

Solar developers making strides in Mexico

By James Fredrick - Thursday, May 30, 2013

Wind power beat solar to the market by a long shot in Mexico. Wind installations in the country now exceed 1.4GW, while installed solar capacity is disputed, anywhere from 20MW to 50MW, primarily in small residential and off-grid installations.

However, at this week's Mexico International Renewable Energy Congress, all eyes were on solar, as developers have finally figured out the utility-scale installations in a Mexican market still heavily favor fossil fuels.

SMALL PRODUCER DEVELOPERS FIND THEIR WAY

Developer [Gauss Energía](#) is leading the industry with a unique financing structure for its 30MW Aura Solar I park on the isolated grid of Baja California Sur state, the first installation under the small producer modality. The [International Finance Corporation](#) and Mexican development bank [Nafin](#) put forward loans of US\$25mn and US\$50mn respectively for the project.

This is a huge achievement for the small producer model, as many claimed the absence of a price floor in the power purchasing agreement (PPA) with national utility [CFE](#) made it unfeasible.

The key, Gauss Energía's CEO Héctor Olea told BNamericas, is "just connecting the dots. We have great resources, we have great regulations and great demand in certain places. You just have to put it all together."

"And it certainly helps to have the bankers being involved and supportive."

Olea sees Aura Solar I as the first - hence the Roman numeral - of many solar projects in Mexico's northern desert regions. Commercial operations of the project should begin in September.

[Sonora Energy Group](#) is not far behind with its 30MW Puerto Libertad park. The firm's CEO Don Walter consistently calls Mexico "the best place for solar" with tremendous resources and the security of a PPA with a BBB+ rated offtaker CFE.

Likewise, Puerto Libertad is the first of many, says Walter. His firm is going a step further and plans to install energy storage systems to enable power delivery from the park even after the sun sets.

PUBLIC-PRIVATE PARTNERSHIPS

Mexican firm Sonora 80M is utilizing the self-supply model but seeking out municipal and state governments, which pay outrageous public lighting rates to CFE, as offtakers.

The opportunity, company CEO César Martín told BNamericas on the sidelines of the conference, is in the high public lighting rates charged by CFE. Municipal and state governments can pay more than double that charged to residential consumers. This leaves ample room for a margin for solar generation.

Today, the firm has 21.5MW of offtake agreements signed with seven municipalities in Sonora state and the local plant of Ford Motor Company.

Sonora 80M seeks to develop 80MW of solar power in the state with its unique combination of private capital and public offtakers. Its first phase should begin construction in August and the second phase in early 2014.

By no means is solar generation a well-chartered territory in Mexico. Regulations could change later in the year with energy reform and send the industry in another direction.

But for now, small firms claim they have found innovative ways to make money via solar in Mexico.