

# MEXICO'S POWER PRICE INDICATIONS DROP



By Claudia Espinosa

# INSIGHT

## MEXICO'S POWER PRICE INDICATIONS DROP

BY CLAUDIA ESPINOSA AUGUST 2019

Notional price indications for power contracts decreased across the board from the prior ICIS survey as a variety of bids and offers reflected some consensus but also divergent expectations for Mexico's wholesale power market (MEM) in the coming five years. Price levels fell from the peak seen in the previous survey as the notional contract rolled over to an October 2019 start date from July when power demand typically peaks.

Market sentiment seems also to have settled more as energy policy focused on the power market does not appear poised for any immediate changes amid the inaction of weakened energy regulator CRE and budget-constrained state-run utility CFE.

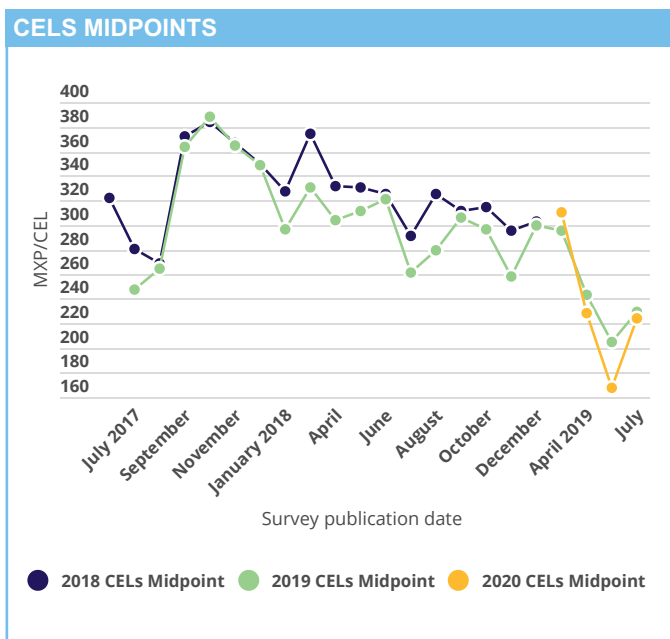
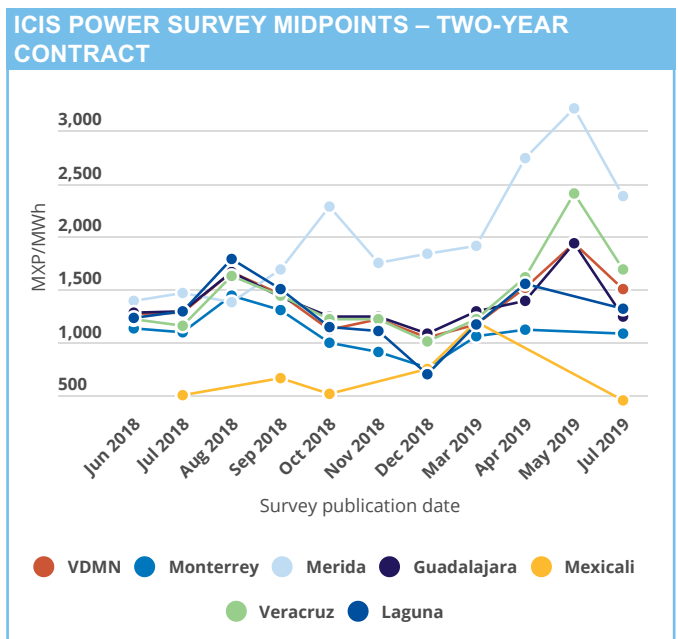
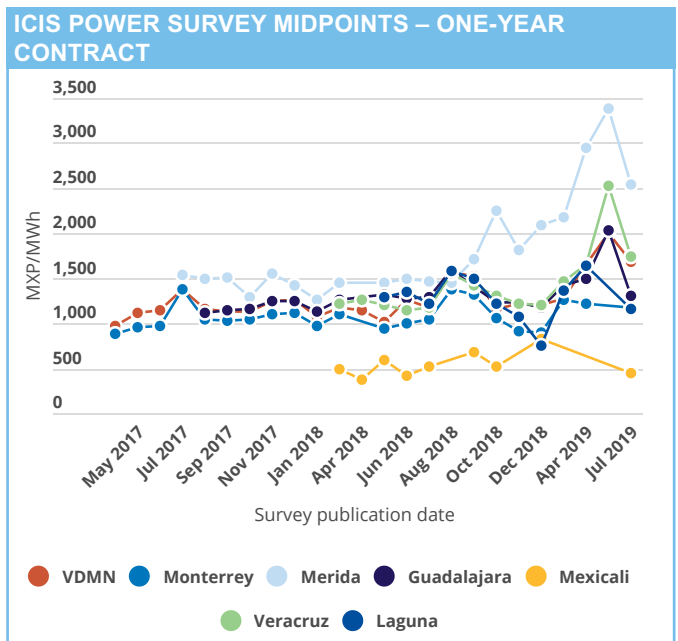
The utility appears to still be preparing its restructuring plans, which were initially due to be submitted to energy ministry SENER on 25 May. Some market participants said they feared a restructuring could open the door to possible subsidy manipulations across generation companies, something that could affect future power pricing.

