintain a record of the Market Participants that have acquired Long Positions and Short Positions in each type of contract.

4.5.10. The CENACE shall report the CEC contracts to the CRE, in order to facilitate the registry of the resulting transactions in the Registration, management, and withdrawal of Clean Energy Certificates System established by the CRE in order to avoid double accounting and ensure performance of the obligations in clean energy.

4.6 Adjustments for Inflation and Exchange Rate

4.6.1. Payments resulting from the Contracts awarded through the Competitive Bids shall be adjusted by the Utilities Suppliers or by the Clearing House, as the case may be, in observance of the provisions provided in this section.

4.6.2. Each Offer to Sell shall specify if the Bidder prefers payments to be indexed in dollars or in pesos. When evaluating Offers to Sell indexed in dollars, the Price Offered shall be converted to a price equal to the Offers to Sell indexed and in pesos. For this purpose, the following calculation shall apply:

$$\text{PrecioEquivalente} = \text{PrecioNominal} * \text{FactorDevEsp} * \text{FactorPrefPesos} \quad (1)$$

$$\text{FactorDevEsp} = \frac{\text{VPNINDEXDLS}}{\text{VPNINDEXPESOS}} \quad (2)$$

$$\text{VPNINDEXDLS} = \frac{\sum_{a=1}^{15} \frac{(1+\text{TasaDevEsp})^a * (\text{PorciónDlsNominal} + \text{PorciónDlsReal} * (1+id)^a) + (1+i)^a * \text{PorciónPesosRealID}}{(1+t)^a (1+i)^a}}{+ \text{pct20} * \frac{\sum_{a=16}^{20} \frac{(1+\text{TasaDevEsp})^a * (\text{PorciónDlsNominal} + \text{PorciónDlsReal} * (1+id)^a) + (1+i)^a * \text{PorciónPesosRealID}}{(1+t)^a (1+i)^a}}{(3)}$$

$$\text{VPNINDEXPESOS} = \sum_{a=1}^{15} \frac{\text{PorciónPesosNominal} + (1+i)^a * \text{PorciónPesosRealIP}}{(1+t)^a (1+i)^a} + \text{pct20} * \sum_{a=16}^{20} \frac{\text{PorciónPesosNominal} + (1+i)^a * \text{PorciónPesosRealIP}}{(1+t)^a (1+i)^a} \quad (4)$$

$$\text{TasaDevEsp} = \frac{(1+\text{TasaBONOS})}{(1+\text{TasaBONOSUSD}) * (1+\text{TasaEMBI})} - 1 \quad (5)$$

$$i = \frac{(1+\text{TasaBONOS})}{(1+\text{TasaUDIBONO})} - 1 \quad (6)$$

$$id = \frac{(1+\text{TasaBONOSUSD})}{(1+\text{TasaTIPS})} - 1 \quad (7)$$

$$\text{pct20} = \frac{C * \text{CantCEL}}{P * \text{CantPot} + E * \text{CantEn} + C * \text{CantCEL}} \quad (8)$$

Where:

<i>PrecioEquivalente</i>	the price with which an Offer to Sell indexed in dollars is evaluated in Competitive Bids in order to compare it to Offers to Sell indexed in pesos. Calculated in terms of equation (1).
<i>PrecioNominal</i>	The Offered Price when the Offer is indexed and dollars. Defined by the Bidder in its Offer to Sell.
<i>FactorDevEsp</i>	The ratio between the expected cost of an Offer to Sell indexed in dollars and an Offer to Sell indexed in pesos. Calculated in terms of equation (2).
<i>FactorPrefPesos</i>	A factor reflecting the preference of the Buyer to make its payments in the same currency in which it receives its income. This shall be set at 1.01, unless adjusted through a Market Operational Provision.
<i>PorcionDlsNominal</i>	The part of the annual payment that will be indexed at the exchange rate of the dollar without an adjustment due to inflation (for offers indexed at the dollar). Represents the part of the total costs of a clean Power Plant financing dollars and corresponding to fix payment financing. In accordance with the equation established in paragraph 4.6.4, this value is 0.7.
<i>PorcionDlsReal</i>	The part of the annual payment that will be indexed at the exchange rate of the dollar with an additional adjustment due to inflation of the dollar (for offers indexed at the dollar). It represents the part of the total cost of a clean Power Plant financed in dollars and corresponds to imported inputs for operation and maintenance. In accordance with the equation established in paragraph 4.6.4, this value is 0.2
<i>PorcionPesosNominal</i>	The part of the annual payment that will be indexed at the exchange rate of the peso without an adjustment due to inflation (for offers indexed at the pesos). It represents the part of the total costs of a clean Power Plant financed in pesos and corresponding to fix payment financing. In accordance with the equation established in paragraph 4.6.5, this value is 0.7.
<i>PorcionPesosReallp</i>	The part of the annual payment that will be adjusted only for inflation of the peso (for offers indexed in pesos). It represents the part of the total costs of a clean Power Plant financed in dollars that corresponds to inputs for operation and maintenance. In accordance with the equation established in paragraph 4.6.5, this value is 0.3
<i>VPN_{INDEXDLS}</i>	The present net value in nominal pesos of an Offer to Sell with the price of one peso per year indexed in dollars. Calculated in terms of equation (3).
<i>VPN_{INDEXDLS}</i>	The present net value in nominal pesos of an Offer to Sell with the price of one peso per year indexed in pesos. Calculated in terms of equation (4).
<i>t</i>	The real Social Discount Rate published by the Secretary of the Treasury and Public Credit currently in effect five business days before receiving the Offers to Sell. Currently at 10%
<i>i</i>	The annual expected inflation rate in Mexico, calculated in terms of equation (6).
<i>id</i>	The annual expected inflation rate in the United States, calculated in terms of equation (7).
<i>TasaBONOS</i>	The yield rate for the Development Bond of the Federal Government (BONDS) with the 10-year fixed interest rate. In the most recent competitive bid for BONDS reported by the Bank of Mexico, until five business days before receiving Offers to Sell.
<i>TasaBONUSUSD</i>	The yield rate on the Bond of the Federal Government of the United States with the 10-year fixed interest rate, on the closest date to the BONDS

	Competitive Bid, in accordance with the closing price of the Chicago Board Options Exchange, five business days before receiving the Offers to Sell.
TasaEMBI	The Country Risk index for Mexico entitled “Emerging Markets Bonds Index” (EMBI), prepared by J.P. Morgan on the closest date to the BONDS competitive bid.
TasaUDIBONO	The real yield rate of the Udibono at 10 years, in the most recent Udibonos competitive bid reported by the Bank of Mexico until five business days before receiving Offers to Sell.
TasaTIPS	The real yield rate on the Treasury Inflation Protected Securities at 10 years, on the closest date to the BONDS competitive bid, in accordance with the “Daily Treasury Real Yield Curve Rates) published by the Department of the Treasury of the United States of America, five business days before receiving Offers to Sell.
pct20	The percentage of the total payment for years 1-15 that will be made in years 16-20 calculated in terms of equation (7).
CantPot	The amount of Power in MW per year included in the Offer package.
CantEn	The amount of Accumulated Electricity in MWh per year included in the Offer package.
CantCEL	The number CECs per year included in the Offer package.
P, E, and C	Constants with the values defined in paragraph 4.5.5(a)(ii).

Example

If Bidder offers a package of 10,000 MWh of Accumulated Electric Energy per year and 10,000 CECs per year, and the Offer Price is \$10,000,000 pesos per year indexed in dollars:

At the moment the Offers are evaluated, the market values are as follows:

TasaBONOS	=	6.07% (data from September 3, 2015)
TasaBONOSUSD	=	2.17% (data from September 3, 2015)
TasaEMBI	=	6.2.25% (data from September 3, 2015)
TasaUDIBONO	=	3.00% (data from August 13, 2015)
TasaTIPS	=	0.64% (data from September 3, 2015)

The following values are calculated:

$$\text{Pct20} = 10,000 \times 20 / (10,000 \times 40 + 10,000 \times 20) = 33.33\%$$

$$i = 1.0607 / 1.0300 - 1 = 2.98\%$$

$$id = 1.0217 / 1.0064 - 1 = 1.52\%$$

$$\text{TasaDevEsp} = 1.0607 / (1.0217 \times 1.0225) - 1 = 1.53\%$$

$$\text{VPN}_{\text{INDEXPESOS}} = 6.741 + 0.3333 \times 0.649 = 6.957$$

$$\text{VPN}_{\text{INDEXDLS}} = 7.170 + 0.3333 \times 0.769 = 7.427$$

$$\text{FactorDevEsp} = 7.427 / 6.957 = 1.0674$$

$$\text{PrecioEquivalente} = 10,000,000 \times 1.0674 \times 1.01 = \$10,780,947 \text{ Pesos}$$

Therefore, the Offered Price of \$10,000,000 per year indexed in dollars shall be evaluated at the tentative Bid as if it were in Offered Price of \$10,780,947 pesos per year indexed in pesos.

4.6.3. The Offered Price on Offers to Sell that have been selected in the Competitive Bids and formalized through the respective Contract shall be adjusted by applying the same initial factor reflecting the variations in the peso/dollar exchange rate between the date on which the Offer has been received by the CENACE and the Offered Commercial Operation Date. This adjustment is to preserve the real value of this Offer. Said adjustment applies both to the Offers to Sell indexed in dollars as those indexed in pesos, since it represents the changes in the initial costs of the project, which does not depend on the currency in which the Vendor chooses to finance the project. The calculation shall be done in accordance with the following formulas:

$$FI = (\text{FTC} \times 0.70) + (\text{FTC} \times \text{FIUS} \times 0.20) + (\text{FIMX} \times 0.10)$$

$$\text{FTC} = \frac{\text{TC}_{\text{FOC}}}{\text{TC}_0}$$

$$\text{FIUS} = \frac{\text{USPP}_{\text{FOC}}}{\text{USPP}_0}$$

$$\text{FIMX} = \frac{\text{INPP}_{\text{FOC}}}{\text{INPP}_0}$$

Where:

FI	Initial Factor.
FTC:	Exchange Rate Adjustment Factor during the construction stage.
FIUS:	Adjustment Factor due to Inflation in the United States during the construction stage.
FIMX:	Adjustment Factor due to Inflation in Mexico during the construction stage.
TC ₀ :	FIX peso/dollar exchange rate, payable in Mexico, published by the Bank of Mexico on the date five business days prior to the date the offers are received in the Competitive Bid.
TC _{FOC} :	Average FIX peso/dollar exchange rate, payable in Mexico, published by the Bank of Mexico throughout the month prior to the Commercial Operation date of the Offer to Sell.
USPP ₀ :	United States Producer Price Index to manufacture turbines and turbine set unit manufacturing, published by the U.S. Bureau of Labor Statistics (BLS Series ID PCU333611333611) five business days prior to the date offers of the Competitive Bid are received.

USPP _{FOC} :	United States Producer Price Index to manufacture turbines and turbine set unit manufacturing, published by the U.S. Bureau of Labor Statistics (BLS Series ID PCU333611333611) for the day prior to the Commercial Operation date of the Offer to Sell.
INPP ₀ :	National Producer Price Index (INPP) without oil and with services, published by the National Statistics and Geography Institute (INEGI), five business days prior to the date offers of the Competitive Bid are received.
INPP _{FOC} :	National Producer Price Index (INPP) without oil and with services, published by the National Statistics and Geography Institute (INEGI), for the day prior to the Commercial Operation date of the Offer to Sell.

For every month after the Offered Commercial Operation Date a monthly adjustment factors shall apply.

4.6.4. The following adjustment factor shall be applied to those offers that have chosen payments indexed in dollars, due to variations in the peso/dollar exchange rate and inflation indexes in Mexico and the United States.

$$FAdls_m = (FTC_m \times 0.70) + (FTC_m \times FIUS_m \times 0.20) + (FIMX_m \times 0.10)$$

4.6.5. The following adjustment factor shall be applied to those offers that have chosen payments indexed in pesos, due to inflation indexes in Mexico:

$$FApesos_m = 0.70 + (FIMX_m \times 0.30)$$

4.6.6. For purposes of the formulas stated in paragraph 4.6.4 and 4.6.5, the following definitions and formulas will be used.

$$FTC_m = \frac{TC_{m-1}}{TC_{m-2}}$$

$$FIUS_m = \frac{USPP_{m-1}}{USPP_{m-2}}$$

$$FIMX_m = \frac{INPP_{m-1}}{INPP_{m-2}}$$

Where:

FAdls _m :	Monthly factor for payments indexed in dollars, for the month m.
FApesos _m :	Monthly factor for payments indexed in pesos, for the month m.
FTC _m :	Exchange Rate Adjustment Factor, for the month m.
FIUS _x :	United States Inflation Adjustment Factor, for the month m.
FIMX _x :	Adjustment Factor for Inflation in Mexico, for month m.
TC _x :	The average FIX peso/dollar exchange rate, payable in Mexico, published by the Bank of Mexico everyday throughout the month of reference x.
USPP _x :	United States Producer Price Index to manufacture turbines and turbine set unit manufacturing, published by the U.S. Bureau of Labor Statistics (BLS Series ID PCU333611333611) for the month of reference x.

INPP _x :	National Producer Price Index (INPP) without oil and with services, published by the National Statistics and Geography Institute (INEGI), for the month of reference x.
m :	Month of adjustment.
m-1 :	The month prior to the month of adjustment
n-2:	Two months prior to the month of adjustment

4.6.7. The Initial Factor defined in paragraph 4.6.3 and the Monthly Factors defined in paragraph 4.6.4 and 4.6.5 are cumulative, and as a result each monthly payment shall be adjusted by the sum of the Initial Factor and all Monthly Factors for the month of payment and all previous months.

Example

On March 18, 2016, the CENACE received an Offer to Sell from Bidder A which resulted in being selected in the Competitive Bid and whose Offered Price was \$20,000,000 pesos per year indexed in dollars. The offered commercial operation date is June 1, 2018.

Bidder A (now Vendor A) will obtain a monthly initial payment equal to its Offered Price adjusted by the initial factor divided by 12 (months).

Peso/dollar exchange rate five business days before receiving the offers to sell at:

March 11, 2016: $TC_0 = 16.8000$ peso/dollar

Average peso/dollar exchange rate in the month prior to the Offered Commercial Operation Date:

May 31, 2018: $TC_{FOC} = 18.000$ peso/dollar

United States Producer Price Index 5 business days prior to the receipt date of offers:

March 11, 2016 (data for March 2016): $USPP_0 = 140$

United States Producer Price Index the day before the offered commercial operation date:

May 31, 2018: (data for May 2018) $USPP_{FOC} = 144$

Mexican National Producer Price Index 5 business days prior to the receipt date of offers:

March 11, 2016 (data for March 2016): $INPP_0 = 180$

Mexican National Producer Price Index the day before the offered commercial operation date:

May 31, 2018: (data for May 2018) $INPP_{FOC} = 190$

$$FI = 0.7 * \frac{18.000}{16.800} + 0.2 * \frac{18.000}{16.800} * \frac{144}{140} + 0.1 * \frac{190}{180} = 1.0760$$

Monthly Initial Payment for June 2018 (PIM):

$$PIM = \frac{(20,000,000) \times (1.0760)}{12} = \$1,793,273 \text{ pesos}$$

In July 2018, the average monthly exchange rate for the adjustments is:

N: July 2018, month of adjustment

n-1: June 2018

n-2: May 2018

Average peso/dollar exchange rate, month n-1:

June 2018 average: $TC_{n-1} = 17.9000$ peso/dollar

Average peso/dollar exchange rate, month n-2:

May 2018 average: $TC_{n-2} = 17.8000$ peso/dollar

United States Producer Price Index, month n-1:

June 2018: $USPP_{n-1} = 145$

United States Producer Price Index, month n-2:

May 2018: USPP_{n-2} = 144

Mexican National Producer Price Index, month n-1:

June 2018: USPP_{n-1} = 191

Mexican National Producer Price Index, month n-2:

May 2018: USPP_{n-2} = 190

Adjustment factor for payments indexed in dollars applicable to the July 2018 payment:

$$FAdls_{jul18} = 0.7 * \frac{17.9000}{17.8000} + 0.2 * \frac{17.9000}{17.8000} * \frac{145}{144} + 0.1 * \frac{191}{190} = 1.00698$$

July 18 monthly payment (PM)

$$PM_{jul18} = 1,793,273 \times 1.00698 = \$1,805,789 \text{ pesos}$$

4.7 Delivery Conditions

4.7.1. Transfer of Financial Liability of the Accumulated Electric Energy

Each Vendor and Buyer shall schedule a Financial Bilateral Transaction in the Real Time Market through the CENACE, whereby the respective financial liability on the electric Energy Produced at the interconnection point of the Power Plant is transferred to the Buyer. In this regard, the following procedures shall be observed:

- a) The first Financial Bilateral Transaction shall be scheduled before the deadline for its inclusion in the first cycle of payments, in terms of the Payments Manual for the Wholesaler Electric Market. The Vendor may use estimate measures or based on secondary sources if these dates the use of the main meter cannot be used, in terms of the Meter Manual for Invoicing.
- b) The amount scheduled before the deadline for its inclusion in the subsequent payment cycles shall be adjusted, based on updated measurements of energy provided by each Power Plant multiplied by the percentage of each unit included in the contract.
- c) Scheduling intervals shall be the intervals used for payments in the Real Time Market.
- d) Financial Bilateral Transactions shall not be scheduled at specific hours (or in specific intervals of each hour, if the Real Time Market uses shorter intervals) when the Local Marginal Price at real time in the interconnection point has been negative at the respective hour or interval.
- e) If the Financial Bilateral Transactions are scheduled in hours or intervals and it is subsequently determined that the Local Marginal Price has been negative, the amount scheduled shall be adjusted to zero in the next payment cycle.
- f) Calculating adjusted payments and reconciliation payments shall be based on the energy scheduled for Financial Bilateral Transactions, known as the Energy Produced. In the event of adjustments in these amounts after adjustment payments or reconciliation payments have been made, the adjustment payments or the reconciliation payments shall be recalculated based on the corrected data and the respective correction payments shall be made.
- g) Interest or penalties will not be charged for the amounts scheduled that subsequently require adjustment, except in those cases of negligence or malice.

