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NEW REGULATORY INSTRUMENTS APPLICABLE TO RENEWABLE ENERGY AND COGENERATION PROJECTS

The Department of Renewable Energies of Goodrich is pleased to inform that on August 21th was published in the Public Gazette the Resolution by which the Regulatory Energy Commission (CRE) issues the Feed-In Model Contract applicable to Collective Renewable Energy Sources on Small Scale. On September 26th the CRE also issued the General Regulations to Recognize Cogeneration Systems as Efficient.

With the publication of the aforesaid resolutions, the regulatory framework applicable to renewable energy and efficient cogeneration projects is completed and the applicable procedures are adapted to meet the necessities of the market participants. We think that the project developers will respond positively to the new mechanisms and that many projects are going to be implemented in the near future.

a) Feed-In Model Contract Applicable to Collective Renewable Energy Sources on Small Scale

The issue of the Feed-In Model Contract Applicable to Collective Renewable Energy Sources on Small Scale responds to the requests of many real estate developers regarding the necessity of having an agreement which could apply to multi-family buildings which have a shared generating source and whose residents want to share equally the rights and obligations regarding the power generation. The later, because the system has just one power line connection point with the public grid of the Federal Electricity Commission (CFE).

The aforesaid agreement is virtually identical to the agreement corresponding to individual generators, but it recognizes in addition the concepts of “collective renewable energy source” and of “proportional part”. The first concept includes the electricity generation equipment, which is co-owned by the residents and whose capacitance cannot be higher than the amount of all the capacitances mentioned in the normal electricity supply agreements of each co-owner. The concept of “proportional part” allows to

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the developers and electricity consumers to show the amount of the total capacitance of the equipment which will be assigned to each consumer, which cannot be higher than 1 kW for residential use and than 30kw for general use on small scale. Furthermore, the total amount of the energy assigned to each consumer shall be the same than the total capacitance of the equipment.

Additionally, the collective source may be allocated in a different building than the one of each generator/consumer, provided that the system does not need energy transmission services form the CFE. Each owner of each building shall sign an agreement; the compensation system of the previous agreement remains without modifications.

By using this agreement, it will be economically feasible for the real estate developers the installation of one single power generation plant (mainly of photovoltaic technology) in residential complexes which will provide with electricity to every house of the complex. Due to the aforesaid, the developers will be able to use economies of scale and the installations will be cheaper.

b) General Regulations to Recognize Cogeneration Systems as Efficient

According to the Law for the Use of Renewable Energy and for the Financing of Energy Transition (Ley para el Aprovechamiento de Energías Renovables y el Financiamiento de la Transición Energética) and its Regulation, cogeneration projects may take advantage of the benefits and instruments granted to renewable energy projects, provided that the cogeneration systems are recognized as “Efficient Cogeneration” in terms of the CRE guidelines.

In February 2011, the Commission issued the Methodology for the Calculation of the Efficiency of Electricity Cogeneration Systems and the Rules to Recognize the Efficient Cogeneration (Metodología para el Cálculo de la Eficiencia de los Sistemas de Cogeneración de Energía Eléctrica y los Criterios para Determinar la Cogeneración Eficiente) (hereinafter referred to as the “Methodology”). This Methodology established the general rules to calculate the efficiency of cogeneration systems and a criterion of minimum percentages to recognize a project as of “Efficient Cogeneration”. The efficiency of a cogeneration system shall be determined by using the following three variables: thermal energy, electricity generated and the fuel used in the cogeneration process.

With the publication of the General Regulations to Recognize Cogeneration Systems as Efficient, the CRE approved the calculation procedures which shall be used by the permit holders in order to proof that their cogeneration projects fulfill the minimum percentages to be recognized as of “Efficient Cogeneration”. Said calculation procedures take into account the different technical features of the cogeneration systems.

The duration of the recognition as of “Efficient Cogeneration” depends on the capacity authorized in the respective permit to generate electricity.

With the publication of the aforesaid Resolutions, the regulatory framework applicable to efficient cogeneration projects is completed in order that the permit holders of cogeneration projects may take advantage of the mechanisms applicable to the permit holders for power generators with renewable energy supplies.

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