### CLEAN ENERGY, POWER CONTRACTS

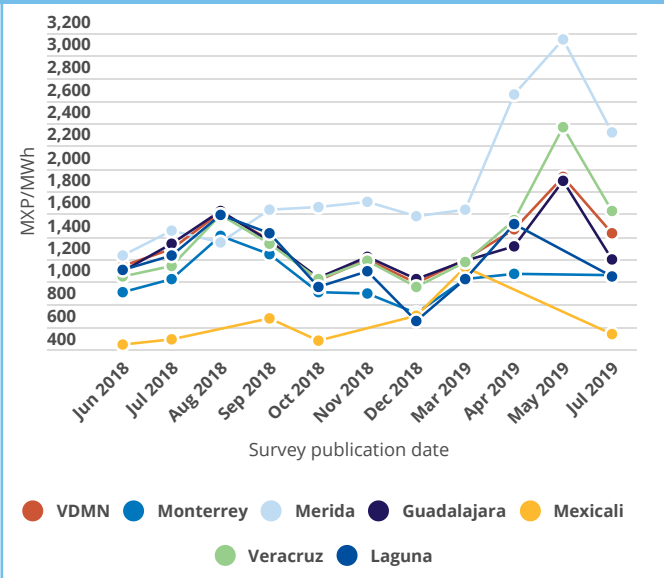
Bids and offers for clean energy certificates (CELs) recovered from their year-to-date low as the market continues to adjust from the cancellation and suspension

of various market development mechanisms that affect the CELs market.

One, two, three and five-year power contracts: the Mexicali node made a comeback from the prior survey, with narrow bid-offer spreads making it one of the two



### ICIS POWER SURVEY MIDPOINTS – THREE-YEAR CONTRACT

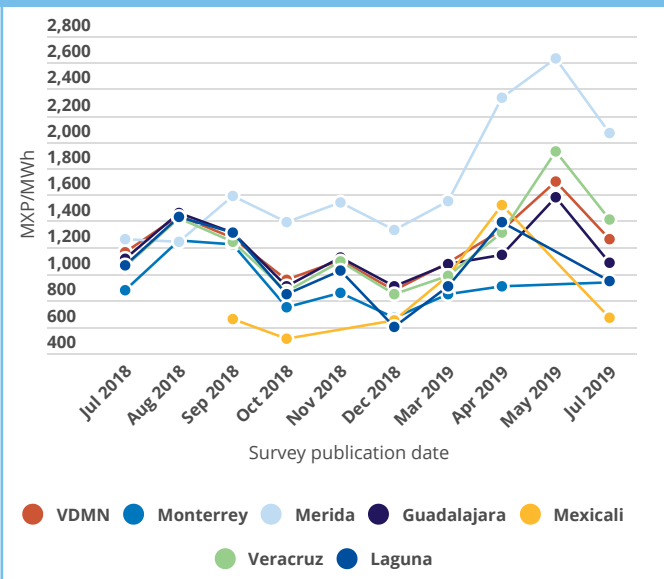


most likely nodes to transact for all four contract types. The Laguna node also showed a high likelihood of transacting for the one, three and five-year contracts. Midpoints came down across the board amid a greater number of diverse bid and offer submissions.

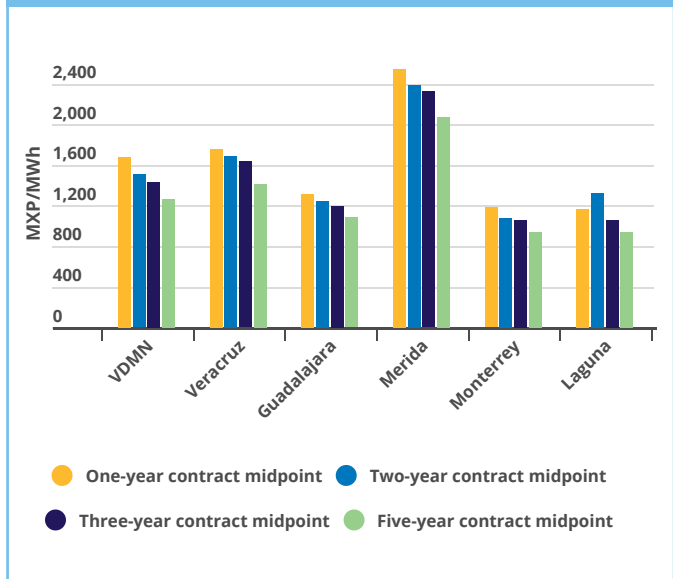
### SURVEY PARAMETERS

Price indications in the power and CEL tables represent midpoints based on an arithmetic average of responses received, excluding outliers, rounded up to the nearest whole value in Mexican pesos per MWh. Midpoints between bids and offers are then used to give an idea of where the market could transact if buyers and sellers make equal concessions. They do not necessarily reflect transactions that have taken place in the market. ICIS Energy continues to explore ways to enhance the survey. Ideas may be sent to MER editor Claudia Espinosa at [mexico.energy.report@icis.com](mailto:mexico.energy.report@icis.com)

