

Mexico's second power auction results: Record low prices in Latin America

Contents (Restricted to clients)

Mexico's Second Power Auction
- Overview

Mexico's Second Power Auction
- Results

Mexico's Second Power Auction Winners by Contracted Capacity (MW), Power (GWh) and Clean Energy Certificates (CELk)

Mexico's Second Power Auction Analysis

Recent Latin American Wind and Solar Auction Results by Source, Generation (GWh) and Average Price (\$/MWh)

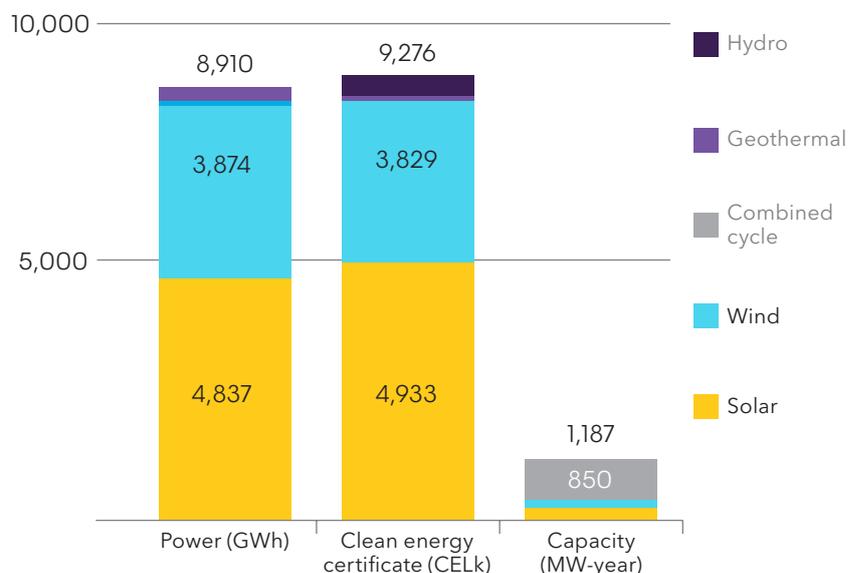
Executive summary

Mexico's second power auction produced three record-low prices for Latin America: an average tender price of \$33.5/MWh, a wind price of \$32/MWh and a solar price of \$27/MWh. Overall, the auction was one of the most competitive in the world, with no winning bid above \$40/MWh. These prices are driven by high participation, low equipment prices and new wind and solar strategies.

- The auction contracted 1.2GW of capacity at an average price of \$32,286/MW-year, 8.9TWh of power and another 9.3m clean energy certificates (CELs) for a combined average price of \$33.5/MWh. A total of 19 companies won contracts, with a mix of state-owned and private companies and local and international developers. Among the winning companies are Acciona, Comisión Federal de Electricidad (CFE), Cubico Sustainable Investments, Grupo EDF Energies Nouvelles, Enel Green Power, Engie, Irenova (Sempra Energy) and Zuma Energía (Actis).
- A little over half of the power and certificates contracted will be supplied by 1.9GW of PV plants and around 40% will come from 1.2GW of wind farms.
- One 505MW natural gas combined cycle plant located in Texas won a 475MW capacity contract at \$24,265/MWyear. This plant is abandoning ERCOT's low prices and targeting Mexico's new power market.

Figure 1

Mexico's 2nd power auction, power (GWh), clean energy certificates (CELk) and capacity (MW-year) contracted



Source: CENACE, Bloomberg New Energy Finance

By the numbers

19

companies were awarded contracts for 1.2GW of capacity at average price of \$32,286/MW-year.

8.9TWh

of power and 9.3m CELs were contracted at average combined price of \$33.5/MWh.

2 cent/W

Potential cost increase for ingot production, if new tariffs apply in 2018.

Overview

On 29 April 2016, Mexico's national system operator Centro Nacional de Control de Energía (CENACE) called for the country's second power auction, a month after the results of the first tender. The second power auction process ran from May to September. CENACE aimed to contract 1.5GW of capacity, 10.6TWh of power and 10.6m clean energy certificates (CELS). The capacity, power and CELs contracted would supply Mexico's state owned utility Comisión Federal de Electricidad (CFE). On 5 August 2016, 84 companies submitted bids for prequalification, out of which 68 were approved.

On 21 September 2016, 57 developers presented actual bids to compete for capacity, power and clean energy certificates contracts. Results were announced a week later to avoid any issues as in the first tender process.

The auction contracted:

Capacity A total of 1.2GW of capacity contracts was awarded, 80% of the desired demand. This was a better result than in the first auction, when CENACE failed to contract any capacity. This is mainly due to a higher ceiling price (MXN 1.7m/MW-year or \$88,137/MW-year). The average contracted capacity prices were \$32,286/MWyear for 15-year agreements. Capacity will be from natural gas combined cycle, solar, wind and geothermal projects

Power Only clean energy projects (including nuclear and large hydro) were allowed to compete for power contracts. Out of the 10.6TWh demanded, CENACE contracted 8.9TWh via 15-year PPAs. Power will be sourced mostly from solar and wind projects and one geothermal plant.

Clean energy certificates (CELS) Similarly, CENACE aimed to contract 10.6m CELs (1 CEL = 1MWh). A total of 9.3m was contracted for 20-years which will be sourced from solar, wind, geothermal and hydro projects. CENACE contracted more CELs than power because existing hydro plants will provide certificates and did not offer any generation for power contracts. The average price for power and CELs was \$33.5/MWh, 30% lower than in the first auction (\$47.6/MWh).

Contact sales

sales.bnef@bloomberg.net

Copyright and disclaimer

This publication is the copyright of Bloomberg New Energy Finance. No portion of this document may be photocopied, reproduced, scanned into an electronic system or transmitted, forwarded or distributed in any way without prior consent of Bloomberg New Energy Finance. The information contained in this publication is derived from carefully selected sources we believe are reasonable. We do not guarantee its accuracy or completeness and nothing in this document shall be construed to be a representation of such a guarantee. Any opinions expressed reflect the current judgment of the author of the relevant article or features, and does not necessarily reflect the opinion of Bloomberg New Energy Finance, Bloomberg Finance L.P., Bloomberg L.P. or any of their affiliates ("Bloomberg"). The opinions presented are subject to change without notice. Bloomberg accepts no responsibility for any liability arising from use of this document or its contents. Nothing herein shall constitute or be construed as an offering of financial instruments, or as investment advice or recommendations by Bloomberg of an investment strategy or whether or not to "buy," "sell" or "hold" an investment.