4.7.2. Property Transfer of Power

- a) Prior to the deadlines established in the Power Balance Market Manual, each Vendor and Buyer shall schedule a Bilateral Power Transaction in order to transfer Power between each other.

4.7.3. Property Transfer of the CECs

- a) Prior to the deadlines for the delivery periods of CECs, each Vendor and Buyer shall schedule a transfer of the CECs through the procedures established by the CRE for the Registration, Management, and Withdrawal of Clean Energy Certificates System.
- b) In the event that the Vendor does not possess the CECs it is required to transfer, it shall notify the CRE via the Registration, Management, and Withdrawal of Clean Energy Certificates System or other mechanisms established by the CRE, that it has assumed the respective obligation to deliver the CECs.

4.7.4. Delivery Date other than January 1

When the Offered Commercial Operation Date is not the first day of each year, all annual charges referred to herein shall occur based on calendar years. The number of Products committed in the first and last year of the contract shall be adjusted to the following:

- a) the year in which the commercial operation occurs shall be referred to as year “1,” and so the last year of obligations on Accumulated Electric Energy and Power shall be the year “16” in the last year of obligations of the Clean Energy Certificates shall be referred to as year “21.”
- b) The obligation to deliver Power shall be determined at the close of these years shall be the amount of Power offered for each year in the respective package, adjusted by the number of critical hours that occurred in the respective interconnected system during the term of the contract for that year with regard to the number of total critical hours of the same year. Calculating the obligation to deliver Power for the first and last year of the contract shall be done in accordance with the following formula:

$$OP_a = \frac{P \times HCVC_a}{HC_a}$$

Where:

OP_a	The obligation to provide Power for the year a (MW).
P	The amount of Power offered (MW).
$HCVC_a$	The number of critical hours of the respective interconnected system during the term of the Contract in year a.
HC_a	The number of critical hours of the respective interconnected system for year a; it has a value of 100 in accordance with the Electric Market Terms published in the Federal Daily Gazette on September 8, 2015.

Example

If the Offered Commercial Operation Date is June 1, 2018, and the Offer to Sell involves delivering 20 MW of Power per year, the delivery obligations of Power for the first and last year of the contract shall be:

For the first year of the contract (2018), suppose there were 70 critical hours as of June 1:

$$HCVC_1 = 70 \text{ critical hours from June 1 to December 31, 2018}$$

$$PO_1 = 20 \text{ MW} \times 70 \text{ Hours} / 100 \text{ hours} = 14 \text{ MW}$$

For the last year of the contract (2033), supposed that 18 critical hours occurred prior to June 1:

$$HCVC_{16} = 18 \text{ critical hours from January 1 to May 31, 2033}$$

$$PO_{16} = 20 \text{ MW} \times 18 \text{ Hours} / 100 \text{ hours} = 3.6 \text{ MW}$$

- c) The obligation to deliver Accumulative Electric Energy shall be the amount of Accumulative Electric Energy offered for each year in the respective package, adjusted for the number of days of the contract term of that year with regard to the total number of days of that same year. Calculating the delivery obligation of Accumulative Electric Energy for the first and last contract year shall be done with the following formula:

$$OEEA_a = \frac{EEA \times \text{DíasVC}_a}{\text{Días}_a}$$

Where:

$OEEA_a$ is the obligation to deliver Accumulative Electric Energy for year a (MWh)
 EEA is the amount of Accumulative Electric Energy offered (MWh)
 DíasVC_a are the days the Contract is in effect in year a.
 Días_a are the days in year a

Example

If the Offered Commercial Operation Date is June 1, 2018, and the Offer to Sell includes deliver of 40,000 MWh of Accumulative Electric Energy per year, the obligations to deliver Accumulative Electric Energy for the fraction of the first year and the residual fraction of the last year are as follows:

For the first year of the contract (2018):

$\text{DíasVC}_1 = 214$ days (June 1 to December 31, 2018)

$\text{Días}_1 = 365$ days in the year 2018

$$OEEA_1 = 40,000 \text{ MWh} \times 214 \text{ days} / 365 \text{ days} = 23,452.05 \text{ MWh}$$

For the final year of the contract (2033):

$\text{DíasVC}_{16} = 151$ days (January 1 to May 31, 2018)

$\text{Días}_{16} = 365$ days in the year 2018

$$OEEA_{16} = 40,000 \text{ MWh} \times 151 \text{ days} / 365 \text{ days} = 16,547.95 \text{ MWh}$$

- d) The obligation to deliver CECs shall be the number of CECs offered for each year in the respective package, adjusted for the number of days of the contract term of that year with regard to the total number of days of that same year. Calculating the delivery obligation of the CECs for the first and last contract year shall be done with the following formula:

$$OCELS_a = \frac{CELS \times \text{DíasVC}_a}{\text{Días}_a}$$

Where:

$OCELS_a$ is the obligation to deliver CECs for year a (number of CECs)
 $CELS$ is the number of CECs offered (number of CECs)

Example

If the Offered Commercial Operation Date is June 1, 2018, and the Offer includes deliver of 40,000 CECs per year, the obligations to deliver CECs for the first year and the last year are as follows:

For the first year of the contract (2018):

$DiasVC_1 = 214$ days (June 1 to December 31, 2018)

$Dias_1 = 365$ days in the year 2018

$$OCELS_1 = 40,000 \text{ CECs} \times 214 \text{ days} / 365 \text{ days} = 23,452 \text{ CECs}$$

For the final year of the contract (2038):

$DiasVC_{21} = 151$ days (January 1 to May 31, 2038)

$Dias_{21} = 365$ days in the year 2038

$$OEEA_{21} = 40,000 \text{ MWh} \times 151 \text{ days} / 365 \text{ days} = 16,548 \text{ CECs}$$

4.8 Vendor Performance Bonds

4.8.1 Vendors must ensure compliance with the obligations assumed in the Contracts awarded through Competitive Bids in accordance with the provisions of this manual and the Bidding Terms.

4.8.2 For Contracts in which the Vendor is required to deliver Power, Electrical Energy and CECs from plants that have not yet been built, the minimum amount of the Performance Bond that the Vendor shall give the Buyer and maintain will be calculated based on the following amounts:

- (a) 65,000 IUs per MW of Power offered by year, more
- (b) 30 IUs per MWh of Accumulative Electric Energy, plus
- (c) 15 IUs per each CEC offered per year.

4.8.3 The minimum amount of the Performance Bond referred to in the preceding paragraph shall be reduced to the percentages indicated in the extent to which the Vendor verifies to the Buyer that it has achieved the following milestones in the terms established by in contract:

- (a) 80% of the original minimum amount when having achieved financial closure for the construction of the Power Plants;
- (b) 70% of the original minimum amount when the reports issued in accordance with Section 4.10.1(a) suggesting that the start of operations of the Power Plants will take place before or on the Offered Commercial Operations Date; and,
- (c) 50% of the original minimum amount when the plants begin their commercial operation.

4.8.4 For Contracts in which the Vendor is required to deliver Power, Accumulative Electric Energy or CECs from Power Plants that are already in commercial operation, the minimum amount of the Performance Bond that must be provided by the Vendor to the Buyer shall be calculated based on the following amounts:

- (a) 32,500 IUs per MW of Power offered by year, more
- (b) 15 IUs per MWh of Accumulative Electric Energy any more
- (c) 7.5 IUs per each CEC offered per year.

4.8.5 The contract may provide for additional cases in which the minimum amount of the Performance Bond the Vendor needs to grant and maintain can be reduced to the extent that these reductions will enable the Buyer to have a liquid guarantee sufficient enough to cope with the failures that may be incurred by the Vendor. In addition, the contract may provide that the Performance Bond include certain rights for the Buyer on Power Plants included in the contract.

4.8.6 In the event of termination of the contract for reasons attributable to the Vendor, the Buyer may execute the Performance Bond to compensate any damage caused to the same or to cover any applicable penalties.

4.8.7 In the event of termination of the contract for reasons attributable to the Buyer or for reasons not attributable to the Vendor, the Buyer shall immediately release the Performance Bond granted by the Vendor.

4.9 Payment due to imbalances and penalties

4.9.1 Imbalances of Power

- (a) The amount of Power transferred at each Power Area shall be equal to that established in the contract for each Power Area. The Vendor will schedule a Bilateral Power Transaction for the set amount, regardless of the amount of Power produced in that year by plants included in the contract.
- (b) Through the Bilateral Transaction, the Vendor shall assume the Buyer's original obligation of acquiring the Power, by which, in the case of non-delivery or acquiring missing quantities, the Vendor will be in breach and will be responsible for the sanctions imposed by the CRE.
- (c) If the Power Areas are changed during the term of the contract, the obligation must be performed by the transfer of Power in the new Power Area that contains the node where the Power Plant registered in the contract is identified, without changing the interconnection point of the Power Plant and the payment of the Power committed to in the Contract.
- (d) If the Vendor produces more Power than the amount committed to in the Contract, the surplus shall be the property of the Vendor who may dispose of it in accordance with its interests.

4.9.2 Imbalances of Accumulative Electrical Energy for Intermittent Clean Sources Vendors

- (a) At the end of each year, the total Energy Produced will be compared with the total of Procured Power, and will give rise to the reconciliation payment to settle the value of this difference.
- (b) Since the Buyers will agree to buy the production of a Power Plant, the offers Accumulative Electrical Energy must be associated with one or several Power Plants. The Vendor must identify a fixed percentage of the production of each Power Plant which will be devoted to each Offer to Sell made on the Competitive Bid.
- (c) The Accumulative Electrical Energy may be delivered during any time of the year. The method for calculating the reconciliation payment due to annual imbalances shall be applied as follows:
 - (i) Deferred Energy is calculated by negative prices in the new year, this being the lesser of:
 - (A) The Energy Avoided at Negative Prices, and
 - (B) The contracted amount less the Energy Produced in the current year, when this value is positive.

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- (ii) Deferred Energy due to Negative Prices is calculated paid in the current year, being the lesser of:
 - (A) The balance of Energy Deferred due to Negative Prices at the end of the previous year, multiplied by 105%, and
 - (B) The Energy Produced minus the contracted amount in the current year, when this value is positive.
 - (iii) Calculate the energy balance of deferred by negative prices current at the end of the year, being the sum of:
 - (A) The balance of Energy Deferred due to Negative Prices at the end of the previous year, multiplied by 105%, more
 - (B) The new Deferred Energy due to Negative Prices in the current year, minus
 - (C) The Deferred Energy due to Negative Prices paid in the current year.
 - (iv) In the event that the Vendor has produced less Accumulative Electrical Energy than the contracted amount, there will be Deficient Generation. The contracted amount minus the Energy Produced minus the new Deferred Energy in the current year is the amount of generation. In the event that the Vendor has produced more Accumulative Electrical Energy than the contracted amount, there will be a number of Surplus Generation. The Energy Produced minus the amount contracted less Energy Avoided due to Negative Prices paid in the current year is the amount of Surplus Generation.
 - (v) For the payment of Deficient Generation, the Vendor will pay the Buyer the average Local Marginal Price of the Real Time Market during the year in question, in the corresponding interconnection point, multiplied by the amount of Surplus Generation.
 - (vi) For the payment of a Surplus Generation, the Buyer shall pay the Vendor the weighted average Local Marginal Price of the Real Time Market in accordance with the Accumulative Electrical Energy Produced in each hour throughout the year, at the corresponding interconnection point, minus the average value of the monthly adjustment payments made during the year. The result of this difference must be multiplied by the amount of Surplus Generation.
 - (vii) In the event that, at the end of the term of the contract with regard to the Accumulative Electrical Energy, the Vendor has a balance of Deferred Energy due to Negative Prices, the Vendor shall have the obligation to produce that energy, without receiving additional pay, immediately after that term. Therefore, both parties shall schedule Bilateral Financial Transactions to transfer to the Buyer the financial responsibility of the Energy Produced at the Power Plant, in the same percentage as applied during the term of the contract, to pay the total amount of Deferred Energy due to Negative Prices at the end of the year. While this balance has not been reduced to zero, the balance at the end of each year shall be multiplied by 105%, to pay it in the following year.
- (d) If at the end of any month, in accordance with the billing periods for each contract, there is a difference between the amount of Energy Produced and the 1/12 of the annual amount of Procured Energy, the Buyer shall retain the payments corresponding to the quantities deficit and advance payments relating to the quantities in surplus. For these purposes:
- (i) The allotment of the total monthly payment that corresponds to the Accumulative Electrical Energy with the following formula, using the terms defined in paragraphs 4.5.5 and 4.5.6:

$$PorciónEn = \frac{E * CantEn}{P * CantPot + E * CantEn + C * CantCEL}$$

- (ii) The unit payment attributable to each MWh of Accumulative Electrical Energy shall be estimated with the following expression:

$$\text{PagoUnitarioEn} = \frac{\text{PorciónEn} * \text{PagoTotal}}{\text{CantEn}}$$

- (iii) If a part of the payment has already been retained by the failure to begin commercial operation of capabilities in terms of paragraph 4.4.7, only the additional payments that correspond to the part of the Power Plant that is in commercial operation shall be retained.
- (iv) An accounting shall be made every month of the amount of energy deficit whose payment has been withheld and the amount of energy surplus for which payment has been made. In this regard:
- (A) If, at the end of the year, with a balance of payments withheld, the balance shall be paid to the Vendor during the calculation of the payment of annual imbalances by reconciliation. At the same time, the deficient energy will be paid in the terms of paragraph 4.9.2. The amount of deficient energy calculated on an annual basis shall be equal to the sum of the amounts of energy deficit whose payments were retained in each month.
- (B) If, at the end of the year, with a balance of payments, the balance will be charged to the Vendor during the calculation of the payment of annual imbalances by reconciliation. At the same time, the surplus energy will be paid in the terms of paragraph 4.9.2. The amount of surplus energy calculated on an annual basis shall be equal to the sum of the amounts of energy surplus whose payments were ahead in each month.

Example
Reconciliation Payment due to Imbalances in Accumulative Electric Energy

A Vendor offers a package of 1 MW of Power per year, 24,000 MWh of Accumulative Electric Energy per year and 12,500 CECs per year. The total price is \$30,000,000 pesos per year.

In January of the first year of operations, the Vendor delivers 1,500 MWh. The Energy deficit is 500 MWh, because 1/12 of the Procured Energy (2,000 MWh) shall be produced per month.

Based on the total payment, the part corresponding to the Accumulative Electric Energy is:

$$40 * 24,000 / (70,000 * 1) + (40 * 12,500) + (20 * 20,000) = 0.75$$

The Unit Price per MWh of energy is estimated as follows:

$$.75 * \$30,000,000 / 24,000 = \$937.5$$

In that same month, the Buyer retains the payments of the deficient amounts:

$$\$937.5 * 500 = \$468,750 \text{ pesos}$$

The total monthly payment of the contract is $\$30,000,000 / 12 = \$2,500,000$ pesos. In this example, the payment for the month of January will be \$3,031,250 pesos, a withheld balance of \$468,750 pesos.

**Example
Payment of Deficient Generation volumes**

Suppose that in a Competitive Bid, the Vendor is awarded a contract to generate 4200 MWh/year of Accumulative Electrical Energy in Price Area A and for simplification purposes, the factors and energy produced are the same each month and identical to the numbers in Table 1 (also shown in section 2.8.3):

Table 1: Schedule Adjustment Factors

	1	2	3	4	5	TOTAL
Schedule Adjustment Factor	\$15	\$5	(\$10)	(\$5)	(\$15)	
Energy Produced(MWh)	100	50	50	50	0	250

The Accumulative Electrical Energy produced in this year is 3,000 MWh (250 MWh*12 months). Given the contracted amount is 4,200 MWh, Vendor A has a deficit of 1,200 MWh. The Real Time Market prices are also identical each month and equal to those shown in Table 2:

Table 2: Real Time Market Prices (in Pesos)

	1	2	3	4	5	Average throughout the Year
Real Time Market Prices (\$/MWh)	\$700	\$650	\$600	\$500	\$800	\$650

At the end of the year, the Vendor will pay the Buyer the average Real Time Market Price for that particular year, per deficient unit of Accumulative Electrical Energy (1,200 MWh*\$650/MWh = \$780,000 pesos). At the same time, the Vendor will be credited the valance that has been retained throughout the year for the deficient amounts of energy. For example, if \$468,750 pesos had been retained during the year, the Vendor would only pay the difference: \$780,000 - \$468,750 = \$311,250 pesos.