### ICIS POWER SURVEY MIDPOINTS – FIVE-YEAR CONTRACT



### MIDPOINT COMPARISON: DIFFERENT CONTRACT LENGTHS



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## ICIS ENERGY POWER SURVEY RESULTS

### RESULTS OF JUNE 2019 ICIS MEXICO POWER MARKET PRICE SURVEY – ONE-YEAR CONTRACT

Node	Bid (MXP/MWh)	US\$/MWh*	Offer (MXP/MWh)	US\$/MWh*	Midpoint (MXP/MWh)	US\$/MWh*	Midpoint diff to previous (MXP)	Change %
Valle de Mexico Norte	1,030	54.09	2,327	122.23	1,678	88.16	-331	-16%
Veracruz	1,094	57.47	2,406	126.39	1,750	91.93	-784	-31%
Mexicali	317	16.63	596	31.32	456	23.97	-	-
Guadalajara	1,035	54.36	1,593	83.68	1,314	69.02	-721	-35%
Merida	1,679	88.19	3,402	178.75	2,540	133.47	-849	-25%
Monterrey	860	45.2	1,497	78.66	1,179	61.93	-	-
Laguna	1,047	55	1,281	67.31	1,164	61.15	-	-
CEL	Bid (MXP/CEL)	US\$/CEL*	Offer (MXP/CEL)	US\$/CEL*	Midpoint (MXP/CEL)	US\$/CEL*	Midpoint diff to previous (MXP)	Change %
Calendar year 2019	184	9.65	274	14.42	229	12.03	24	12%
Calendar year 2020	188	9.87	261	13.71	224	11.79	57	34%

Source: ICIS

### RESULTS OF JUNE 2019 ICIS MEXICO POWER MARKET PRICE SURVEY – TWO-YEAR CONTRACT

Node	Bid (MXP/MWh)	US\$/MWh*	Offer (MXP/MWh)	US\$/MWh*	Midpoint (MXP/MWh)	US\$/MWh*	Midpoint diff to previous (MXP)	Change %
Valle de Mexico Norte	989	51.97	2,017	105.99	1,503	78.98	-436	-22%
Veracruz	1,131	59.43	2,238	117.56	1,684	88.49	-729	-30%
Mexicali	309	16.24	597	31.36	453	23.8	-	-
Guadalajara	973	51.13	1,507	79.2	1,240	65.17	-692	-36%
Merida	1,545	81.18	3,221	169.23	2,383	125.2	-834	-26%
Monterrey	792	41.6	1,364	71.68	1,078	56.64	-	-
Laguna	967	50.78	1,671	87.77	1,319	69.28	-	-

Source: ICIS

### RESULTS OF JUNE 2019 ICIS MEXICO POWER MARKET PRICE SURVEY – THREE-YEAR CONTRACT

Node	Bid (MXP/MWh)	US\$/MWh*	Offer (MXP/MWh)	US\$/MWh*	Midpoint (MXP/MWh)	US\$/MWh*	Midpoint diff to previous (MXP)	Change %
Valle de Mexico Norte	948	49.78	1,916	100.64	1,432	75.21	-491	-26%
Veracruz	1,078	56.66	2,183	114.71	1,631	85.69	-732	-31%
Mexicali	381	20.03	686	36.04	534	28.03	-	-
Guadalajara	929	48.79	1,459	76.66	1,194	62.72	-694	-37%
Merida	1,483	77.89	3,155	165.77	2,319	121.83	-827	-26%
Monterrey	794	41.7	1,316	69.12	1,055	55.41	-	-
Laguna	921	48.38	1,184	62.18	1,052	55.28	-	-

\*Based on 17/07/19 exchange rate of \$1= MXP19.034

Source: ICIS

### RESULTS OF JUNE 2019 ICIS MEXICO POWER MARKET PRICE SURVEY – FIVE-YEAR CONTRACT

Node	Bid (MXP/MWh)	US\$/MWh*	Offer (MXP/MWh)	US\$/MWh*	Midpoint (MXP/MWh)	US\$/MWh*	Midpoint diff to previous (MXP)	Change %
Valle de Mexico Norte	864	45.41	1,668	87.65	1,266	66.53	-431	-25%
Veracruz	908	47.72	1,918	100.77	1,413	74.25	-515	-27%
Mexicali	619	32.53	709	37.25	664	34.89	-	-
Guadalajara	838	44.03	1,323	69.53	1,081	56.78	-501	-32%
Merida	1,292	67.9	2,841	149.24	2,066	108.57	-569	-22%
Monterrey	701	36.82	1,168	61.34	934	49.08	-	-
Laguna	811	42.59	1,071	56.26	941	49.42	-	-

\*Based on 17/07/19 exchange rate of \$1= MXP19.034

Source: ICIS