

Memorandum of Understanding
(“MOU”)
between
The Mexico Comisión Reguladora de Energía
and
Centro Nacional de Control de Energía
and
North American Electric Reliability Corporation

(individually described hereunder as “Party” and collectively described hereunder as the “Parties”)

Section I. - Preamble

WHEREAS, the Mexico *Comisión Reguladora de Energía* (CRE), the *Centro Nacional de Control de Energía* (CENACE) and the North American Electric Reliability Corporation (NERC) have a common interest in the reliability and security of electric power systems in Mexico and the United States of America;

WHEREAS, CRE is an agency of the Centralized Public Administration as a Coordinated Energy Regulator of the United Mexican States, possessing its own legal status and assets, granted by the Organic Law of the Federal Public Administration and regulated by the Law of the Co-ordinated Energy Regulators of Mexico and the Electric Industry Act, and other public laws and has the legal authority to develop, enforce and monitor reliability criteria of the National Electric Power System and therefore has also the authority to execute and comply with the terms of this agreement;

WHEREAS, CENACE is a Public Decentralized body in Mexico’s Federal Public Administration with own legal personality and assets, mandated by the Mexican legal framework to exercise the Operative Control of the National Electric Power System, the operation of the Wholesale Electricity Market and the open and non-unduly discriminatory access to the National Transmission Grid and the General Distribution Grids; to propose the expansion and modernization of the National Transmission Grids and of those elements in the General Distribution Grids pertaining to the Wholesale Electricity Market and to operate the National Electric Power System under conditions of efficiency, quality, reliability, continuity , security and sustainability.

WHEREAS, NERC is a non-profit corporation based in the United States of America responsible for the reliability of the bulk power system in North America, and has been designated by the Federal Energy Regulatory Commission of the United States as the Electric Reliability Organization (ERO) in accordance with the *Energy Policy Act of 2005* issued in the United States and recognized as the ERO by provincial authorities in Canada pursuant to memoranda of understanding. In its role as the ERO, NERC develops and enforces Reliability Standards; assesses long-term reliability; identifies, analyzes, and reports on reliability risks; and monitors the bulk power system through system awareness;

WHEREAS, NERC has delegated to Regional Entities the performance of certain reliability activities through regional delegation agreements so they can perform activities such as compliance monitoring, with a cross-border scope, as defined in the *Energy Policy Act of 2005*;

WHEREAS, CRE and CENACE acknowledge their will to entering into this MOU with NERC, in furtherance of a continuing and cooperative relationship to enhance reliability of electric power systems in Mexico and the United States of America.

NOW THEREFORE, this MOU sets out the understanding of the Parties as follows:

Section II - Objective of the MOU and Collaboration Efforts

1. In view of the established and growing cross-border operations and activities between the United States of America and Mexico, and in recognition of the benefits of mutual cooperation, the objective of this MOU is to establish a collaboration mechanism between the Parties to strengthen their regulatory and technical capacities in order to perform their functions.
2. This MOU identifies initial topics that the Parties intend to focus on in their initial activities and exchange of information. Those activities may include:
 - a) Identification and assessment of risks related to critical infrastructure protection, cyber and physical security, including identification of critical assets and practices for protecting sensitive information;
 - b) Assessing reliability performance and risks, including but not limited to, integration of large amounts of renewable generation into the electric power system;
 - c) Developing practices, tools and techniques for analysis of system events and management of reliability risks identified as a result of system events, and;
 - d) Strengthening technical and regulatory capacities.
3. The Parties may accomplish this cooperation through any mutually acceptable means, including, but not limited to:
 - a) Periodic or *ad hoc* meetings, webinars, teleconferences, or workshops to be held at the Parties' offices or other location that is convenient for the required individual participants;
 - b) Participation in training activities or continuing education programs provided by NERC;
 - c) Joint meetings, internships, or reciprocal site visits between the Parties
 - d) Periodic meetings of senior leadership of the Parties; and
 - e) Joint technical studies or analysis of mutual interest, which may include involvement of industry or third-party experts from the United States of America, Mexico, or both.
4. NERC recognizes the jurisdictions of CRE and CENACE to develop and enforce a reliability framework in Mexico and CRE and CENACE recognize the role of NERC as the ERO in North

America and the benefits of mutual collaboration to enhance reliability of electric power systems in Mexico and the United States of America.

5. CRE and CENACE will make reasonable efforts, upon the Effective Date of this Agreement, to collaborate with NERC to develop a process for possible adoption of NERC Reliability Standards and their inclusion in Mexico's Grid Code or other regulatory instrument, and to continue to explore opportunities for possible formal Mexican participation in the ERO. Whenever adoption and formal participation is of mutual benefit, it should be done in accordance to the Mexican legislation following the due process established by CRE taking into account CENACE's opinion.

