



Enel X Insights

April 2020 Mexico Monthly Market Commentary

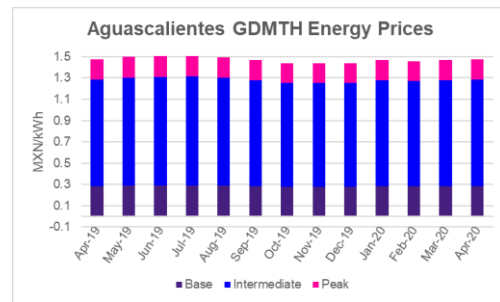
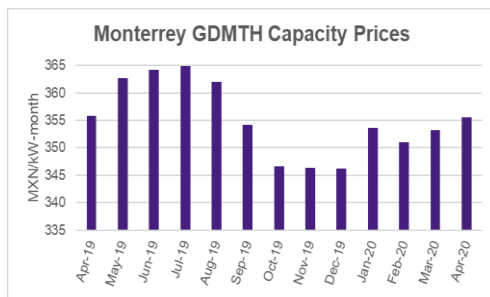
Mexico

CFE Rates Increase 0.64% in April

Rates have been published by CFE for its Basic Service clients for April. The increase from March to April is less than observed last year in the same period. While seasonal demand remains a primary factor in shaping rates throughout the year, commercial and industrial customers have begun to pay slightly lower rates compared to last year for the same period. In particular, for this month, there is a slight decrease in costs year-over-year for March of almost 1.07% for the capacity component and 0.88% of energy on the bill.

Capacity prices in the Monterrey region for the GDMTH tariff are just under \$355 MXN/kW-month. This represents a 0.64% increase compared to the March rates, and a 0.08% increase relative to last April's rates, which registered at just \$356 MXN/kW-month. The capacity component accounts for roughly 15% to 25% of overall energy costs.

Energy prices showed a similar slight increase movement in April for the Aguascalientes region of the GDMTH tariff, load-weighted for each tranche assuming an average of 30% base consumption, 60% intermediate consumption, and 10% peak consumption. April energy prices increased by about 0.56% in most regions compared to the previous month, but 0.07% higher compared to April 2019. Load-weighted prices in Aguascalientes have slightly increased from \$1.473 MXN/kWh in April 2019 to \$1.474 MXN/kWh in April 2020, a 0.07% increase over that period. The energy component of customers' bills usually makes up 50% to 70% of total costs.