**Example
Payment of Surplus Generation**

Now suppose that the Vendor's contract is for 1,800 MWh of Accumulative Electrical Energy instead of 4,200 MWh in the previous example. The remaining scenarios are maintained: Price Area, Schedule Adjustment Factors, Real Time Market prices and the energy produced per year.

	1	2	3	4	5	TOTAL
Schedule Adjustment Factor (\$/MWh)	\$15	\$5	(\$10)	(\$5)	(\$15)	
Generation(MWh)	100	50	50	50	0	250
Adjusted Payment (pesos)	\$1500	\$250	(\$500)	(\$250)	\$0	\$1,000

Just as in the previous example, the Accumulative Electrical Energy produced by Vendor A is 3,000 MWh. Since the contract is for 1,800 MWh, the Seller has a surplus of 1,200 MWh.

At the end of the year, the Buyer will pay the Vendor the weighted average price according to the Accumulative Electrical Energy produced each hour throughout the year for the total surplus volume. The weighted average price is calculated as follows:

	1	2	3	4	5	TOTAL
Real Time Market Price (\$/MWh)	\$700	\$650	\$600	\$500	\$800	
Generation(MWh)	100	50	50	50	0	250
Product (pesos)	\$70,000	\$32,500	\$30,000	\$25,000	\$0	\$157,000

Weighted average price: $\$157,000 / 250 = \630 pesos

Based on the above, the payment the Buyer makes is $1,200 \text{ MWh} * \$630/\text{MWh} = \$756,000$ Pesos. The balance of advance payments made during the year for the amounts of surplus energy will be subtracted from this. Furthermore, the Vendor will pay the Buyer the average of the monthly adjusted payments throughout the year ($\$1,000/250 \text{ MWh} = \$4/\text{MWh}$) multiplied by the surplus amount ($1,200 \text{ MWh} * \$4/\text{MWh} = \$4,800$ pesos).

4.9.3. Imbalances of Accumulative Electrical Energy for Sellers with secure clean sources

- (e) Vendors with secure clean resources shall schedule Bilateral Financial Transactions in each hour by the annual amount of energy divided by the number of hours in the year.
- (f) These Bilateral Financial Transactions to be scheduled regardless of the Power Plants included in the contract. Therefore, the payment of Electric Power imbalances accumulated from these sources is not required.

4.9.3 Imbalances of Clean Energy Certificates

- (a) The period of compulsory surrender of CECs will be annual. In the first week of the year following each year, the Vendor must inform the Buyer the number of CECs that delivered and must be scheduled in the system of registration, management and withdrawal of CECs.
- (b) The minimum number of CECs that the Vendor is required to transfer in each period is the sum of:
 - (i) The 88% of the number of CECs established in the contract for the period;
 - (ii) The whole of the obligations deferred two years prior; and,
 - (iii) The increments (interest) associated with the obligations deferred two years prior.
- (c) If the number of CECs referred to in subparagraph (b) above is not transferred, the Vendor shall assume the obligation of delivery of the CECs to the CRE and, in the event that does not fulfill this obligation through the presentation of the CECs directly to the CRE, it will be liable for the sanctions to be imposed by the Commission.
- (d) While the mandatory delivery period of CECs is annual, Vendors may choose to transfer CECs to Buyers prior to the end of the year, in order to avoid the retention of monthly payments, which is described below.
- (e) If at the end of any month, in accordance with the billing periods for each contract, there is a difference between the number of CECs delivered and 1/12 of the annual of CECs contracted, the Buyer shall retain the payments corresponding to the deficit and advance payments relating to the surplus. For these purposes:

- (i) The allotment of the total monthly payment that corresponds to CECs will be estimated with the following formula, using the terms defined in paragraphs 4.5.5 and 4.5.6:

$$\text{PorciónCEL} = \frac{C * \text{CantCEL}}{P * \text{CantPot} + E * \text{CantEn} + C * \text{CantCEL}}$$

- (ii) The unitary payment attributable to each CEC is deemed by the following expression:

$$\text{PagoUnitarioCEL} = \frac{\text{PorciónCEL} * \text{PagoTotal}}{\text{CantCEL}}$$

- (iii) If an allotment of the payment is retained by the failure to commence commercial capacity operations, in the terms of paragraph 4.4.7, additional payments will be retained only corresponding to the allotment of the plant that is in commercial operation.
- (iv) An account shall be kept each month of the deficit of CECs whose payment has been withheld and the amount of CECs surplus for which payment has been made. In this regard:
- (A) If, at the end of the year, there is a balance of payments withheld, the balance will be paid to the Vendor during the calculation of the payment of annual imbalances by reconciliation.
- (B) If, at the end of the year, there is a balance of payments, the balance will be charged to the Vendor during the calculation of the payment of annual imbalances by reconciliation.
- (f) A given number of CECs in excess of the amount contracted for that year will not be delivered in a given year plus any accumulated deficit from previous years. In the event that the Vendor generates a number of CECs greater than the contracted volume, they shall retain the property and may dispose of them at their convenience.
- (g) The Vendor may defer delivery to Buyers by up to 12% of the number of CECs contracted for each year, up to two years. The number of CECs to defer will increase by 5% for each year up to its delivery.
- (h) The CECs submitted in each year will be used in the following order of priority:
- (i) Payment of any obligation deferred two years ago, including the interest accrued by that obligation.
- (ii) Implementation of the first 88% of minimum obligations applicable to the current year.
- (iii) Deferred payment of any obligation one year back, including the interest accrued by that obligation.
- (iv) Compliance with the last 12% of obligations applicable to the current year.

Example:

Deferment in the delivery of CECs

A Vendor has a contract to deliver 10,000 CECs per year. In the year one differs in delivery by 10% (1,000 CECs) for one year. In the year one delivery 9,000 CECs (10,000 – 1,000=9.000).

The Seller closes the year one with an outstanding balance of 1,000 CECs in the current year. This balance, in the interest of 5%, becomes an obligation of 1.050 CECs deferred for one year.

Case 1:

In year two the Seller delivers 11.050 CECs. Are assigned as follows:

- 8,800 CECs focused on the fulfilment of minimum obligations in the year two,
- 1,050 CECs are dedicated to the obligation postponed by one year.
- 1,200 CECs are devoted to the last 12% of obligations in year two.

The Seller closes the year two without outstanding balances.

Case 2:

In year two the Vendor delivers 10,850 CECs. Are awarded as follows:

- 8,800 CECs for compliance with minimum obligations in the year two,
- 1,050 CECs for compliance with the obligation postponed by one year.
- 1,000 CECs are for the last 12% of obligations in year two.

The Vendor closes the year two without balance for the previous year ($1,050 - 1,050 = 0$), and with an outstanding balance of 200 CECs in the current year ($1,200 - 1,000 = 200$). This balance, in the interest of 5%, becomes an obligation of 210 CECs deferred for one year.

Case 3:

In the year 9,350 the Vendor delivers two CECs, awarded as follows:

- 8,800 CECs for compliance with minimum obligations in the year two,
- 550 CECs are for the obligation postponed by one year.

The Vendor closes the year with an outstanding balance of 500 CECs of the previous year ($500 - 550 = 1,050$), and with an outstanding balance of \$1,200 CECs in the current year. These balances, with the interest of 5%, become an obligation of 525 CECs deferred for two years and of 1,260 CECs deferred for one year.

Case 4:

Based on case 3, in the year three the Vendor delivers 10,025 CECs. Are awarded as follows:

- 525 CECs for the obligation postponed by two years.
- 8,800 CECs for compliance with minimum obligations in year three.
- 700 CECs are for the obligation postponed by one year.

The Vendor closes the year three with an outstanding balance of 560 CECs of the previous year ($560 - 700 = 1,260$), and with an outstanding balance of \$1,200 CECs in the current year. These balances, with the interest of 5%, become an obligation of 588 CECs deferred for two years and of 1,260 CECs deferred for one year.

Case 5:

Based on case 3, in the year 9,025 the Vendor delivers three CECs awarded as follows:

- 525 CECs are for the obligation postponed by two years.
- 8,500 CECs for compliance with minimum obligations in year three.

The Vendor fails to meet its delivery commitment for year three, since missing 300 CECs. The Vendor assumes the obligation corresponding to the CRE.

In addition, the Vendor closes year three with an outstanding balance of \$1,260 CECs from the previous year, and with an outstanding balance of \$1,200 CECs in the current year. These balances, with the interest of 5%, become an obligation of 1,323 CECs deferred for two years and of 1,260 CECs deferred for one year.

4.10 Construction of New Power Plants

4.10.1 When the Products contracted through Competitive Bids come from a new Power Plant, the contract or contracts shall include the following:

- (a) The requirements that the Vendor must meet to issue reports on the progress of the construction of the Power Plant until the start of operations, which will take into account the following:
 - (i) The Vendor shall deliver to the Buyer, at least 30 days before the date of commencement of construction, for review and approval, the timetable for the implementation of the project with the list of dates of critical events, in accordance with Exhibit 1 of this Manual, and the specific programs agreed upon for all engineering, manufacturing activities and supply of main equipment and materials, testing and commissioning.

- (ii) Not later than on the date scheduled for the beginning of the project, the Vendor shall deliver to the Buyer a certificate, signed by an authorized legal representative, which notifies that (a) it has obtained financial resources or has a well-grounded reason to assert that it will have the financial resources to perform its obligations in accordance with the contract, and (b) it has commenced the works under a continuous work schedule and consistent with the timetable for the implementation of the project that contains the list of dates of critical events provided for in Exhibit 1 of this Manual.
- (iii) From the month following the signing of the contract and up to the month of the Offered Commercial Operations Date, the Vendor shall provide monthly progress reports to the Buyer and CENACE on the stages of engineering, manufacturing and supply of main equipment and materials, construction (civil works and electromechanical installation and commissioning of the Power Plant. The report is to be delivered before the tenth day of each month, in electronic format (PDF file on optical disk compatible with Windows Platform) and printed, signed by an authorized representative of the Vendor, and with the approval of the authorized representative of the Buyer.
- (iv) Monthly progress reports will cover the implementation of the program and the progress in the development of all stages of the project, which shall be developed in accordance with the procedures that the Buyer provides to the Vendor after the execution of the contract, and shall include at least:
 - (A) An Executive Summary;
 - (B) Section of critical issues and alternative solutions for the same.
 - (C) Photo Session that shows the progress of the works;
 - (D) Progress in the obtaining of permits, which it is responsible for;
 - (E) Progress schedule in engineering; with graphs of real progress versus scheduled;
 - (F) Progress Schedule in obtaining materials, the manufacture of the main equipment, and information related to the dates of delivery;
 - (G) Progress Schedule of the construction of the facilities, including a list that summarizes any difficulties encountered in the site and an explanation of any action taken or intends to take to remedy this difficulty;
 - (H) Performance of tests;
 - (I) Administrative Report that contains pictures of the real progress of the works compared to the calendar;
 - (J) Report summarizing its compliance and that of its contractors with the procedures of quality management system and applicable laws (including safety, health, labor and environmental law issues);
 - (K) Progress reports on recruitment procedures and signing date of the Electrical Energy Supply contract for every stage of construction, testing and satisfaction of the requirements of its facilities during commercial operation;
 - (L) Section with the dates of critical events of Exhibit 1, with the update of the actual dates as they are occurring;
 - (M) Narrative section with the description of the critical problems and any existing or foreseeable delays found during any stage, with an explanation of the actions taken to correct them or proposals to solve these problems or delays;

- (N) Critical path of the project that reflects the state of the actual progress with respect to the scheduled progress; if there is any delay, it shall detail the proposed measures to correct it and include the corresponding recovery schedule as long as the delay persists;
 - (O) Financial Report of the stages including the amounts scheduled and actual investment in the project, including the graph of real progress versus the scheduled total project budget;
 - (P) Main activities to be performed during the next month; and,
 - (Q) Respond to inquiries from the Buyer.
- (v) In the event of failure to comply with the form and content of the monthly progress report, the supplier of basic services with greater participation in the Competitive Bid will inform the Vendor of the missing information so that is corrected and included. In the event that it fails to address the observations, the Buyer shall issue an opportunity for improvement or a non-conformity in the audit to which the Vendor will be subject. The foregoing notwithstanding the fact that the Buyer may require the payment of the liquidated damages set out in the respective contract.
- (vi) In order to establish the dates of delivery of the engineering documents, the Vendor must submit the delivery schedule of the technical information required after the signing of the contract to the Buyer for its review and approval, which must be consistent with the contractual implementation schedule of the project.
- (b) The construction milestones of the Power Plants must be attained in specific periods, which shall be established via the technology specified in Exhibit 1 of this Manual; and,
- (c) The criteria to be met by the Buyer to require the Vendor to increase the guarantees or for the termination of contracts in the event the Power Plants do not reach the construction milestones. These criteria include at least the following:
- (i) At the latest on each date of critical event, the Vendor shall be required to prove that the event has been fulfilled.
 - (ii) The Buyer shall have the right to execute the Performance Bond in order to receive the (i) liquidate damages and (ii) severance payments owed by the Vendor to the Buyer, in accordance with the provisions in this regard established by the contract.
 - (iii) If the Vendor does not comply with any critical event date, it must provide additional liquid guarantees or increase the amount of the Performance Bond (both additional guarantees) for the amount of the penalty set forth in the contract for failure to meet the critical event date, within five business days following the date of non-compliance with the critical event. In the event that, after delivery of an additional guarantee, the Vendor complies with any date of critical event (up to and including the Offered Commercial Operations Date), the Buyer will release all the additional guarantees given in advance, in this case, the Vendor shall have no liability for penalties that would have been secured by these additional guarantees. In the event that, after having delivered an additional guarantee, the Vendor does not comply with the Offered Commercial Operations Date, the Buyers will have the right to establish any additional guarantee in force with the purpose of charging applicable penalties. If the Vendor fails to deliver any additional guarantee in accordance with the provisions indicated in this paragraph, the Buyers will have the right to execute the Performance Bond in order to collect the corresponding penalties.

- (iv) In the event that the Vendor is delayed in reaching any critical events in the corresponding date as a result of (i) an act of God or Force Majeure, or (ii) the Buyers breach their obligations under the contract, the date of the corresponding critical event and all subsequent dates of critical events will be extended for a period mutually agreed upon by the parties, that does not exceed the period of delay, on the understanding that there will be no extension unless the Vendor has requested it to the Buyer in writing specifying the reason for the same, no later than 10 days after becoming aware of the occurrence of the event of Force Majeure or an act of God or of the act or omission on the part of the Buyers or their contractors that has caused the delay.
- (v) In the event that the Vendor had not been able to perform its obligation to meet any critical event date as a result of the causes listed in the previous paragraph, and the request has been submitted for the extension in a timely manner in accordance with the foregoing, then Buyers must reimburse the Vendor for the reasonable and documented direct costs incurred, in accordance with the Contract, as long as it has made its best efforts to avoid incurring such costs.
- (vi) If for reasons attributable to the Vendor, including the occurrence of an event of default, it fails to comply with its obligation to meet the Offered Commercial Operations Date, it shall adhere to provisions described in paragraph 4.4.5 of this manual.
- (vii) In the event of any event of default of Vendor that is a cause for termination of the Contract, the Buyer shall notify the creditors of the Vendor with 120 days prior to the date of termination. Based on such notification, it shall have the right, but not the obligation, within 120 days of receipt, to exercise any of the following options:
 - (A) Begin and diligently continue, on behalf and in representation of the Vendor, the actions leading to remedy the event of non-compliance; or
 - (B) Diligently exercise its guarantee rights against the Vendor with the objective of assuming all of its rights and obligations with respect to the assets of the project, provided that (i) the legal and operational capacity, and the economic solvency of the party replacing the Vendor are equal to or better than the Vendor at the date of conclusion of the contract, (ii) the Party that replaces the Vendor appoints an operator and executes with a services contract with it, and both the substitute Vendor and the substitute operator have obtained the permits required by applicable laws, and (iii) the party replacing provides the guarantees to the Vendor as stipulated in the Contract.

4.10.2 When products of the same Power Plant are sold to two or more Buyers through Contracts awarded through Competitive Bids, the Buyer need to purchase most of these products (depending on the annual payments to be performed by each one to the Vendor) will represent the interests of the other Buyers for the purposes of the immediately preceding paragraph, and for this purpose it shall be the obligation of those other Buyers to grant the Buyer that will represent the powers and the information that may be necessary. The Buyer who represents the interests of the other Buyers against the Vendor shall be liable for its negligence or deliberate actions causing damages to the assets in the exercise of that representation. The corresponding Bidding Terms may establish guidelines that must be followed to comply with the foregoing. Also, an Operational Guide could be issued in order to create an independent unit that perform these functions.