Section III. - Operational Guidelines to Conduct this MOU

1. The Parties will conform a group to conduct the activities under this MOU. This group will be comprised of a Steering Group, a Technical Secretariat and Technical Working Groups required for this purpose. The Steering Group will elaborate its rules of procedure once it has been established.
2. The Steering Group will be comprised by a senior member of each Party and will be responsible of approving a work program, finalizing a funding framework for activities conducted under the MOU, setting priorities and objectives and overseeing there is a mutual benefit for the Parties.
3. The Technical Secretariat shall alternate annually by a person designated by either CRE, CENACE, or NERC. The Technical Secretary will be responsible of proposing an annual work program to the Steering Group and facilitating the activities to be carried out ensuring that objectives are being met.
4. The Technical Working Groups will report to the Technical Secretariat and will be comprised by staff people of each Party taking into account their current activities and responsibilities so as to ensure their suitability for each Working Group. These Groups will be responsible for the day-to-day operation of this MOU.

Section IV. - Conflicts

1. The Parties will not take any action that is inconsistent with, or violates, the laws, rules, and regulations applicable to each Party.
2. To the extent that there is a conflict between specific agreements between CRE and CENACE with NERC's Regional Entities and this MOU, this MOU governs.

Section V. - Information Management

1. The Parties shall comply with the obligations of information management in accordance with their applicable transparency legal framework. The information to be shared is framed under the parties' attributions to ensure the reliability of the Electric Power System as stated in the preamble. If the Parties cannot resolve a conflict surrounding the handling of information, then the Disclosing Party will not share the information.

2. Each Disclosing Party must indicate with markings any information that is designated as “Classified Information” or “Confidential Information,” (collectively referred to as “Information”), as applicable.
3. The Parties agree to share Information with each other for the sole purpose of performing the activities under this Agreement, taking in consideration their applicable legal framework.
4. Each Receiving Party is responsible for defining and assuring proper conservation and management of information marked as Classified or Confidential by the Disclosing Party. Disclosure of such information to any person or agency different to the Parties will require the prior written permission of the Disclosing Party. This person or agency will be subject to the same standards imposed to the Parties.
5. Information may not be used for any commercial purpose.
6. In addition to provisions in Mexico’s Transparency Laws, the following will not be considered Information:
 - a. information which at the time of the disclosure to the Receiving Party is in the public domain;
 - b. after disclosure to the Receiving Party, information that became part of the public domain through no fault of the Receiving Party or those for whom it is responsible at law; and
 - c. information that was required by any applicable law to be disclosed, provided that prior to such disclosure,
 - i. the Receiving Party gives notice to the Disclosing Party with the full particulars of the proposed disclosure;
 - ii. the Receiving Party only discloses such information as it is advised by legal counsel is legally required to be disclosed; and
 - iii. the Receiving Party takes reasonable steps to obtain assurances that appropriate treatment will be afforded to the information disclosed.
7. The obligations of each Party being in possession of Classified or Confidential Information shall survive the termination of this Agreement. If any Party’s obligations with respect to maintaining Classified or Confidential Information changes, the Receiving Party must provide the Disclosing Party with prior, written notice.
8. Parties may only pursue remedies in a court of law for any breach of the requirements on handling of information set forth in this Section.

Section VI – Dispute Resolution

1. In the event a dispute arises under this MOU amongst the signatories, representatives with authority to settle the dispute shall meet and confer in good faith in an effort to resolve the dispute in a timely manner.

Section VII - Term, Termination and Amendments

1. This MOU is made effective as of the date that the last Party signs this MOU ("Effective Date").
2. This MOU commences as of the Effective Date and continues for a term of five years which automatically renews, unless earlier terminated in accordance with the provisions hereof.
3. Any Party may terminate this MOU for any reason by providing 30 days' prior, written notification to the other two Parties.
4. Any amendment to this MOU requires the written consent of all Parties.

Section VIII – Governing Law

1. This MOU shall be governed by, and interpreted in accordance with the Mexican legislation.

Section IX – Counterparts

1. This MOU may be signed in counterparts, each of which may be deemed an original, and all of which together constitute one and the same agreement.

Section X– Severability

1. Each of the terms or conditions of this MOU is severable from the others. Notwithstanding any possible future finding by a duly constituted authority that a particular term or provision is invalid, void, or unenforceable, this MOU has been made with the clear intention that the validity and enforceability of the remaining parts, terms, and provisions shall not be affected thereby.

Section XI – Notices

1. All notices, requests, formal demands and other communications required or provided for in this MOU shall be given in writing to a signatory at the address set forth below, or at such other address as the signatories shall designate for itself in writing, and shall be delivered by hand or reputable overnight courier or via email. These points of contact can be changed at any time by written notification to the other signatories.

Memorandum of Understanding between CRE, CENACE and NERC

For Mexico Comisión Reguladora De Energía:

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For North American Electric Reliability Corporation:

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Section XII – Signatures

The duly authorized representatives of the signatories hereby sign this Memorandum of Understanding:

Signed for and on behalf of **Mexico Comisión Reguladora de Energía**

Guillermo Ignacio García Alcocer

Chairman

on _____, 2017

at _____

Signed for and on behalf of **Centro Nacional de Control de Energía**

Eduardo Meraz Ateca

General Director

on _____, 2017

at _____

Signed for and on behalf of **North American Electric Reliability Corporation**

Gerald W. Cauley

President and Chief Executive Officer

North American Electric Reliability Corporation

on _____, 2017

at _____