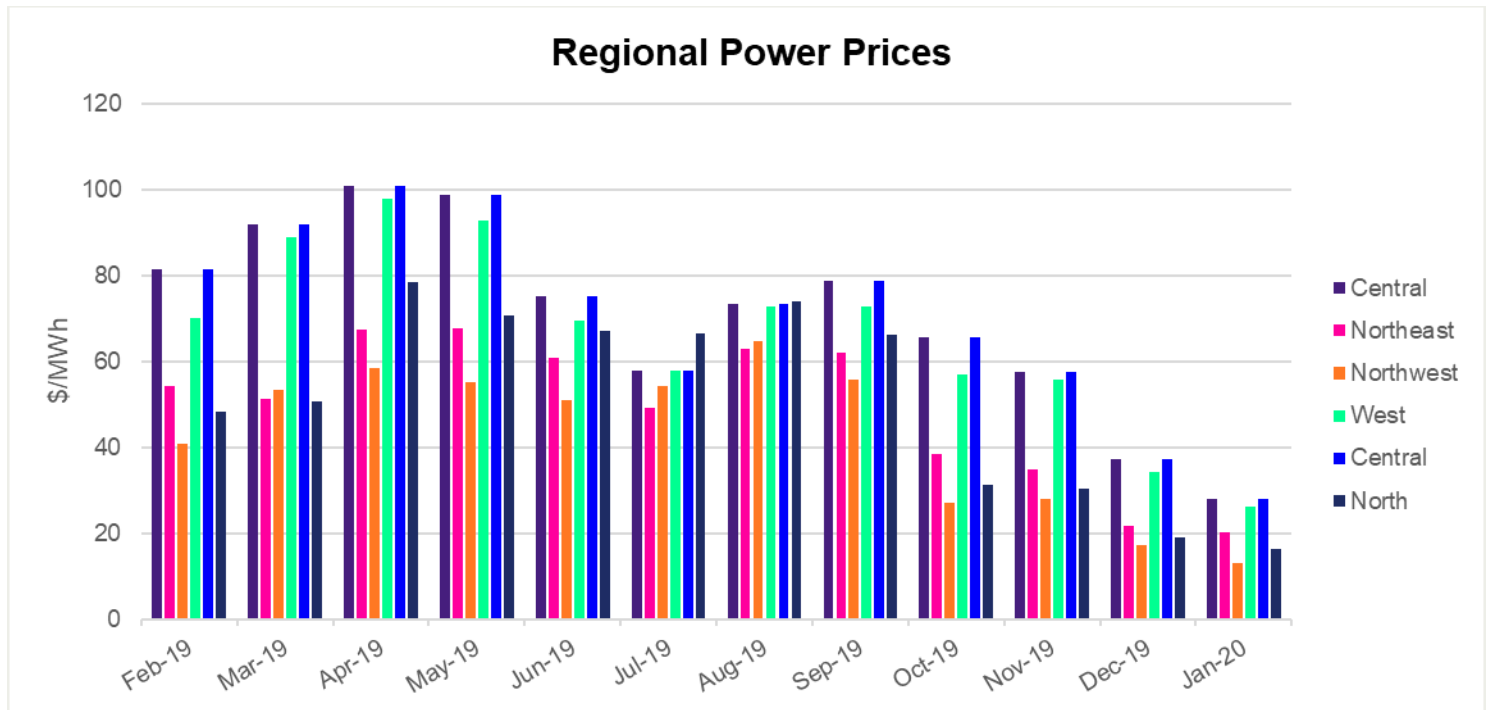


New record for natural gas imports in 2019.

During 2019, Mexico set a new record in natural gas imports, reaching 5,540 million cubic feet per day, which represents an increase of 3.4% over 2018, when 5,355 million cubic feet per day were imported, according to the Ministry of Energy (SENER). This also represented an increase of almost 54% since 2015, where the imported volume was 3.606 million cubic feet per day, the main importer being the United States.

Regional Electricity Pricing Update

In January, wholesale electricity prices decreased approximately 18% compared to December due to a seasonal decrease in demand, but also as a reflection of 8% decrease in Henry Hub natural gas prices in the same period. On a year-over-year basis, with the same direction, wholesale energy prices are down for the main National Interconnection System by 52% compared to the previous January. Notably, though, key areas in the northern sectors of the country have seen lower prices largely because of the increased importation capacity of natural gas from the US.



The local marginal price has not yet been published by CENACE (the most recent data available since the publication).

Failure to comply with a program established by the Federal Government.

During the Mexico WindPower 2020 event, held at the beginning of March in Mexico City, Jeff Pavlovic of Bravos Energia and former Director General of the Ministry of Energy, said that the government has not fulfilled its commitments regarding electrical infrastructure projects, which includes expansion in transmission networks. The annual program presented by the Federal Government included between 70 and 80 transmission works that were instructed to CFE and to date has a rate of zero progress. These are projects that are slowing down and of utmost importance for the supply of energy in Mexico.

Regional Natural Gas Pricing Update

In February (the most recent data available at the time of publication), natural gas prices began to show a decrease compared to the previous month. In the table below, the columns to the left show that natural gas prices in dollars decreased 7.10% from \$2.92 to \$2.71 USD/MMBtu. The columns on the right show prices in terms of Mexican pesos, which decreased 7.3% from \$52.05 to \$48.26 MXN/GJ. The year-on-year price increase is mainly due to changes in the weather.