4.10.3 The construction schedules referred to in this section shall be adjusted without penalty when the conditions of delays attributable to the government authorities, transporters, distributors and CENACE, as well as unexpected changes of interconnection, in the terms of paragraph 4.4.3, up to the time of the delay or the time that corresponds to the unexpected change of interconnection.

4.11 The Contract Extension

4.11.1 The parties to the contract may be extended by mutual agreement according to the magnitude of the contracted volume, up to an additional 10%, keeping the same terms.

4.12 Buyer's Performance Bond.

4.12.1 Buyers must ensure compliance with the obligations assumed in the Contracts awarded through Competitive Bids in accordance with the provisions of this manual and the Bidding Terms.

4.12.2 The minimum amount of the Performance Bond which the Buyer shall grant to the Vendor will be calculated based on the following amounts:

- (a) 32.500 IUs per MW of Power offered by year, more
- (b) 15 IUs per MWh of Accumulative Electric Energy any more
- (c) 7.5 IUs per each CEC offered per year.

4.12.3 The Performance Bonds shall be issued by the Buyers within a period of 30 days from the date of the commercial operation of the Power Plants included in the contract, and shall be kept for the remainder of the term of the Contract.

4.12.4 The contract shall establish the legal consequences that are generated by the Buyer's failure to provide the Performance Bond, which may include the reduction in the minimum amount of the Performance Bond granted by the Vendor.

4.12.5 In the event of termination of the contract for reasons attributable to the Buyer, the Performance Bond may be executed by the Vendor to compensate any damage caused to the same or to cover the penalties that are applicable.

4.12.6 In the event of termination of the contract for reasons attributable to the Vendor or by causes which are not attributable to the Buyer, the Vendor shall immediately release the Performance Bond granted by the Buyer.

CHAPTER 5:

Procedure for conducting Competitive Bids

5.1 GENERAL PROVISIONS

5.1.1 Applicable Legal Framework

- (a) The Competitive Bids will be subject to the provisions of the Law, its regulations, The Electricity Market Terms, this Manual and the Bidding Terms for the Competitive Bid in question. In the event of any contradiction, the document of greater hierarchy shall prevail.
- (b) It shall be the responsibility of the Secretary for administrative purposes to interpret the provisions contained in the documents referred to above.

5.1.2 People who can participate in the Competitive Bids

- (a) Any person may participate in the Competitive Bids as long as meet the requirements set out in this Manual, in the Bidding Terms and is not restricted under the terms of the applicable laws.
- (b) When two or more persons wishing to participate in the Competitive Bids together must do so as a consortium and, where appropriate, shall submit their Offers to Sell as a single bidder according to the following:
 - (i) It is sufficient if at least one of the people that is part of the consortium in question has made payments to purchase the Bidding Terms and for the assessment of its application to prequalify Offers to Sell, in accordance with the provisions of the respective Bidding Terms;

- (ii) The Consortium may only submit Offers to Sell which have obtained Certificate of Prequalification, on the understanding that once verification of their legal, technical, financial capacity, and execution and to comply with their Offer to Sell has been requested, the Consortium may include new members, but not eliminate those that were included in the consortium agreement submitted to the CENACE Convention for the purpose of prequalifying Offers to Sell, or reduce the obligations assumed by them. The inclusion of new members in the Consortium will not require updating the application to prequalify or, as the case may be, the Certificate of Prequalification;
- (iii) When a Consortium is awarded a contract and the members of the consortium are who will sign, each of them shall be jointly and severally liable for the performance of the obligations of the Vendor to be established in the contract;
- (iv) Those who choose to participate in the Competitive Bid as a consortium must inform the CENACE when submitting their application for prequalification of Offer to Sell and must include the consortium agreement in accordance with the format provided in the Bidding Terms, in which establish as a minimum:
 - (A) The commitments and responsibilities that each one of the members of the consortium assumes in order to comply with the legal requirements, technical, financial and execution provided for in this manual and in the Bidding Terms corresponding to the prequalification, receipt and evaluation of Offers to Sell, and comply with the obligations arising for them in the event of a resulting assigns of contracts, including the obligation to provide the Specific Purpose Entity;
 - (B) Which of them shall act as the common representative and shall have the power to represent in the Competitive Bid to other people that are part of the consortium in terms of the applicable laws;
 - (C) The rights and obligations that must be fulfilled in order to ensure compliance with these contracts as are signed directly or via the Special Purpose Company constituting at effect; and,
 - (D) The way in which will be distributed the social capital of the society of Specific Purpose in case that it is constituted.

5.1.3 Language and format

- (a) The Competitive Bids will be conducted in Spanish language. Except as otherwise provided, the information and documentation to be submitted to the CENACE Stakeholders, Potential Buyers and bidders must be in Spanish language. In the event that the original document is in another language, shall be accompanied by a Spanish translation certified by an expert translator.
- (b) The Competitive Bid will be carried out in electronic form through the Market Information System or on the site, as indicated in the Bidding Terms.

5.1.4 Communication with the CENACE

- (a) With the exception of the publication of the invitation to participate in the Competitive Bid, the notifications to be carried out by the CENACE to the person concerned shall be made through the Market Information System or on the site, as indicated in the Bidding Terms, and the notifications that need to perform the CENACE to Potential Buyers or bidders will be carried out through e-mail to the address provided for this purpose by the latter.
- (b) The information to be submitted by interested Parties, Potential Buyers and bidders must be submitted through the Market Information System or on the site, as indicated in the Bidding Terms.

- (c) At least 5 days prior to the start of the prequalification of Competitive Bids, the CENACE published in the information system of the market or on the site, as indicated in the Bidding Terms, an instructive training for use of the Site and will hold a public meeting to explain the procedure to upload and download the information to the Site. The training will cover procedures and instructions in respect of:
 - (i) How to register, including how to complete the security filters and the identity of the applicants.
 - (ii) How to submit Prequalification information, including the filling of the format of the files to upload any supporting documentation).

Subsequent to the prequalification stage, the CENACE will hold a public meeting to explain how to present Offers to Sell, including filling the format required to upload any documentation of the proposal.

5.1.5 Development of the Competitive Bids

- (a) The Competitive Bid will take place in the terms established by the Bidding Terms, which will include at least the following stages and actions:
 - (i) Stage of invitation to participate in the Competitive Bid
 - (A) Publication of the Notice
 - (B) Access to the Bidding Terms
 - (C) Clarification Meetings
 - (ii) Definition phase of the products subject to the Competitive Bid
 - (A) Registration of Potential Buyers
 - (B) Presentation of Offers to Buy by Utilities Suppliers
 - (C) Notification of the parameters of Offers to Buy based on the Offers to Buy from the suppliers of Basic Services
 - (D) Submission of Competitive Offers to Buy by other Load-Servicing Entities
 - (E) Notification of the products and quantities which will be the subject of the Competitive Bid
 - (iii) Prequalification of Offers to Sell
 - (A) Request for prequalification of Offers to Sell
 - (B) Presentation of Bid Bonds
 - (C) Issuance of Prequalification Certificates of Offers to Sell
 - (iv) Stage of receipt and evaluation of the economic offer of the Offers to Sell
 - (A) Reception of the economic offer of the Offers to Sell
 - (B) Assessment of the economic offer of the Offers to Sell
 - (C) Possible additional iterations of the economic component of the Offers to Sell;
 - (v) Stage of fault and assignment of contracts
 - (A) Contract Award of the Competitive Bid
 - (B) Collation of Documents
 - (C) Awarding of Contracts
 - (D) Preparation and negotiation of contracts
- (b) The request will contain the Calendar of the Competitive Bid, which shall indicate the date or the estimated periods of each of the acts referred to in the previous paragraph. The calendar may be changed in the Bidding Terms and will form an integral part of the same.

- (c) The CENACE may only modify the calendar of the Competitive Bid duly justified cause and by prior notice to the interested parties, Potential Buyers and bidders, as appropriate.
- (d) Between the date of publication of the notice and the date of receipt of the financial offer of the Offers to Sell must be at least 40 days.
- (e) Between the date of publication of the notice and the date on which the CENACE will publish Bidding Terms shall not take more than 10 days.
- (f) The Bidding Terms shall be available for at least 5 business days prior to the meeting.

5.1.6 Transparency

- (a) To ensure the transparency and legality of the processes, each Competitive Bid shall count with the participation of a Social Witness, which:
 - (i) Shall be appointed from among those registered in the Register of social witnesses in charge of the Ministry of Public Administration;
 - (ii) Will participate in all stages of the proceedings of the Competitive Bid; and,
 - (iii) Once the certificate has been issued, the failure of the Competitive Bid will issue a final testimony with its observations and recommendations.
- (b) Unless no Clearing House exists, and Load-Servicing Entities other than Utilities Suppliers cannot participate in the Competitive Bids, the Social Witness shall begin participating as of the stage in which Accepted Offers to Buy are published. Once there is the Clearing House, the participation of the Social Witness shall begin to run from the stage at which the various Load-Servicing Entities request registration to participate as Potential Buyers and submit bids in the Competitive Bid.
- (c) Will only be credited as social witnesses to meet requirements specific to their role, be a Mexican citizen or foreign national does not prevented, not be disabled and have a good credit history.
- (d) In the event that the Social Witness to detect irregularities in recruitment procedures, shall submit his testimony to the Ministry of Public Administration.
- (e) The Social Witness must not engage in acts or activities that expose it to classified or reserved information to put the public, national security or national defense at risk in the terms of the applicable legal provisions.
- (f) The costs of hiring a Social Witness will be recovered through the fees that will be charged by the CENACE for participating in the Competitive Bids, in the terms of this Manual.
- (g) Those interested in participating in Competitive Bids as Potential Buyers or bidders will not be able to hire the services of advice of the physical or moral persons that have been contracted or paid for by the SENER, the CENACE or the CRE, directly or indirectly, to participate in the preparation of the Bidding Terms, the evaluation of applications for registration as a potential Buyer or Prequalification of sales, the evaluation of Offers to Sell, or in the awarding of contracts for those Competitive Bids.

5.2 Invitation

5.2.1 The Notice will be the document through which the CENACE will make the knowledge of all concerned:

- (a) Its intention to conduct the Competitive Bid;
- (b) The object and the essential information in the Competitive Bid, including the Date of Commercial Operation Standard; and,
- (c) The invitation for interested parties to participate in it.

5.2.2 The notice shall be drawn up by the CENACE and must be published in:

- (a) The Secretary's website; and,
- (b) The CENACE's own website and once in operations, in the Market Information System.

5.2.3 The notice shall contain at least the following information:

- (a) Legal basis;
- (b) Description of the purpose of the Competitive Bid;
- (c) The way in which interested parties may acquire and see the Bidding Terms; and
- (d) The calendar of the Competitive Bid.

5.2.4 The calendar of the Competitive Bid shall indicate at least the following:

- (a) Date, format, time and place for the clarification meetings;
- (b) Deadline to apply for registration as a Potential Buyer;
- (c) Deadline for submission of Competitive Offers to Buy by Utilities Suppliers;
- (d) Deadline to make the Offers to Buy Accepted of the Utilities Suppliers;
- (e) Deadline for submission of Competitive Offers to Buy for other Load-Servicing Entities;
- (f) Deadline to learn of Accepted Offers to Buy;
- (g) Date from which we will receive requests for prequalification of Offers to Sell;
- (h) Deadline for submitting Bid Bonds;
- (i) Deadline for issuing Certificates of Prequalification;
- (j) Date for the publication of the final version of the Bidding Terms;
- (k) Date or period for receipt of the financial offer of the Offers to Sell;
- (l) Date or Period for the evaluation of the economic offer of the Offers to Sell;
- (m) If applicable, dates to perform price iterations for the Offers to Sell;
- (n) Date of the award of the Competitive Bid and contract awards; and,
- (o) Period for the preparing and signing contracts awarded in the Competitive Bid.

5.3 Bidding Terms

5.3.1 The Bidding Terms will be issued by the CENACE and authorized by the CRE or the Secretary, in accordance with the procedure set forth in paragraph 2.5.2 and shall comply with the provisions of the Law, its regulations, the basis of the electricity market and this Manual.

5.3.2 The Bidding Terms will be published at least on the website of the Secretary and on the website of the CENACE.

- 5.3.3** The Bidding Terms shall contain at least the following information:
- (a) Detailed description of the subject matter of the Competitive Bid and the procedural aspects to perform;
 - (b) The calendar of the Competitive Bid;
 - (c) Amount and terms of payment for the evaluation of applications for the registration of Potential Buyers.
 - (d) Amount and terms of payment for the evaluation of applications for prequalification of Offers to Sell;
 - (e) Format and other requirements that must comply with the Bid Bonds when they are not submitted in accordance with the assurances of compliance;
 - (f) The technical information required for the preparation of Offers to Sell, including:
 - (i) The description of areas of interconnection and the interconnection capacity available in each one of them for new Power Plants (MW) that offer any product in the Competitive Bid;
 - (ii) If applicable, the description of the areas of export and the export capacity available in each one of them, and limits on the amount of Accumulated Electrical Energy (MWh/year) that can be purchased at the Competitive Bid from Power Plants whose interconnection points are placed in each area of export;
 - (iii) The description of Price Areas;
 - (iv) The expected differences between the marginal price of Electrical Energy in each area and the NES;
 - (v) The Adjustment Factors Schedules that correspond to each Price Area;
 - (vi) The description of the Power Areas;
 - (vii) The criteria for assigning Interconnection Areas, Export Processing Areas, Price Areas and Power Plant Areas that are interconnected in line openings that connect different areas; and,
 - (viii) The other information made available to all market participants, in the terms of the rules of the market in terms of Market Information System.
 - (g) The methodology for the dismissal of Offers to Sell, in accordance with the provisions set forth in this Manual;
 - (h) The methodology for the qualification of the Offers to Sell, in accordance with the provisions set forth in this Manual;
 - (i) The methodology for the assessment of the economic offers of the Offers to Sell and the awarding of contracts, in accordance with the provisions of this Manual;
 - (j) The Contract Template; and,
 - (k) Any other personal status, technical, financial or operational condition that the CENACE deems appropriate to enable interested parties to submit their Competitive Bids, provided that such conditions do not restrict free competition, be possible to fulfill and do not contravene the applicable laws.
- 5.3.4** The CENACE may modify the Bidding Terms, its Exhibits and formats, as well as the model contract, as it deems necessary for such instruments will contribute to the strengthening of the principles governing the Competitive Bids, on the understanding that such changes shall be published where have been published for the first time the Bidding Terms.
- 5.3.5** The CENACE may publish on sites where there is published for the first time the Bidding Terms, updated versions of the Bidding Terms, in the dates that, in its case, set in the Calendar of the Competitive Bid content in the Bidding Terms.

- 5.3.6** The CENACE must publish in the places where Bidding Terms were published for the first time, the final version of the Bidding Terms for the Competitive Bid in question.
- 5.3.7** The Bidding Terms may not be altered after the publication of its final version, which does not preclude that, if so required by its own Terms, to seek clarification on the same subsequent to the date of publication of the final version.
- 5.3.8** The CENACE will not be able to make any modification to the Prequalification requirements, for what can only be carried out on this subject, clarifications or interpretations.
- 5.3.9** Any clarification or modification to the Bidding Terms, including those resulting from the meetings of clarification, will become an integral part thereof, shall be considered by the interested parties, Potential Buyers and bidders in the preparation of their registration documents or prequalification and their Offers to Buy or sale.
- 5.3.10** In light of any inconsistency or contradiction between the Bidding Terms and the answers or clarifications made by the CENACE to stakeholders, the text of the Bidding Terms shall prevail, so that interested parties will be required to comply with the provisions established in the updates that are published in the Bidding Terms in accordance with the above.

5.4 Clarification Meetings

- 5.4.1** The CENACE shall electronically carry out at least one clarification meeting that is to receive and respond to questions or clarifications of any interested, related but not limited to:
 - (a) The registration of Potential Buyers, the development and evaluation of bids and the definition of the products which will be the subject of Competitive Bids, and, in general, any procedural aspect of the Competitive Bid until the date of receipt of requests for prequalification of Offers to Sell;
 - (b) The Prequalification of offers, the presentation of Bid Bonds and, in general, any procedural aspect of the Competitive Bid until the date of receipt of Offers to Sell; and,
 - (c) The addition, submission and evaluation of bids, the contract model, the awarding and subscription contracts and, in general, any aspect that requires clarity on the part of those who act as bidders.
- 5.4.2** Those interested shall submit questions electronically through the formats that are provided in the Bidding Terms, and send them through the electronic media that are specified in the same, during the period for such purposes is set in the Calendar of the Competitive Bid.
- 5.4.3** The involvement of stakeholders, Potential Buyers and bidders on the boards of clarification will be optional.
- 5.4.4** The meeting will be chaired by the public server that the CENACE designate for this purpose, who can count on technical support as needed.
- 5.4.5** Each board of clarification may be extended by the number of sessions that may be required. The conclusion of the meeting, the public servant who has chaired, shall draw up a report detailed in stating everything that has happened and, in the event that the CENACE considers it appropriate, it will set a date for a new board for clarification. The minutes will be posted on the Site or in the Market Information System, as determined based on the Bidding Terms.
- 5.4.6** If there are any adjustments to the Bidding Terms arising from the clarification meetings to be made before the publication of the final version of the Bidding Terms, including adjustments to the model contract, these shall be recorded in the final version.

