



August 5, 2022

LEGAL ALERT

Law No. 21,472 creates new electricity tariff stabilization fund

On August 2, Law No. 21,472 was published, which creates a tariff stabilization fund and establishes a new transitional electricity price stabilization mechanism for customers subject to price regulation.

This new law complements the stabilization mechanism established in Law 21.185 (known today as PEC 1), whose stabilization fund of US\$1.35 billion was exhausted ahead of schedule. According to technical reports, if this law had not been passed, the tariff for regulated clients would have increased between 40-45% during the second half of this year.

The main topics addressed by Law No. 21,472 are summarized below:

****a. Creation of a Tariff Stabilization Fund****

The purpose of the Tariff Stabilization Fund is to stabilize electricity tariffs for regulated customers by applying a new charge to end customers (both regulated and unregulated). Additionally, this fund will allow the payment of the receivables generated with PEC 1 and those to be generated as a consequence of the new stabilization mechanism described in letter b. below.

The new charges to be paid by customers are progressively classified according to consumption tranches measured in kW/h per month. Thus, customers with a consumption of less than 350 kW/h per month and PYMES are exempt from these charges. On the other hand, customers with consumption exceeding 5,000 kW/h will bear most of the collection.

Notwithstanding the above, this fund will be accumulated until it reaches an amount, equivalent in pesos, to US\$500 million. Thus, once this amount is reached, the collection of the charge will be suspended until the funds are reduced.

The duration of this fund (and the charges applied for its funding) will be 10 years (i.e., until December 31, 2032), and the General Treasury of the Republic

will be charged with administering the fund.

b. Creation of a Transitory Customer Protection Mechanism ("MPC")

The MPC aims to limit the increase of electricity bills to regulated customers during the current year and allow such increases to occur gradually over the next 10 years. Likewise, the MPC, together with the fund described in letter a., is intended to allow the payment of the receivables produced between the invoicing of the distribution companies to regulated customers and the amount paid by distribution companies to generation companies for the supply.

For this purpose, the law provides a price stabilization mechanism according to (i) consumption tranches and (ii) two different tariff periods (2022; and 2023 to 2032). Thus, for each period, the law fixes the maximum percentages of increase that may affect the different customers, according to their consumption tranches.

The MPC has a limit of US\$1.8 billion (in addition to the US\$1.35 billion of the PEC) and will be extended until all receivables are paid, which cannot occur later than December 31, 2032. The payment of the receivables generated under PEC 1 must take place prior to the payment of the receivables generated under the MPC.

In contractual matters, only contracts signed prior to 2021 will be subject to the MPC.

Unlike receivables generated under PEC 1, the payment of receivables generated under the MPC is secured by a State guarantee.

The implementation of the stabilization fund and the MPC is subject to the issuance of regulations by the Ministry of Finance and the Ministry of Energy.

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