National Natural Gas Pricing

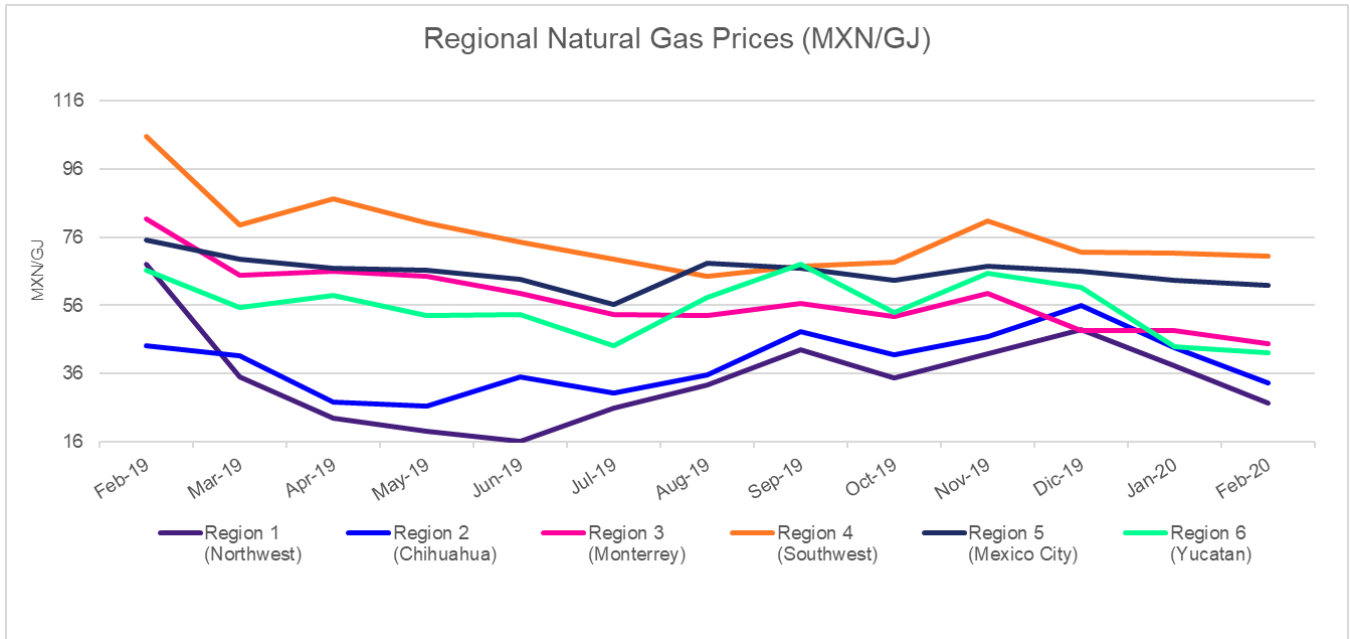
| Month | USD/MMBtu | M-o-M Change | MXN/GJ | M-o-M Change | Y-o-Y Change |
|--------|-----------|--------------|--------|--------------|--------------|
| Feb-19 | 3.82 | -12.7% | 69.49 | -12.8% | -13.6% |
| Mar-19 | 3.15 | -17.6% | 57.37 | -17.4% | -16.7% |
| Apr-19 | 2.88 | -8.46% | 51.94 | -9.5% | -27.7% |
| May-19 | 3.00 | 4.19% | 54.30 | 4.5% | -26.9% |
| Jun-19 | 2.78 | -7.29% | 50.88 | -6.3% | -31.9% |
| Jul-19 | 2.62 | -5.71% | 47.41 | -6.8% | -36.0% |
| Aug-19 | 2.85 | 8.65% | 52.93 | 11.6% | -28.2% |
| Sep-19 | 3.24 | 13.8% | 60.31 | 14.0% | -22.9% |
| Oct-19 | 3.16 | -2.62% | 57.97 | -3.9% | -12.3% |
| Nov-19 | 3.15 | -0.13% | 57.67 | -0.5% | -22.7% |
| Dec-19 | 3.19 | 1.15% | 57.98 | 0.5% | -34.1% |
| Jan-20 | 2.92 | -8.45% | 52.05 | -10.2% | -34.7% |
| Feb-20 | 2.71 | -7.10% | 48.26 | -7.3% | -30.6% |

At the regional level, in February, all areas presented a decrease in the price of natural gas, Regions 4 and 5 had a moderate decrease compared to the previous month, with regions 1 and 2 showing the most drastic decrease. Region 4 presented a slight decrease from \$71.24 to \$70.56 MX / GJ. On the contrary, the region with the greatest decrease was 1, going from \$ 38.18 to \$ 27.49 MXN / GJ.