- 5.4.7** In the event of boards of clarification since the publication of the final version of the Bidding Terms, the clarification shall be due for those interested, Potential Buyers, the Bidders and CENACE, in its participation in the Competitive Bid.
- 5.4.8** No response or clarification made in a Bid other than the Competitive Bid in which was the answer or made the clarification shall be binding, so it may not be used to interpret what is established in the Bidding Terms that correspond to another Competitive Bid.
- 5.4.9** Between the last meeting and the presentation of the economic offers of the Offers to Sell shall be at least 5 business days. In case require a clarification on a date that does not meet this criterion, it shall postpone the date of submission of economic offers the necessary time to mediate the 5 business days referred to herein.

5.5 Definition of the products which will be the subject of the Competitive Bid

5.5.1 Registration of Potential Buyers

- (a) The Utilities Suppliers and the other responsible entities must register with the CENACE as Potential Buyers to submit bids in the Competitive Bid.
- (b) For the CENACE register an Load-Servicing Entity as a potential Buyer for a particular Competitive Bid, that entity must certify to the CENACE as follows:
 - (i) That payment has been made for the acquisition of the Bidding Terms;
 - (ii) That payment has been made for the evaluation of r application for registration as a potential Buyer;
 - (iii) That adequate legal, technical and capacity to comply with the Offers to Buy that participate in the Competitive Bid; and,
 - (iv) That is required to submit in time and form the Bid Bond in the terms in this manual and in the Bidding Terms, or, which is not required to do so by virtue of the provisions of the Term 14.1.5(c) of the Electricity Market Terms.
- (c) The responsible entities shall request the CENACE registration as Potential Buyers before the deadline indicated in the notice of the Competitive Bid.
- (d) The CENACE will have a term of 10 days to register Load-Servicing Entity. If it is considered that the information submitted by the Load-Servicing Entity for registration as a Potential Buyer is incomplete, it will need to be informed of this no later than the fourth day after applying, and the Load-Servicing Entity will have 5 business days to remedy this. The deadline for the CENACE to register the Load-Servicing Entity will resume the next day to the specific information required by the CENACE, within the foregoing period of five business days. If the Load-Servicing Entity does not remedy the omission within that period of time, its application will be discarded.

5.5.2 Offers to buy the Utilities Suppliers

- (a) The Utilities Suppliers shall be free to determine the quantities of each product to offer to buy in each Competitive Bid, taking into account the recruitment requirements established by the CRE and Electrical Coverage contracts that have already been concluded.
- (b) The parameters that are defined in each Offer to Buy from the suppliers of basic services shall be those mentioned below. The Utilities Suppliers may specify more than one offer for the same product with different parameters.

- (i) Amount (in MW-year by 15 years) of Power it wishes to procure in a specific tiered system or Power Area, as well as specifying the maximum price they are willing to pay for that amount.
 - (ii) Amount of Accumulative Electric Energy (MWh per year for 15 years) they wish to contract, as well as the maximum price they are willing to pay for that amount.
 - (iii) Amount of Clean Energy Certificates (CECs per year over 20 years) they wish to contract, as well as the maximum price they are willing to pay for that amount.
 - (iv) Maximum percentage of Power in each Power area and CECs that they are willing to buy to offers that have irregular offered start dates before the standard start date of the.
 - (v) Maximum percentage of Power in each Power area and CECs that are willing to buy to offers that have irregular offered start dates after the start date.
- (c) The CRE may establish for the Offers to Buy the maximum prices that apply to each product.
- (i) Maximum price that the Utilities Suppliers may specify in their Offers to Buy for each MW-year Power in each specific interconnected system and in each area of the specified Power.
 - (ii) Maximum price that the Utilities Suppliers may specify in their Competitive Bids for each MWh per year of Electricity in conjunction.
 - (iii) Maximum price that the Utilities Suppliers may specify in their Offers to Buy for each Certificate of Clean Energy per year.

The Adjustment Factors for inflation and exchange rate, as well as the adjustment factors schedules and the use of Expected differences, may result in the disbursement of payments which exceed the maximum prices for Offers to Buy. This result shall not be construed as a breach of the maximum prices.

- (d) The bids submitted by the Utilities Suppliers shall comply with the following with respect to the prices offered:
- (i) No Offer to Buy may contain a price that exceeds the maximum price established by the CRE for the respective product.
 - (ii) Competitive Bids shall contain the following features of elasticity:
 - (A) At least 80% of the total amount that is offered to buy for each product must be offered at a price equal to or less than 95% of the highest price submitted by the Utilities Suppliers for that Product.
 - (B) At least 60% of the total amount that is offered to buy for each product must be offered at a price equal to or less than 90% of the highest price submitted by the Utilities Suppliers for that Product.
 - (C) At least 40% of the total amount that is offered to buy for each product must be offered at a price equal to or less than 85% of the highest price submitted by the Utilities Suppliers for that Product.
 - (D) At least 20% of the total amount that is offered to buy for each product must be offered at a price equal to or less than 80% of the highest price submitted by the Utilities Suppliers for that Product.
- (e) The CENACE will verify that Competitive Bids submitted comply with the established in the previous paragraph. In the event of non-compliance, the CENACE adjusted the Offers to Buy according to the following:
- (i) Any price offered that exceeds the maximum price established by the CRE will be reduced to the maximum price.

- (ii) The Offers to Buy for each product is sorted from highest to lowest price and will be reviewed in that order; any Offer to Buy that does not comply with what is established in subsection (d) (ii) above shall be divided in the amounts of the thresholds set forth in that article and the corresponding prices will be reduced to comply with the provisions of this subsection.
- (f) In addition, the CENACE will verify that the Offers to Buy correspond to the registration of Potential Buyers. In the event that the quantities offered exceed amounts that a supplier of basic services is registered to offer to buy the quantities of such supplier will be reduced proportionately.
- (g) The Offers to Buy that have been set in terms of the subsections (e) and (f) above shall be known as the accepted Offers to Buy the Utilities Suppliers.

5.5.3 Offers to buy the other Load-Servicing Entities

- (a) Once the Accepted Offers to Buy of the Utilities Suppliers, the CENACE will calculate the amount, prices and parameters of such offers of purchase and shall notify all interested parties through the Site or of Market Information System, as stated in the Bidding Terms.
- (b) The Load-Servicing Entities that are not Utilities Suppliers will be able to make Offers to Buy quantities of products in proportion to the same portfolio of products included in the Accepted Offers to Buy of the Utilities Suppliers. Specifically:
 - (i) The quantities demanded of each of the products must correspond to a constant percentage of the quantities of each product included in the Accepted Offers to Buy the Utilities Suppliers. For these purposes, these Load-Servicing Entities only must provide, in his case, buy a number of CECs; the offered amount of Electrical Power and Energy is calculated by the Cumulative CENACE proportionately.
 - (ii) In the event that Competitive Bids accepted of the Utilities Suppliers do not include CECs, the other responsible entities must submit only the amount of Power who wish to acquire; the offered amount of Electrical Energy is calculated by the Cumulative CENACE proportionately.
 - (iii) In the event that Competitive Bids accepted of the Utilities Suppliers not included or CECs or Power, the other responsible entities must submit only the amount of Accumulative Electric Energy who wish to acquire.
 - (iv) Shall not deliver offer prices; they will use the same prices fixed by the Utilities Suppliers.
 - (v) Shall not deliver maximum percentages of offers accepted with irregular dates; use the same parameters set by the Utilities Suppliers.
- (c) In addition, the CENACE shall verify that the bids submitted by the Load-Servicing Entities that are not Utilities Suppliers correspond to the registration of Potential Buyers. In the event that the quantities offered exceed the quantities that a responsible entity is registered to offer to buy, the quantities of such Load-Servicing Entity will be reduced proportionately.

5.5.4 Notification of the Offers to Buy

- (a) The Offers to Buy that have been set in terms of subsection (c) above, coupled with the Accepted Offers to Buy of the Utilities Suppliers, will be known as bids accepted.

- (b) Once the Accepted Offers to Buy, the CENACE will calculate the amount, prices and parameters of such offers of purchase and shall notify all interested parties through the Site or of Market Information System, as stated in the Bidding Terms.
- (c) The CENACE will know at least the following information:
 - (i) The number of products included in the Accepted Offers to Buy for Competitive Bid.
 - (ii) Prices corresponding to each Offer to Buy Accepted.
 - (iii) The maximum percentages with respect to the amount of each product can receive with irregular offered start date in advance, and with irregular offered start date delayed.
- (d) The notification shall occur within 5 business days following the date of receipt of Offers to Buy.

5.6 Prequalification of Offers to Sell

5.6.1 General Aspects

- (a) In accordance with the Term 14.3.10(f) of the Electricity Market Terms, only the Offers to Sell that have obtained a favorable prequalification will be accepted in the Competitive Bid.
- (b) Therefore, those who wish to submit Offers to Sell in the Competitive Bids must request the CENACE prequalification and comply with the requirements set out in this Manual and in the Bidding Terms corresponding to the CENACE issued by the respective Qualification Record.
- (c) Prequalification applications shall be submitted to the CENACE by interested parties from the date indicated in the calendar of the Competitive Bid.
- (d) The CENACE shall deliver proof of prequalification for an Offer to Sell when the applicant attesting in due time and form:
 - (i) That it has made the corresponding payment to acquire the Bidding Terms;
 - (ii) That it has made the payments corresponding to the assessment of its application to prequalify to offer for sale;
 - (iii) That it has sufficient legal capacity, technical, financial, and to comply with the offer to sell want to present in the Competitive Bid; and,
 - (iv) That it has presented the Bid Bond for the Offer to Sell want to present in the Competitive Bid.
- (e) The CENACE will verify that the payments referred to in the paragraph (i) and (ii) above have been made and, if so, it shall proceed to the evaluation of the information and documentation submitted by the applicant to verify as provided in subparagraph (iii) above. If any of the payments has not been made, the CENACE will notify the applicant makes payment and then may resubmit its application to prequalify.
- (f) For the evaluation of payments, Bid Bonds and any other legal, technical, financial and performance aspect that is evaluated in terms of the number or the total size of the Offers to Sell submitted by the bidder, the CENACE shall assess the prequalification applications in the order in which they are received. For purposes of this paragraph:
 - (i) The mutually exclusive Offers to Sell will be assessed taking into account the Offer to Sell that has increased requirements for payments, guarantees or capabilities of the Bidder.

- (ii) Conditional Offers to Sell, or combinations of conditional sales offers and mutually exclusive, be assessed taking into account the combination of Offers to Sell have increased requirements for payments, guarantees or capabilities of the Bidder.
- (g) The CENACE, within a period of 10 days, will need to assess the information and documentation submitted by the applicant and notify in which of the following is located:
 - (i) If it verifies that the applicant has sufficient legal, technical, financial and execution capacity to comply with the Offer to Sell it wishes to submit in the Competitive Bid, the CENACE shall so notify the applicant to present its Bid Bond. Notwithstanding the foregoing, the applicant may submit the Bid Bond even before the CENACE notifies it of this scenario
 - (ii) If it does not verify any of the abovementioned capacities, the CENACE shall so notify the applicant accordingly and will require the additional information which may be necessary to do this within five business days following the day on which notification was received.
 - (iii) If an applicant does not agree with the need to provide the additional information required by the CENACE in order to prove the respective capacity, it shall be submitted and, once it is notified of the unfavorable opinion, it may request the intervention of the CRE in the terms of the two following sub-paragraphs.
 - (iv) If the information is not submitted within a period of five business days, or if the information provided does not prove that the applicant has the capacity that led to the submission, the CENACE shall deliver an unfavorable opinion, which will be notified to the applicant, containing the reasons and arguments for it.
 - (v) If the applicant receives a favorable opinion, it will have 3 business days since the notification date to petition the CENACE for the intervention of the CRE. In such a case, the CENACE shall transfer the file to the CRE within 3 business days and the CRE will have 5 business days to issue a resolution that:
 - (A) Confirms the unfavorable opinion; or,
 - (B) Order the CENACE to accept the capacity or capabilities of the applicant who, in the opinion of the CENACE have not been verified, and simultaneously notify the claimant of its decisions, so that if it has not yet submitted its Bid Bond to the CENACE, that it do so with the time periods and terms referred to in this Manual.
 - (vi) If the CRE does not issue the aforementioned resolution within the term indicated above it shall be deemed to have been issued confirming the unfavorable opinion.
- (h) The applicant shall provide its Bid Bond not later than the deadline contained in the Competitive Bid Calendar.
- (i) If the Bid Bond does not comply with the formality requirements and with the minimum amount specified in this manual or in the Bidding Terms, and it is submitted to the CENACE at least 5 days in advance of the deadline for submitting Bid Bonds marked on the calendar of the Competitive Bid, the CENACE will notify the applicant within 3 days so that it resubmit it.
- (j) If the Bid Bond is not filed within that time or does not comply with the formality requirements and with the minimum amount specified in this manual or in the Bidding Terms, the applicant will not be accredited with having submitted the Bid Bond in due time and proper form for the Offers to Sell that it intends to present in the Competitive Bid and, therefore, the CENACE shall not issue the Prequalification Certificate to that applicant.
- (k) The CENACE will issue the Prequalification Certificates not later than the deadline for this

purpose in the Calendar of the Competitive Bid.

- (l) The names of the applicants to whom the CENACE has issued Prequalification Certificates will be made known through the Site or of Market Information System, as determined in the Bidding Terms, the day following the day on which the deadline for issuing the Certificates of Prequalification.

5.6.2 Requests for prequalification

- (a) Prequalification applications shall comply with the requirements set forth in this Manual and in the Bidding Terms, and shall contain:
 - (i) The proof attesting that payment has been made for the acquisition of the Bidding Terms;
 - (ii) The proof attesting that the corresponding payments have been made to assess the application for prequalification, including payment for each Offer to Sell that is submitted;
 - (iii) The documentation that proves the legal, technical, financial, and execution capacities with the Offer or Offers to Sell that are referred to in the Competitive Bid, in accordance with the provisions referred to in the following paragraphs;
 - (iv) The technology, interconnection point, plate capacity and percentages offered of Power Plants that are intended to be included in the Offer to Sell;
 - (v) The information that establishes the priority, in his case, of the Power Plants to be offered, in terms of paragraph 5.7.2 (d);
 - (vi) The Bid Bond, where the applicant chooses to present it before the CENACE has informed the applicant that has verified the legal, technical, financial, and execution capacities with the Offer or Offers to Sell that are referred to in the Competitive Bid.
- (b) The Bidding Terms may establish the use of specific electronic formats to be used by the interested parties to submit their prequalification application to the CENACE to facilitate the process of receipt and evaluation.
- (c) The Bidding Terms may state that the access codes for the prequalification electronic formats, as well as the instructions, are provided only to those who have made the corresponding payment for the acquisition of the Bidding Terms and for the assessment of its application to prequalify.

5.6.3 Legal capacity

- (a) To evidence sufficient legal capacity to comply with the Offer or Offers to Sell the applicant wishes to submit to the CENACE, the applicant shall:
 - (i) Verify that it has been legally incorporated and that their legal representatives have the necessary authority to represent it;
 - (ii) Verify that its corporate purpose, or the Specific Purpose Entity, has the right to be registered as a Market Participant as a Generator and to sell to the Buyer or Buyers the products forming part of the Offer or Offers to Sell;
 - (iii) Check or state affirmation that has sufficient moral standing to carry out the proposed activities in the Offer or Offers to Sell;
 - (iv) Include a draft of the articles of incorporation and bylaws when considering that the contracts are to be awarded in the Competitive Bid will be signed by a Specific Purpose Entity, in order to know the corporate and shareholder structure of society, of which the bidder or the Consortium shall hold at least 80% of the social capital;

- (v) Accompany a document signed by the legal representative of the applicant stating:
 - (A) That the submission of any Offer to Sell shall be binding and irrevocable;
 - (B) That if any Offer or Offers to Sell is selected and is awarded the corresponding contract, all legal acts that are necessary shall be signed or a signature shall be obtained within in a period of 30 business days from the notification of the contract award, and that it accepts that the breach of such obligation within the prescribed period will result in penalties, including disqualification to participate in future Competitive Bids;
 - (C) To acknowledge and agree to the rules of the Competitive Bid, in accordance with the provisions of the present Manual and in the Bidding Terms; and,
 - (D) That their Offers to Sell shall be binding.
- (b) The Terms of Reference shall establish in more detail what information and documentation needs to be submitted to certify the requirements (A) above.

5.6.4 Technical capacity and implementation

- (a) To demonstrate sufficient technical capacity and to comply with the Offer or Offers to Sell it intends to submit to the CENACE, the applicant shall:
 - (i) For each Offer to Sell that it intends to make, describe the type of project and the general characteristics of the Power Plants that will be associated with the same, including the Offered Commercial Operations Date, the installed capacity and the estimated production of electric energy, but not to mention the cost or prices of these inputs;
 - (ii) Verify, for each Offer to Sell that it intends to make, that the Power Areas and Generation Areas (Price Areas, Interconnection Areas and Export Areas) correspond to the interconnection point of Power Plants associated with the same;
 - (iii) Verify, for each Offer to Sell that it intends to make, that the Power Plants associated with the same have or will have the capacity required for the production of the products offered, and that these products have not been committed by other Electricity Coverage Contracts; and,
 - (iv) Provide its Market Participant electronic identifier (ID) or, in its absence, agree to be Market Participants as a Generator and hold this status during the term of the Contract.
- (b) When the Offer or Offers to Sell that the applicant intends to submit includes Power, the Power Plants from where this Power originates must have at least 15 years of remaining useful life, as of the Offered Commercial Operations Date, which can be evidenced by verifying that these plants have not yet entered into commercial operation or that they have within the 5 years prior to the Offered Commercial Operations Date. In the case of Repowering, the turbines must have entered into commercial operation within the 5 years prior to the Offered Commercial Operations Date. To do this, the applicant must provide the documentation showing the date of entry into commercial operation and, for entries in partial operation, it must be the date of first entry in order to determine whether or not this criterion has been met.

- (c) When the applicant considers submitting Offers to Sell associated with Power Plants that are not operating at the time of the receipt of the request for prequalification of Offers to Sell, to demonstrate sufficient technical capacity and implementation with respect to each one of these offers, it must prove that it has experience in financing, construction and operation of projects and also evidencing that the applicant, either directly or through a holding company or subsidiary, has been built and operating projects successfully in the past 10 years with a technology similar to that which is included in the Offer to Sell, whose capacity is the equivalent of 33% of the size of Power Plant that will be associated with the Offer to Sell.
- (d) The requirements referred to in this paragraph may be met by the collective experience of different members of the bidding consortium, or by suppliers executed a services agreement with the Bidder, which can only have as a condition precedent the selection of the Offer to Sell in the Competitive Bid. In such a case, the MW contained in a single project may only be counted once as experience in construction and once as experience in operation, even when more than one of the members of the consortium or providers have experience arising from the same project.
- (e) In the event of credit requirements through affiliates, subsidiaries, or controllers, the applicant shall provide proof of such legal relationship.

5.6.5 Financial Capacity

- (a) To evidence sufficient financial capacity in compliance with an Offer or Offers to Sell it intends to submit to the CENACE, the applicant shall certify that it has obtained the funding needed to develop projects in the past that, collectively, are of equal or greater size to those it intends to develop in order to comply with the Offer or Offers to Sell mentioned above.
- (b) In the requirements are verified through affiliates, subsidiaries, or controllers, the applicant shall provide proof of such legal relationship.

5.7 Submission, receipt and evaluation of Offers to Sell

5.7.1 Presentation of the Offers to Sell

- (a) Each Prequalification Certificate shall grant the holder the right to submit an Offer to Sell in the same terms in which it has requested the CENACE prequalification. In view of this, the Offers to Sell shall be submitted to the CENACE remitting the corresponding Prequalification Certificate and the respective economic offer. The information that has been submitted to the CENACE for obtaining proof of qualification will be considered for all legal purposes as an integral part of the Offer to Sell received.
- (b) The number of Offers to Sell that may be present in the Competitive Bid will be limited by the total amount of the payment that has been made each of them in the Offer Prequalification stage, as the case may be, and the amount of the Bid Bond provided at that stage.

5.7.2 Content and technical bids of the Offers to Sell

The technical offer of each Offer to Sell will be submitted with the prequalification application on Offers to Sell and shall contain the following:

- (a) The description of the package of products offered, noting:
 - (i) The amount of Power it offers to sell for 15 years from the Offered Commercial Operations Date, expressed in MW per year;
 - (ii) The amount of Accumulated Electrical Energy it offers to sell for 15 years from the Offered Commercial Operations Date, expressed in MWh per year; and,
 - (iii) The number of CECs it offers to sell for 20 years from the Offered Commercial Operations Date, expressed in CECs per year.

The amount shall be "zero" for products that are not part of the package of products that the Bidder offers to sell. The amount of **at least one of the products** offered in each Offer to Sell must be equal to or greater than the thresholds:

- In the case of Power: the lesser of 10 MW and 5% of the total amount of Power demanded in the Competitive Bid in question.
- In the case of CECs: whichever is lower between 20,000 CECs/year and 5% of the total amount of CECs demanded in the Competitive Bid in question

Example:

For example, if an Competitive Bid the demand is for 500 MW/year of Power, 200,000 MWh/year of Accumulated Electrical Energy and 200,000 CECs/year, minimum bids must contain at least one of the following products in the following amounts:

10 MW/year of Power, given that it is the lowest value between 10 MW and 5% of 500 MW (25 MW),

Or:

10,000 CECs, given that it is the lowest value between 20,000 CECs and the 5% of 200,000 CECs (10,000 CECs).

The thresholds defined in this section apply without distinction to the Offers to Sell associated with new Power Plants and the Offers to Sell associated with existing Power Plants.

- (b) The Offered Commercial Operations Date.
- (c) The area of interconnection in which will be the interconnection point of the Power Plants associated with the Offer to Sell. The Offers to Sell that include more than one area of interconnection shall be discarded.
- (d) If offering Power, the Power Area where the interconnection point of the Power Plants that will provide such Power will be located. Offers to Sell that include more than one Power Area shall be discarded.
- (e) In the event of Accumulative Electric Energy:
 - (i) The description and identification of plants that will produce such energy and the exact percentage of the production of each Power Plant which will be used so that it is delivered as Accumulative Electric Energy.
 - (ii) The area in which the interconnection point of the Power Plants that will provide such energy is located. Offers to Sell that include more than one area of prices shall be discarded.
 - (iii) If applicable, the Export Area where the interconnection point of the Power Plants that will provide such energy will be located. Offers to Sell that include more than one Export Area shall be discarded.
- (f) If applicable, conditioning the Offers to Sell to be subject to the selection of one or more other Offers to Sell presented in the Competitive Bid by the same bidder. Up to four different Offers to Sell with this conditioning can be linked together.
- (g) If applicable, the statement that its Offer to Sell is mutually exclusive of other Offers to Sell presented in the Competitive Bid by the same bidder. Up to four different offers that are mutually exclusive can be linked together.
- (h) When the CENACE deems it appropriate, for purposes of subparagraphs (f) and (g) above, it shall establish an upper limit for the number of conditional Offers to Sell, which shall be announced on the site at least five business days before the deadline for the submission of requests for prequalification of Offers to Sell.
- (i) The Bid Bond.
- (j) The information on each Offer to Sell shall be presented using the Site.

5.7.3 Content and economic offers of the Offers to Sell

- (a) Economic offers of the Offers to Sell shall specify:
 - (i) The respective Prequalification Certificate. Considering that the Prequalification of an Offer to Sell, the technical offer of the Offer to Sell must be submitted to the CENACE, it will not be necessary to submit it again. The technical bid submitted to the CENACE for obtaining Prequalification Certification may not be modified through the presentation of the economic offer.
 - (ii) The price offered for the package of products expressed in pesos per year, which will be paid during the first 15 years from the Offered Commercial Operations Date.
 - (iii) The choice to require payment in pesos or indexed in dollars.
 - (iv) The status of the interconnection of the Power Plants associated with the Offer to Sell, verifying that it already has the corresponding interconnection, with the interconnection contract, or with the priority rights, or noting that it has none of the above. To prove that it has the corresponding priority rights, it shall provide the necessary evidence to prove any of the following scenarios:
 - (A) For projects governed by the Law of Electrical Energy Public Services that they have the right to execute an interconnection legacy contract, it must be verified that the request for interconnection contract was submitted and that it met all the prerequisites to register the application, including, where appropriate, the obtaining of an official ruling setting out the technical solution for interconnection. The request for of contract of agreement to promise to buy Electrical Energy for a small producer shall be comparable to the request for interconnection contract for purposes of this clause.
 - (B) For projects governed by the Electric Industry Law subject to the individual interconnection process, it must be verified that the guarantee associated with the interconnection process has been submitted in accordance with applicable legal provisions and subject to compliance with all the requirements needed to present such guarantee.
 - (C) For projects governed by the Electric Industry Law subject to the process of planning and expanding the national electrical system, it must be verified that the guarantee associated with the interconnection process has been submitted, provided the interconnection work required for the project has been included in the Schedule of Development of the National Electrical System.
 - (D) Submission of a letter of credit required by the CRE in relation with an open season, provided that the interested party has kept the letter of credit and met all the other requirements for participation in the open season, and only if the export limits calculated by the CENACE involve the construction of the respective works for that season. In the event an open season project is replaced by projects included in the Schedule of Development of the National Electrical System, the original priority will be maintained unless the CRE determines otherwise by express provision.
 - (E) To be included in a Contract or an Interconnection Legacy Contract, or having guaranteed an interconnection by having scheduled in the Schedule of Works and Installations of the Electrical System, as a project dedicated to Electrical Energy Public Service, prior to the entry into force of the Law.

- (b) Economic offers of the Offers to Sell shall be received by the CENACE on the date indicated in the Competitive Bid calendar and only if they meet each of the following requirements:
 - (i) The economic offer of the Offer to Sell is submitted on time;
 - (ii) The economic offer of the Offer to Sell is presented in the format provided in the Bidding Terms; and,
 - (iii) The Offer to Sell contains the corresponding prequalification certificate.
- (c) Economic offers of the Offers to Sell that do not comply with the above requirements will be discarded, notwithstanding the fact that the other Offers to Sell submitted by the same bidder may be accepted.
- (d) The CENACE will notify the results of the economic offers of Offers to Sell received via the Market Information System or the Site.

5.7.4 Economic evaluation of the Competitive Bids of the Offers to Sell

- (a) Economic offers of the Offers to Sell received by the CENACE will be evaluated according to the following:
 - (i) The Offers to Sell whose package price is greater than the maximum price established by the CRE for each product, multiplied by the amount of the product included in the package, shall be discarded. The foregoing, adding all products included in the package.
 - (ii) The technical, legal and financial resources that have been verified in the Prequalification stage on Offers to Sell shall be deemed to have been met, provided that the Offer to Sell has satisfied the foregoing requirements necessary for their reception; and,
 - (iii) The CENACE shall proceed to carry out the assessment of the economic offers of the Offers to Sell received during the time periods stated in the Competitive Bid Calendar.
- (b) All of the Offers to Sell will be assessed by maximizing the total economic surplus. In other words, the amount sold of each product multiplied by the maximum purchase price offered for the product, less the amount of each package of products purchased multiplied by the bid price for that package will be maximized.
- (c) In order to solve possible draws in the evaluation process, each Offer to Sell will be assessed as the total amount of the bid submitted by the Bidder and the time of submission will be a factor of the Offer to Sell. This factor shall be equal to 1/1000 multiplied by the time of submission of the Offer for Sale, expressed as the number of hours that passed between the start of the period in which it allows the receipt of Competitive Bids and the actual time of submission of the offer to sell.

Example:

For example, if the period for the submission of Offer to Sell begins at 9:00 AM and a bidder submits his Offer to Sell at 9:30 pm the same day, the factor of time for receipt of Competitive Bids will be 0.0125 pesos per year, which is twelve and a half hours, multiplied by 1/1000.

- (d) In order to promote conditions of competition in the process, when the total amount of a product included in the Offers to Sell received is less than two times the amount of the product included in the Accepted Offers to Buy, a percentage of the amount for the product included in each Offer to Buy will be deferred until the next Competitive Bid. The amounts of each product remaining in the Competitive Bid shall be calculated by multiplying the amounts included in the

Accepted Offers to Buy by the reduced percentage. Further, in the event that the CRE sets limits on the total amount of products that can awarded in the Competitive Bid, the percentage of reduction shall be adjusted to respect those limits. The percentage of reduction shall be calculated as follows:

$$PR_p = \min (1, CTOV_p / (2 \times OCA_p), CM_p / OCA_p)$$

Where:

PR_p = Reduction Percentage for the Product "p".

CTOV_p = Total Amount of sales of the Product "p".

In the case of CECs, it is equal to the sum of the Amount of Offers to Sell CECs (in number of CECs), considering the following rules for its calculation: (I) in the case of mutually exclusive Offers to Sell shall be considered the offer with the highest number of CECs; (ii) in the case of conditional Offers to Sell the possible combination of offers that results in the largest number of CECs shall be considered; (iii) in the case of combinations of Offers to Sell in which some are mutually exclusive and others conditional, consideration will be given to the possible combination of offers that results in the largest number of CECs; and (iv) Offers to Sell that have been dismissed by a price greater than the value of the products included therein shall not be counted, in accordance with the maximum prices established by the CRE.

OCA_p = Amount of the Product "p" included in the Accepted Offers to Buy.

CM_p = Limit of the Product "p" that can be awarded in the Competitive Bid in the event that the CRE.

- (e) By applying the Reduced Percentage, the remaining amounts in the Offers to Buy shall be equal to the original amounts multiplied by PR_p. The new Offers to Buy will be known as Reduced Offers to Buy.

Example:

In an Competitive Bid are received the following offers:

- 1) Offer to Sell for 20,000 MWh, 50 MW and 20,000 CECs
- 2) Mutually Exclusive Offers to Sell:
 - (a) 30,000 20,000 MWh ,CECs,
 - (b) 25,000 MWh, 50 MW, 20,000 CECs,
- 3) Offer to Sell for 40,000 MWh, 20 MW and 10,000 CECs
- 4) Offer to Sell for 100 MW and 50,000 CECs
- 5) Conditional Offers to Sell:
 - A) 30,000 MW, 30 MW, 30,000 CECs
 - B) 10,000 MW, 10 MW, 10,000 CECs

The total amount of sales is 150,000 CECs, resulting from adding: 20,000 CECs

30,000 CECs (of the two Exclusive Offers, the one with the greater number of CECs is chosen)

10,000 CECs

50,000 CECs

40,000 CECs (there is only one offer Conditional, the number of CECS resulting from the sum of its components will be chosen)

In the Competitive Bid will receive the following bids accepted:

- 1) Offer to Purchase by 60,000 CECs
- 2) Offer to Purchase by 40,000 CECs

Suppose that the CRE sets no limits on the number of products which can be awarded in the Competitive Bid; thus, the last term of the calculation of the Reduction Percentage does not apply. The amount of the CECs included in the Purchase Offers accepted is 100,000, for which the percentage reduction would be:

$$PR_{CEL} = \min(1, CTOV_{CEL} / (2 \times OC_{CEL}))$$

$$PR = \min(1, 150,000 / (2 \times 100,000)) = 75\%$$

The amounts included in the Reduced Offers to Buy would be 75% of the amounts included in the Accepted Purchase Offers. In this example, the offers to purchase are reduced to 45,000 CECs and 30,000 CECs, respectively.

5.7.5 Mixed Integer Schedule

All offers will be evaluated using a Schedule of mixed integer optimization:

- (a) The objective function is to maximize the Total Economic surplus, that is to say, to maximize the amount sold of each product multiplied by the maximum purchase price offered for the product, less the amount of each package of products purchased (0 or 1) multiplied by the bid price for that package.
- (b) The restrictions include the following:
 - (i) The decision to select each package of products is binary (yes or no).
 - (ii) Respect the constraints of offers in the selection of other offers.
 - (iii) Respect the constraints of mutually exclusive offers.
 - (iv) Respect the maximum quantities of Accumulated Electrical Energy purchased in areas of generation, as well as the maximum capacities of interconnection substations or sets of substations that the CENACE sets within each generation, according to the following procedure:
 - (A) The CENACE shall only define limits for the generation that have relevant restrictions, within the terms established in Chapter 2 of this Manual.
 - (B) The CENACE shall calculate and publish in the respective Bidding Terms, if applicable, the maximum capacity of interconnection to the NES for each area (which will be referred to as "interconnect") for Power Plants that do not have an existing interconnection, an interconnection contract, or with priority rights to be interconnected to the NES. The limits are expressed in maximum quantities of new capacity that can be interconnected to NES through interconnection areas. The CENACE shall calculate and publish transmission constraints, if any, in the corresponding Bidding Terms with regard to the energy that may be exported to a generation (the so-called "Export Area") to the rest of the NES from Power Plants that do not have an existing interconnection, an interconnection contract, or priority rights to be interconnected to NES. The limits are expressed in maximum quantities of Accumulated Electrical Energy by Export Area.
 - (C) The calculation of these restrictions is based on the current or future capabilities of the National Transmission Network and general distribution networks that form part of the Wholesale Electricity Market, in accordance with the respective Schedules and the works to be carried out at the expense of the interested parties in accordance with the applicable legal provisions.
 - (D) The CENACE will review the Offers to Sell indicating that plants associated with an existing interconnection, an interconnection contract or with priority rights to be interconnected to NES, in order to verify that such interconnection, contract or of priority rights exist.