Regional Natural Gas Pricing (MXN/GJ)

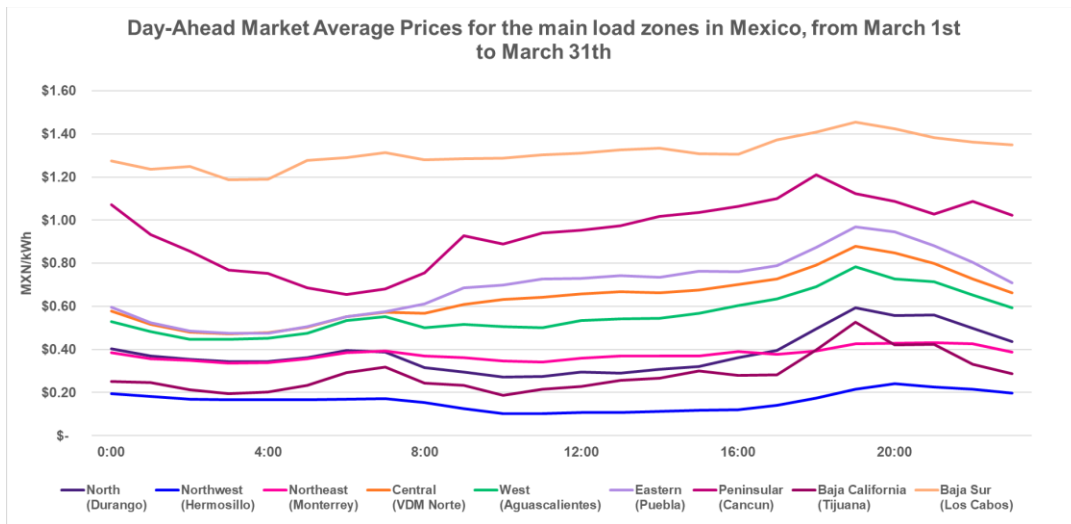
| Month | Region 1 (Northwest) | Region 2 (Chihuahua) | Region 3 (Monterrey) | Region 4 (Southwest) | Region 5 (Mexico City) | Region 6 (Yucatan) |
|--------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|-----------------------|
| Feb-19 | \$67.98 | \$44.17 | \$81.24 | \$105.59 | \$75.23 | \$66.19 |
| Mar-19 | \$35.03 | \$41.20 | \$64.76 | \$79.44 | \$69.51 | \$55.37 |
| Apr-19 | \$22.89 | \$27.75 | \$66.04 | \$87.28 | \$66.84 | \$58.86 |
| May-19 | \$19.07 | \$26.48 | \$64.52 | \$80.27 | \$66.38 | \$53.05 |
| Jun-19 | \$16.36 | \$35.03 | \$59.42 | \$74.46 | \$63.67 | \$53.34 |
| Jul-19 | \$25.95 | \$30.44 | \$53.47 | \$69.53 | \$56.21 | \$44.08 |
| Aug-19 | \$32.74 | \$35.56 | \$52.97 | \$64.64 | \$68.26 | \$58.33 |
| Sep-19 | \$42.96 | \$48.25 | \$56.58 | \$67.52 | \$67.01 | \$68.11 |
| Oct-19 | \$34.79 | \$41.43 | \$52.67 | \$68.51 | \$63.28 | \$53.89 |
| Nov-19 | \$41.96 | \$46.73 | \$59.56 | \$80.80 | \$67.43 | \$65.45 |
| Dic-19 | \$48.83 | \$56.02 | \$48.74 | \$71.73 | \$65.88 | \$61.30 |
| Jan-20 | \$38.18 | \$43.61 | \$48.77 | \$71.24 | \$63.27 | \$43.94 |