- (E) At the time of the economic evaluation of the Offers to Sell, the CENACE shall prepare a list of plants that have been credited with an existing interconnection or with a contract of interconnection or of priority rights for their interconnection to the NES. It shall be noted that the Plants do not have to be included in Offers to Sell of the Competitive Bid to preserve its rights of priority.
- (F) The output of the Power Plants connected to the NES or with rights of priority or contract for interconnection of the NES may be offered in Competitive Bids without the restriction that exists due to the limits for the interconnected areas and, where appropriate, for the export areas in the terms of paragraphs (B) and (C) above.
- (v) Additional limits on the supply of Power in specific electrical systems or in areas of specific Power shall not be included, given that the specific needs of Power are represented by the Offers to Buy.
- (vi) The maximum percentages of Power and of CECs that may be bought in Offers to Sell with irregular offered start dates the one with the greater number of CECs is chosen.
- (vii) The total amount purchased for each product shall be equal to the sum of the amounts of the product included in the packages of products that were selected.
- (viii) The amount sold of each product shall be equal to or less than the amount of the product included in Reduced Offers to Buy.
- (ix) The total amount purchased of each product must be equal to or greater than the total amount sold of the Product. For these purposes, the amount of Power purchased in each grid must be equal to or greater than the amount of Power sold in the interconnected system, plus the amount of Power sold in the areas of Power contained in the interconnected system, less the amount of Power purchased in the areas of Power contained in the grid.
- (c) The Bidding Terms expressed above through a mathematical formula, such as, for example, that contained in Exhibit 2, which can be adjusted to ensure consistency and reliability with the purposes set out in this Manual.

5.7.6 Possible iteration due to a reduction of Offer prices

- (a) In accordance with Term 14.3.11(d) of the Electricity Market Terms, the Competitive Bids will be able to use an iterative process for the receipt and evaluation of Offers to Sell, subject to the reduction of prices of sales in each iteration to determine a final result.
- (b) To determine whether to use an iterative process in the Competitive Bid, the CENACE will calculate the maximum economic value that Potential Buyers can obtain through Contracts awarded in the Competitive Bid, the product calculated as the price and the amount offered for the product, and adding all Offers to Buy together.
- (c) The CENACE will evaluate the Offers to Sell through the implementation of the Optimization Schedule described in Exhibit 2 herein, and perform a preliminary selection by the optimization process described in this Manual.
- (d) The CENACE will calculate the total economic surplus of the Offers to Sell selected in preliminary form. If this total economic surplus turns out to be greater than or equal to the threshold percentage of the maximum economic value, the CENACE will not perform iterations and will select those Offers to Sell. In the event that the total economic surplus is less than the threshold percentage of the maximum economic value, the iterative process.
- (e) For purposes of the preceding paragraph, the percentage threshold will be published on the Site no later than 5 days after the determination of the Accepted Offers to Buy. The threshold percentage

shall correspond to the expected value of the total economic surplus divided by the maximum economic value, under competitive conditions amongst between bidders. The percentage threshold shall be calculated by the Secretary at least for the first two Competitive Bids and until the issuance of a corresponding operational guideline; subsequently, it shall be calculated by the CENACE in terms of the Operational Guide.

- (f) The iterative process will have the following:
 - (i) The Offers to Sell will be evaluated through the implementation of the Optimization Schedule described in Exhibit 2 of this Manual. A binary vector of selected and unselected Offers to Sell shall originate from this implementation, and with it, a value of the total economic surplus. The CENACE will announce which Offers to Sell have been selected, identifying only the price and amount of the products covered in each one. The CENACE will not disclose the identities of the Bidders or the locations of their Power Plants during the Competitive Bidding process.
 - (ii) Bidders that submitted Offers to Sell - both those that are selected and not selected- may submit a counter offer within the period established in the Bidding Terms. In the counteroffer, Bidders may only reduce the price of their package in at least the minimum decrease established in the Bidding Terms. Bidders will not be able to modify other parameters of packages offered.
 - (iii) The Optimization Schedule shall begin again:
 - (A) If the value of the total economic surplus of the new solution is greater than the previous selection by a magnitude of at least 1%, the new selection will be referred to as the "new selection" and bidders that submitted Offers to Sell - both those that are selected are not selected- may submit a counter offer in the terms described in the previous paragraph; this process is repeated until the value of the total economic surplus of the last solution is greater than the previous selection.
 - (B) If the value of the total economic surplus of the new solution is equal to or less than 101% of the previous selection, the selection will be final and the Offers to Sell will be selected.

5.8 Competitive Bid Determination and Award of Contracts

5.8.1 Once the CENACE has evaluated the Offers to Sell and selected those that will be accepted, it shall issue the corresponding Contract Award that will define the Offers to Sell selected and awarded contracts resulting therefrom, as well as the complete models used in the selection process.

5.8.2 The day following the issuance of the contract award of the Competitive Bid, the CENACE shall publish an excerpt of said contract award in the of market information system, on CENACE's website or on the SITE, as determined in the Bidding Terms, which shall contain at least the following information:

- (a) The identification of the Offers to Sell selected and Winning Bidders of the Contracts;
- (b) The number of products covered in each selected Offer to Sell, specifying the areas of Generation and the respective Power Areas;
- (c) The Offered Commercial Operations Date of each selected Offer to Sell;
- (d) The prices offered in each selected Offer to Sell;
- (e) The files used for optimization; and,
- (f) If applicable, the Offers to Sell and the prices received in each iteration.

5.8.3 Within two business days following the Contract Award of the respective Competitive Bid, the CENACE will return the Bid Bond to bidders whose offers were not selected.

- 5.8.4** At the request of a bidder who has not won, the CENACE will return any contract that may be under their custody within five business days following receipt of the request. If such a request is not made, the CENACE will retain the contracts for the fulfilment of the requirements of participation of the bidder in an Competitive Bid in the future.
- 5.8.5** Within two business days of Contract Award of the respective Competitive Bid, the CENACE shall notify the Offers to Sell that were selected to each bidder in writing, including the following parameters contained in these offers:
- (a) The Power Plants committed to the performance of the contract, and where applicable, the respective percentages;
 - (b) The Generation Areas and Power Area in which the Power Plants are located;
 - (c) The Offered Commercial Operations Date;
 - (d) The number of products purchased by each winning bidder,
 - (e) The prices; and,
 - (f) The choice to use indexing in dollars or pesos.
- 5.8.6** The Contract Award from an Offer to Sell does not confer preferential rights in the interconnection process and does not exempt the Power Plants from compliance with the Network Code or other applicable provisions.

5.9 Preparation and negotiation of contracts

- 5.9.1** Contracts awarded through Competitive Bids will be prepared by the CENACE using the template contained in the Bidding Terms, the information of the Contract Award for the Competitive Bid and the content of the Offer or Offers to Buy and Offer or Offers to Sell. Contracts will not be subject to negotiation and will be presented for signature within the time and place indicated in the Bidding Terms.
- 5.9.2** The Bidder that is awarded a contract shall be required to subscribe it as a Vendor within the period set forth for that purpose in the Competitive Bid Calendar, either directly or through the Specific Purpose Entity, and to grant the Performance Bond. The Terms of Reference shall establish the requirements of collation of documents prior to the conclusion of the contract.
- 5.9.3** The Potential Buyer that is awarded a contract shall be required to subscribe it as a Buyer within the period set forth for that purpose in the Competitive Bid Calendar and to provide the Performance Bond.
- 5.9.4** In the event of non-compliance with the provisions set forth in paragraph 5.9.2, the CENACE will execute the Bid Bond and will deliver the funds to the potential Buyer or Potential Buyers or, where applicable, to the Clearing House.
- 5.9.5** In the event of non-compliance with the provisions set forth in paragraph 5.9.3, the CENACE will execute the guarantee given by the potential Buyer and will deliver the funds to the respective Bidder or Bidders or, where applicable, to the Clearing House.
- 5.9.6** If a Utilities Supplier breaches its obligation to enter into a contract awarded in an Competitive Bid for which it has not required to grant a liquid guarantee in accordance with the Electricity Market Terms, it shall be penalized in accordance with the law and may not be registered as a potential Buyer in future Competitive Bids without before granting a letter of credit, the format of which contains features similar to those required for the Bid Bond, which will offer sufficient security in the opinion of the CENACE to perform its obligations undertaken in the Competitive Bids.

5.10 Appeals

- 5.10.1** Disputes arising in Competitive Bids will be addressed in the terms of Term 19.3 of the Market Terms and the Dispute Resolution Manual.

Exhibit 1

Calendar of critical events during construction

The following table shows the indicative list of critical events for the construction of new Power Plants, which shall occur no later than the dates indicated.

Critical Event	Deadline
(a) Financial closure	Date indicated in the model contract.
(b) Procurement of Essential Equipment Supply	Date indicated in the model contract.
(C) Recruitment of the installation and implementation of the Civil engineering, mechanical and electrical (EPC)	Date indicated in the model contract.
(D) Obtaining permits and authorizations to the CRE, the Secretariat, the CENACE, SEMARNAT, other governmental authorities, federal, state and government authorities Municipal government authorities	Dates indicated in the model contract.
(E) Timing of equipment	Date indicated in the model contract
(F) Home Performance Testing	Date indicated in the model contract.
(G) Date of Commercial Operation	Date indicated in the offer for sale.

Note: The dates for the completion of the mounting of the equipment and installation engineering will depend on the type of technology of the Power Plant. For example, for a combined cycle will indicate a date for the gas turbine and steam turbine; if there is more, indicate dates for the first and the second; while for a wind energy plant, indicate a date for the installation of the first wind turbine and another for the last.

Exhibit 2

Mathematical formulation for the Mixed Integer Schedule

The following is the indicative mathematical formulation for the Mixed Integer Schedule referred to in paragraph 5.7.5 of this Manual:

$$\begin{aligned} \text{Maximizar} \quad & \sum_{z_p \in ZP} \left\{ \sum_{b_p \in BP_{z_p}} \text{Venta}P_{z_p, b_p} \text{Precio}P_{z_p, b_p} \right\} + \sum_{b_e \in BE} \text{Venta}E_{b_e} \text{Precio}E_{b_e} \\ & + \sum_{b_c \in BC} \text{Venta}C_{b_c} \text{Precio}C_{b_c} - \sum_{p \in PAQ} u_p \text{Precio}Paquete_p \end{aligned}$$

Sujeto a

$$0 \leq \text{Venta}P_{z_p, b_p} \leq \text{Dem}P_{z_p, b_p}^{\max} \quad \forall z_p \in ZP, b_p \in BP_{z_p}$$

$$0 \leq \text{Venta}E_{b_e} \leq \text{Dem}E_{b_e}^{\max} \quad \forall b_e \in BE$$

$$0 \leq \text{Venta}C_{b_c} \leq \text{Dem}C_{b_c}^{\max} \quad \forall b_c \in BC$$

$$\sum_{b_p \in BP_{z_p}} \text{Venta}P_{z_p, b_p} = \text{VentaTotAnt}P_{z_p} + \text{VentaTotStd}P_{z_p} + \text{VentaTotDesp}P_{z_p} \quad \forall z_p \in ZP$$

$$\begin{aligned} \sum_{p \in PAQ \& p \in z_p} u_p \text{Paquete}P_p \text{FechaIrrAnt}_p + \sum_{z_{pi} \in ZpiC(z_p)} \text{ZexcesoTotAnt}P_{z_{pi}} \\ = \text{VentaTotAnt}P_{z_p} + \text{ZexcesoTotAnt}P_{z_p} \quad \forall z_p \in ZP \end{aligned}$$

$$\begin{aligned} \sum_{p \in PAQ \& p \in z_p} u_p \text{Paquete}P_p \text{FechaStd}_p + \sum_{z_{pi} \in ZpiC(z_p)} \text{ZexcesoTotStd}P_{z_{pi}} \\ = \text{VentaTotStd}P_{z_p} + \text{ZexcesoTotStd}P_{z_p} \quad \forall z_p \in ZP \end{aligned}$$

$$\begin{aligned} \sum_{p \in PAQ \& p \in z_p} u_p \text{Paquete}P_p \text{FechaIrrDesp}_p + \sum_{z_{pi} \in ZpiC(z_p)} \text{ZexcesoTotDesp}P_{z_{pi}} \\ = \text{VentaTotDesp}P_{z_p} + \text{ZexcesoTotDesp}P_{z_p} \quad \forall z_p \in ZP \end{aligned}$$

$$\text{VentaTotAnt}P_{z_p} \leq K \text{FechaIrrAnt}P_{z_p} \sum_{b_p \in BP_{z_p}} \text{Venta}P_{z_p, b_p} \quad \forall z_p \in ZP$$

$$\text{VentaTotDesp}P_{z_p} \leq K \text{FechaIrrDesp}P_{z_p} \sum_{b_p \in BP_{z_p}} \text{Venta}P_{z_p, b_p} \quad \forall z_p \in ZP$$

$$\sum_{p \in PAQ} u_p \text{Paquete}E_p \geq \sum_{b_e \in BE} \text{Venta}E_{b_e}$$

$$\sum_{b_c \in BC} \text{Venta}C_{b_c} = \text{VentaTotAnt}C + \text{VentaTotStd}C + \text{VentaTotDesp}C$$

$$\sum_{p \in PAQ} u_p Paquete C_p FechaIrrAnt_p \geq VentaTotAntC$$

$$\sum_{p \in PAQ} u_p Paquete C_p FechaStd_p \geq VentaTotStdC$$

$$\sum_{p \in PAQ} u_p Paquete C_p FechaIrrDesp_p \geq VentaTotDespC$$

$$VentaTotAntC \leq KFechaIrrAntC \sum_{bc \in BC} Venta C_{bc}$$

$$VentaTotDespC \leq KFechaIrrDespC \sum_{bc \in BC} Venta C_{bc}$$

$$u_{p+1} \leq u_p \quad \forall p \in OC_{oci} - \{OC_{oci}\} \& oci \in OC$$

$$\sum_{p \in OME_{omei}} u_p \leq 1 \quad \forall p \in OME_{omei} \& omei \in OME$$

$$\sum_{p \in PAQ \& p \in ze} u_p Paquete E_p SinPrelacion_p + \sum_{\substack{zei \in zeic(ze) \& pi \in PAQ \& pi \in zei \\ \forall ze \in ZE}} u_{pi} Paquete E_{pi} SinPrelacion_{pi} \leq LimExportacionEEA_{ze}$$

$$\sum_{p \in PAQ \& p \in zi} u_p CapacidadDePlaca_p SinPrelacion_p + \sum_{\substack{ziti \in zitic(zi) \& pi \in PAQ \& pi \in ziti \\ \forall zi \in ZI}} u_{pi} CapacidadDePlaca_{pi} SinPrelacion_{pi} \leq LimInterconexionZI_{zi}$$

Indexes

P	package
Bp	offer (band) Power Purchase
Be	offer (band) for the purchase of electric energy in Conjunction
Bc	offer (band) for the purchase of CECs
Zg	Area of prices
Zp, zpi	Power Area
Ze, zei	Export Area
Zi, zii	area of interconnection
$Omei$ lizard	packages of mutually exclusive offers
Oic	conditional offers packages

SETS

$BPZP = \{1, 2, \dots /BPZP/\}$ bands for the purchase of Load-Servicing Entity In the area of Power zp .

$BE = \{1, 2, \dots /BE/\}$ bands for the purchase of the Load-Servicing Entity.

$BC = \{1, 2, \dots /BC/\}$ bands for the purchase of CECs of the Load-Servicing Entities

$OC = \{oc1, CO2, \dots /OC/\}$ package offers conditioned OIC . Each element of this set

It is, in turn, a set of packages. It is used when it is necessary to influence the selection of a package to the selection of the "previous" package. Defined by the Bidder as part of its bid.

$OME = \{ome1, ome2, \dots /OME/\}$ Mutually exclusive package offers $Omei$. Each element of this set is a set of packages. It is used when it is necessary to specify packages that are mutually exclusive. Defined by the Bidder as part of its bid.

Example of conditional offers and mutually exclusive

A developer is considering three alternative sites for a single project, and in each of the three sites have options of size (minimum, intermediate and maximum):

The developer will conduct nine offers for sale with the following packages:

Site to:	Package 1 (minimum),	Intermediate	Package 2(3), (maximum)
Site B:	Package 4 (minimum),	Intermediate	Package 5(6), (maximum)
Site C:	Package 7 (minimum),	Intermediate	Package 8(9), (maximum)

Three of the offers of sale be mutually exclusive (those corresponding to the packages 1, 4 and 7):

$Ome1 = \{1 \text{ (at least 4), Site to Site B (minimum), 7 (Minimum Site C)}\}$

In the Competitive Bid only will be able to select the minimum package offer for only one of the Sites (1, 4 or 7)

Six of the offers of sale will be conditioned (those corresponding to the packages 2, 3, 5, 6, 8 and 9):

1 = {1 oc(minimum), 2 (intermediate), 3 (maximum)}

The selection of the package 2 will be subject to the Package Selection 1, and at the same time, the selection of the package 3 will be subject to the Package Selection 2.

2 = {4 oc(minimum), 5 (intermediate), 6 (maximum)}

The selection of the package 5 will be subject to the Package Selection 4, and at the same time, the selection of the package 6 will be subject to the Package Selection 5.

3 = {7 oc(minimum), 8 (intermediate), 9 (maximum)}

The selection of the package 8 will be subject to the Package Selection 7, and at the same time, the selection of the package 9 will be subject to the Package Selection 8.

$ZP = \{1, 2, \dots /ZP/\}$ Power Areas zp, zpi . The Interconnected systems, areas and sub-areas defined by the CENACE are included as Power Areas

$ZpiC (zp)$ Power Areas zpi contained in the Power Area zp defined by CENACE.

Example of Power Areas

Look at the system show in the following figure:

The system **sistB** contains two Power Areas (**zp1** and **zp2**). Power Area **zp1** in turn contains sub-areas **szpa** and **szpb**, and finally sub-area **szpa** contains Power “zones” **ap1** and **ap2**. All levels of this “hierarchy” are represented as Power Areas that may contain and be contained within other Power Areas.

An important characteristic is that each Power Area has a “demand” (Power demand curve or Offer to Buy Power, represented by the arrows) and Offer (to sell) represented by the circles with the ~ sign). A simple representation of this hierarchy of Power Zones can be seen in the following table (**ZpiC(zp) aggregate**). Each Power Zone can only belong exclusively to **one** Power Area of an immediately superior hierarchic level (known in engineering circles as “upstream” or “mother area”).

		<i>zpi</i>						
		<i>sistB</i>	<i>zp1</i>	<i>zp2</i>	<i>szpa</i>	<i>szpb</i>	<i>ap1</i>	<i>ap2</i>
<i>zp</i>	<i>sistB</i>		v	v				
	<i>zp1</i>				v	v		
	<i>zp2</i>							
	<i>szpa</i>						v	v
	<i>szpb</i>							
	<i>ap1</i>							
	<i>ap2</i>							

The Power surplus in the Power Areas **ap1** and **ap2** are transferred to Power Area **szpa** where they are contained. In turn, the surplus from Power Areas **szpa** and **szpb** are transferred to Power Area **zp1**. Finally, the surplus of Power Zones **zp1** and **zp2** are transferred to the Power Area **sistB**, which is the respective interconnected system.

$ZG = \{1, 2, \dots, |ZG|\}$

Areas of prices z_g . Defined by the CENACE.

$ZE = \{1, 2, \dots, |ZE|\}$

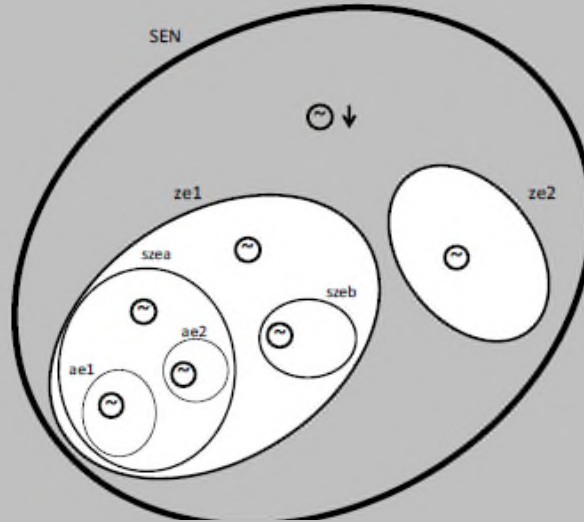
Export Areas z_e, z_{ei} . Defined by the CENACE. Areas where the CENACE sets limits for the export of Accumulative Electric Energy.

$Z_{eiC}(z_e)$

Export Areas z_{ei} contained in the Export Area z_e . Defined by the operator CENACE.

Examples of Export Areas

Export Areas are used to limit the exporting of Accumulative Electric Energy (“AEE”) from one specific geographical zone to the rest of the NES. Unlike Power, the “demand” for Accumulative Electric Energy is established at a NES level (like the demand for CECs). This way, it only has one AEE demand curve. Look at the case shown in the following figure where limits are established on exports in different Export Areas and one demand curve at a NES level (arrow):



In the previous example, the **NES** contains two specific areas **ze1** (export area 1) and **ze2**. In turn area **ze1** contains sub-areas **szea** and **szeb**. Finally, sub-area **szea** contains areas **ae1** and **ae2**. The areas, sub-areas and other areas represent each other, like Export Areas, that may contain or be contained in other Export Areas. Since there is no demand (Offers to Buy) AEE in Export Areas, there is no need to balance the supply (Offer to Sell) and demand (Offer to Buy) at an area level, i.e., all generation (Offers to Sell) are used to balance the demand (Offers to Buy) (throughout the entire NES). Export limits on AEE in each Export Area must be considered Offers at all “sub-areas” of said Export Area. This way, a simple hierarchical representation of the Export Areas is shown in the table below (**zeiC(ze)** aggregate):

		<i>zei</i>					
		<i>ze1</i>	<i>ze2</i>	<i>szea</i>	<i>szeb</i>	<i>ae1</i>	<i>ae2</i>
<i>ze</i>	<i>ze1</i>			√	√	√	√
	<i>ze2</i>						
	<i>szea</i>					√	√
	<i>szeb</i>						
	<i>ae1</i>						
	<i>ae2</i>						

Note que **ae1** y **ae2** “pertenecen” tanto a **szea** como a **ze1** y por tanto, las Ofertas de Venta asociadas a **ae1** y **ae2** están sujetas (si no tienen prelación calificada) a los límites de exportación establecidos por el CENACE para **ae1** (o **ae2**), **szea** y **ze1**.

Visto de otra manera: todas las Ofertas de Venta sin prelación calificada contenidas en todos los subniveles de una determinada Zona de Generación deben ser consideradas en el límite de exportación de dicha Zona de Exportación, por ejemplo, el límite de exportación de EEA para la Zona de Exportación **ze1** debe considerar las Ofertas en dicha Zona de Exportación **ze1** y sus subniveles: **szea** (**ae1**, **ae2**) y **szeb**.

$ZI = \{1, 2, \dots /ZI\}$
Substations

interconnected areas z_i, z_{ii} . Defined by the operator CENACE.

Or sets of substations for which the CENACE sets limits to the interconnection (capacity).

$Z_{iiC}(z_i)$ Areas of interconnection z_{ii} contained in the area of interconnection z_i .

Defined by the operator CENACE.

Example of Interconnection Areas

Interconnection Areas are used to limit the maximum interconnection capacity per substation or set of substations in a specific geographical area. Consider the case seen in the following figure, where the limits to interconnection are established (plate capacity) in different NES Interconnection Areas.



In the previous example, the **NES** contains two specific areas **zix1** (interconnection area 1) and **zix2**. In turn, the interconnection area contains two sub-areas **szixa** and **szixb**. Finally, sub-area **szixa** contains substation **sub1** and a set of substations **csub2**. The Interconnection Areas, sub-areas, substations and sets of substations represent each other, like Interconnection Areas. The interconnection of a Power Plan must consider its limits (if the Power Plant does not have a qualified priority) of interconnection established by the CENACE for **all** hierarchical levels to which the Power Plan belongs: substation (or set of substations), sub-area and interconnection area. So, a simple representation of the hierarchy of Interconnection Areas can be seen in the following table (**Z_{iiC}(z_i)** aggregate):

	z_{ii}					
	z_{ix1}	z_{ix2}	sz_{ixa}	sz_{ixb}	$sub1$	$csub2$
z_i			√	√	√	√
					√	√

Accepted Offers of Sale are restricted by the interconnection limits set by the CENACE for the substation and set of substations, subareas, and interconnection areas to which the Power Plants associated with the Offers will be interconnected. For example, note that **sub1** and **csub2** "belong" to both **szixa** and **zix1**, and therefore, the Offers to Sell associated with **sub1** and **csub2** are subject (if there is no qualified priority) to the interconnection limits established by the CENACE for **sub1** (or **csub2**), **szixa** and **zix1**.

PARAMETERS (CONSTANTS)

<i>PaqueteP_p</i>	Nonnegative actual parameter, representing the Power comment of the package p in MW-year. Defined by the Bidder for package p.
<i>PaqueteE_p</i>	Nonnegative actual parameter, represents the Accumulative Electric Energy Component of the package p in MWh per year. Defined by the Bidder for package p.
<i>PaqueteC_p</i>	Nonnegative actual parameter, represents the CEC Component of the package p in CECs per year. Defined by the Bidder for package p.
<i>CapacidadDePlaca_p</i>	Nonnegative actual parameter, represents plate capacity of the package p in MW. Defined by the Bidder for package p.
<i>PrecioPaquete_p</i>	Actual parameter, representing the “adjusted” price of the package Offer p in \$/year in order to mirror the location of the offer.

$$\begin{aligned}
 \text{PrecioPaquete}_p = & \\
 & (\text{PrecioOriginalPaquete}_p \\
 & + \Delta PML_{zg} \text{ PaqueteE}_p) \text{ FactorDevEsp}^{IndexUSD_p}
 \end{aligned}$$

ΔPML_{zg}	Actual parameter, represents the expected value of the difference between the average Local Marginal Prices of the NES and the average of the Local Marginal Price in the Price Area z_g where the €_{zg} package is located, in \$/MWh, both at a level value during the period considering in the Competitive Bid, in order to reflect the location of the offer.
<i>PrecioOriginalPaquete_p</i>	Non-negative actual parameter; it represents the price the offer of the package p in \$/year. Defined by the Bidder as part of its Offer for the package p .
<i>FactorDevEsp</i>	The ratio between the expected cost of an offer indexed in dollars and an offer indexed in Pesos, calculated in terms of section 4.6 of this Manual.
<i>IndexUSD_p</i>	Binary parameter p , 1 if the package p is indexed in dollars, 0 if the package p is indexed to Pesos.
<i>SinPreleccion_p</i>	Binary parameter; 1 if the package p does not have a qualified priority for their interconnection, 0 if it has a qualified priority or is already interconnected to NES. Defined by the Bidder as part of its Offer on the package p . Verified by the operator CENACE.
<i>DemP^{max}_{zp, bp}</i>	Non-Negative actual parameter; represents offer bp to buy Power in the Power Area z_p in MW-year. Definite by the Load-Servicing Entities considering procurement requirements defined by the CRE.
<i>DemE^{max}_{bs}</i>	Non-Negative actual parameter; represents the offer be to purchase Accumulative Electric Energy in MWh per year. Defined by the Load-Servicing Entities considering the procurement requirements defined by the CRE.

$DemC_{bc}^{max}$	Actual parameter is not negative, it represents the offer bc of purchase of CECs in CECs per year. Defined by the Load-Servicing Entities considering the recruitment requirements defined by the CRE.
$PrecioP_{zp,bp}$	Non-negative real parameter, represents the price (maximum) Power purchase for the bp in the Power Area zp, in \$/MW-year. Defined by the Load-Servicing Entities considering the maximum price defined by the CRE.
$PrecioE_{be}$	Non-negative real parameter, represents the price (maximum) for the purchase of accumulative electric energy to the band be in \$/MWh per year. Defined by the Load-Servicing Entities considering the maximum price defined by the CRE.
$PrecioC_{bc}$	Non-negative real parameter, represents the price (maximum) for the purchase of CECs for the band bc in \$/CECper year. Defined by the Load-Servicing Entities considering the maximum price defined by the CRE.
$FechaIrrAnt_p$	Binary parameter, 1 if the package p has an irregular start date before the start date of the standard, 0 if not. Defined by the Bidder as part of their package offer p.
$FechaStd_p$	Binary parameter, 1 if the package p has a start date of 0 standard, if have a non-standard start date. Defined by the Bidder as part of their package offer p.
$FechaIrrDesp_p$	Binary parameter, 1 if the package p has an irregular start date after the start date of the standard, 0 if not. Defined by the Bidder as part of their package offer p.
$KFechaIrrAntP_{zp}$	Actual parameter [0.1], defines the percentage (pu) maximum of Power that the responsible entities are willing to acquire, in the area of Power zp, sources with irregular start date before the start date of the standard. Defined by the Load-Servicing Entities.
$KFechaIrrDespP_{zp}$	Actual parameter [0.1], defines the percentage (pu) maximum of Power that the responsible entities are willing to acquire, in the area of Power zp, sources with irregular start date after the date of Home standard. Defined by the Load-Servicing Entities.
$KFechaIrrAntC$	Actual Parameter [0.1], defines the percentage (pu) maximum of CECs that the responsible entities are prepared to buy from sources with irregular start date before the start date of the standard. Defined by the Load-Servicing Entities.
$KFechaIrrDespC$	Actual Parameter [0.1], defines the percentage (pu) maximum of CECs that the responsible entities are prepared to buy from sources with irregular start date after the start date of the standard. Defined by the Load-Servicing Entities.
$LimExportacionEEA_{ze}$	Actual parameter is not negative, it represents the export limit the Export Area ze, in MWh per year. Defined by the CENACE.
$LimInterconexionZI_{zi}$	Actual parameter is not negative, it represents the limit of interconnection of the Interconnection zi, in MW. Defined by the CENACE.

VARIABLES

Up	Binary variable, 1 if the package p is selected, 0 if it is not selected.
$SaleP_{zp,bp}$	non-negative real variable, represents the selected allotment of the Offer to Buy Power bp in the Power Area zp, in MW- year. This variable represents the amount of Power sold to the Load-Servicing Entities in the Competitive Bid, in the area of Power zp.

$VentaTotAntP_{zp}$	Non-negative real variable, represents the selected allotment of the total supply of purchasing Power in the area of Power zp , in MW-year, i.e. the total amount of Power sold to the Load-Servicing Entities in the Competitive Bid, in the area of Power zp , awarded optimally to Packages with irregular start date before the start date of the standard.
$VentaTotStdP_{zp}$	Non-negative real variable, represents the selected allotment of the total supply of purchasing Power in the area of Power zp , in MW-year, i.e. the total amount of Power sold to the Load-Servicing Entities in the Competitive Bid, in the area of Power zp , awarded optimally to Packages with standard start date.
$VentaTotDespP_{zp}$	Non-negative real variable, represents the selected allotment of the total supply of purchasing Power in the area of Power zp , in MW-year, i.e., the total amount of Power sold to the Load-Servicing Entities in the Competitive Bid, in the area of Power zp , awarded optimally to Packages with irregular start date after the start date of the standard.
$VentaE_{be}$	Non-negative real variable, represents the selected allotment of the Offer to Buy Accumulative Electric Energy in conjunction be in MWh per year. This variable represents the cumulative amount of Electrical Energy sold in the Competitive Bid to the Load-Servicing Entities.
$VentaC_{bc}$	Non-negative real variable, represents the selected allotment of the Purchase Offer of CECs bc in CECs per year. This variable represents the number of CECs sold in the Competitive Bid.
$VentaTotAntC$	Non-negative real variable, represents the selected allotment of the total supply of purchase of CECs, CECs-year, i.e. the total amount of CECs sold to the Load-Servicing Entities in the Competitive Bid, awarded optimally to packages with irregular start date before the start date of the standard.
$VentaTotStdC$	Non-negative real variable, represents the selected allotment of the total supply of purchase of CECs, CECs-year, i.e., the total amount of CECs sold to the Load-Servicing Entities in the Competitive Bid, awarded optimally to packages with standard start date.
$VentaTotDespC$	Non-negative real variable, represents the selected allotment of the total supply of purchase of CECs, CECs-year, i.e. the total amount of CECs sold to the Load-Servicing Entities in the Competitive Bid, awarded optimally to packages with irregular start date after the start date of the standard.
$ZexcesoTotAntP_{zp}$	Non-negative real variable. Represents the excess of Power offered in packages with irregular start date before the start date of the standard, are selected from the area of Power zp , in MW-year. This Power is not required to meet the Power requirements of the Power Area zp , but it can be used "upstream", to meet the Power requirements of the Power area or system that contains the Power Area zp .
$ZexcesoTotStdP_{zp}$	Non-negative real variable. Represents the excess of Power offered in packages with standard start date, selected from the area of Power zp , in MW-year. This Power is not necessary in order to meet the Power requirements of the Power Area zp , but it can be used "upstream", to meet the Power requirements of the Power area or system that contains the Power Area zp .
$ZexcesoTotDespP_{zp}$	Non-negative real variable. Represents the excess of Power offered in packages with irregular start date after the start date of the standard, are selected from the area of Power zip , in MW-year. This Power is not required to meet the Power requirements of the Power Area zp , but it can be used "upstream", to meet the Power requirements of the Power area or system that contains the Power Area zp .