Feb-20 \$27.48 \$33.25 \$44.80 \$70.56 \$61.86 \$42.03



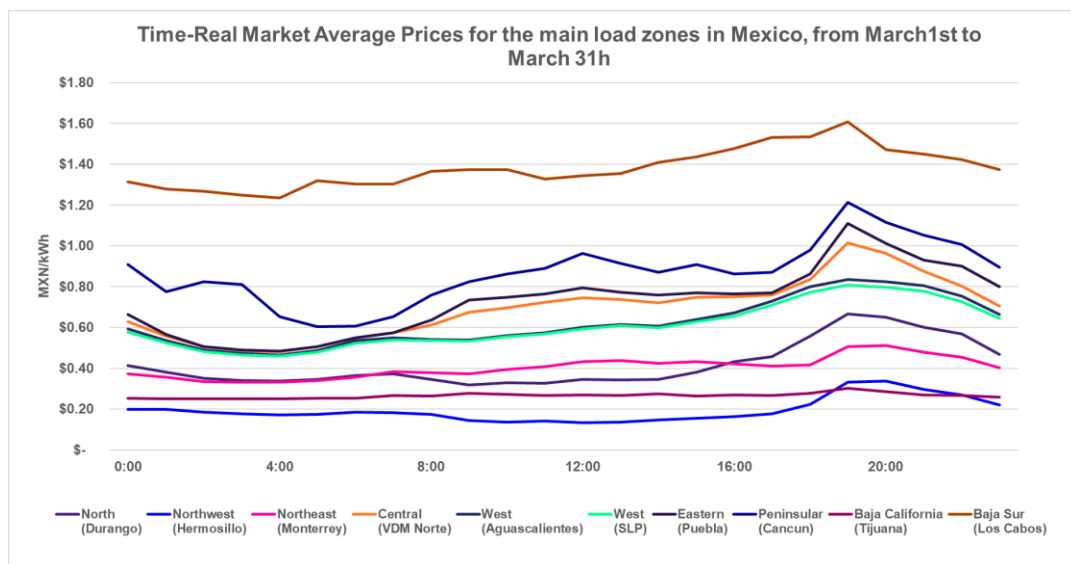
Regional LMP in RTM and DAM

In March, the region that presented the highest daily Local Marginal Price (LMP) for the Real Time Market (RTM) was Los Cabos (Baja Sur Region), with an average price of \$1.31 MXN / kWh. The Hermosillo (Northwest Region) zone presented the lowest LMP with an average price of \$0.16 MXN / kWh.



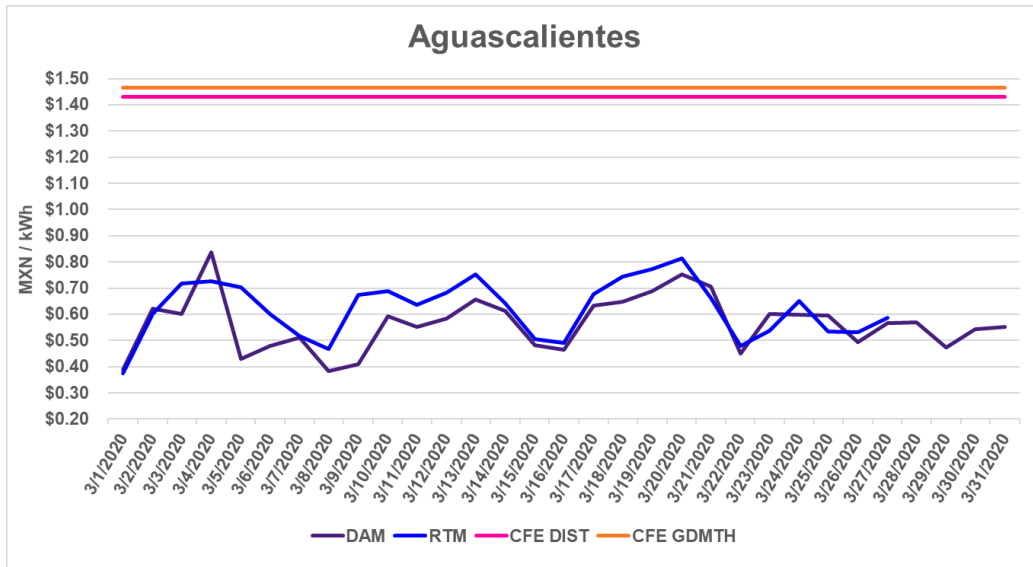
March average daily prices for TRM, by load zone

The highest hourly Local Marginal Price (LMP) for the Day Ahead Market (DAM) during the month of March registered for Los Cabos (Baja Sur Region) with average price of \$1.38 MXN/kWh, and the lowest price presented in the load zone of Hermosillo (Northwest Region) with average price of \$0.19 MXN/ kWh.



March average hourly prices for DAM, by load zone

The average price DAM LMP is lower 60.6% that the CFE DIT rate and the average price RTM LAM is lower 63.10% than CFE GDMTH rate from March.



March Comparative Daily Price TRM vs. DAM vs. CFE Tariff (GDMTH and DIST)

For questions or further discussion about these topics, please contact your Enel X Energy Advisor or talk to an [Energy Sourcing Expert](#).