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**Board of Directors
Regulation of
Iberdrola Generación
México, S.A. de C.V.**

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Article 1. Purpose

This *Board of Directors Regulation of Iberdrola Generación México, S.A. de C.V.* (the “Company”) includes the guidelines that will regulate the actions of the Company’s Board of Directors, basic rules of its organization and functioning and the behavior rules that shall be observed by its members, with the purpose to achieve the maximum degree of transparency, efficiency, dynamism, supervision and control in its management performance and responsibilities, as well as the achievement of the social welfare.

In drawing up such Regulation, good governance recommendations have been considered, which are generally acknowledged in foreign markets.

The principles of action and the rules for the organization and functioning of the group’s subsidiaries administrative bodies, whose dominant entity, according to that established by the Law, is the Company (hereinafter referred as the “Group”) will be ruled by their corresponding corporate by-laws, and where appropriate, by their corresponding regulations.

Such regulations will be adjusted to the principles contained in this Regulation, without prejudice of the adjustments, which may be necessary to carry out, in accordance with the circumstances of each company and, in any case, comply with the principles of corporate governance system, which shall govern the relationships between the administrative and governing bodies of the different Group’s subsidiaries, in order to fully comply with their corresponding obligations.

Article 2. Scope of application

This Regulation is applicable to the Board of Directors of the Company (the “Board of Directors”), to the delegated bodies and other internal committees of the Board of Directors that may be created.

The individuals to which this Regulation applies, must be aware of the Rules of Procedure, comply with the Regulation and require its compliance. For this purpose, the Secretary of the Board of Directors, will provide them a copy with an acknowledgement of receipt, will include it on the webpage of the members of the Board, if any, and will publish it on the corporate webpage of the Company that may be created.

The Members of the Board of Directors will comply and will demand the fulfillment of the System’s provisions of the Company’s corporate governance and will confirm such commitment in writing upon accepting its appointment or re-election in the manner determined by the Secretary of the Board of Directors.

Article 3. Prevalence and Interpretation

The Regulation of the Board of Directors develops and supplements the applicable legal and statutory regulation, which will prevail in the event of contradiction with what is provided therein, and shall be interpreted in accordance with the Corporate Governance System of the Company.

The Board of Directors will solve doubts or divergences, which arise in its application or interpretation.

Article 4. General Powers of the Board of Directors

1. The main responsibility of the Company’s Board of Directors is the ordinary and effective management of the deregulated business within Grupo Iberdrola México, in accordance with the overall strategy established by the Board of Directors of Iberdrola México, S.A. de C.V. (Iberdrola México).
2. Without prejudice as to any powers of the General Stockholder’s Meeting, the Board of Directors of the Company shall:
 - a) Approve the Company’s shareholders proposals implementation regarding:
 - Amendment of the Corporate Bylaws; and,
 - Appointment or revocation of Directors, Commissioners and Auditors.
 - b) Approve the appointment and removal of the Company’s directors, as well as set their possible compensation or indemnities in the event of removal, according to the applicable legal provisions.

Article 5. Powers of the Board of Directors in terms of Financial Management and Reports.

The Board of Directors shall have the following powers, regarding financial management and reports thereof:

- a) Formulate financial information, which is referred in title VII of the corporate by-laws.
- b) Approve the Company’s budget and business plan.
- c) Execution of proposals to the Company’s shareholders regarding dividends distribution and, where appropriate, agree on the payment amounts to the dividends account.
- d) Agree on the submission of all the proposals regarding the amendment of the capital stock to the general shareholders meeting.
- e) Authorize the amendment of more than 6 million US dollars of capital stock of any subsidiary of the Company.
- f) Identify and manage the main risks of the Company, as well organizing the existence of internal control systems and effective and appropriate monitoring of those risks.

Article 6. Investment Powers of the Board of Directors

Without prejudice of the own powers of the governing bodies of the companies forming Iberdrola Generación México, the approval of projects and disbursement of investment items of any subsidiary of the Company above 6 million US dollars according to the Group’s Investment Policy, is the responsibility of the Board of Directors.

Article 7. Powers of the Board of Directors relating to Purchases

In terms of purchases, the Board of Directors shall approve the purchase proposals for the deregulated business of Iberdrola México, according to the Group's Purchase Policy, when the amount of the purchase is above one million dollars.

Article 8. Competence of the Board of Directors in Operation and Maintenance (O&M)

The approval of proposals regarding operation and maintenance, as well as the corresponding operating efficiency initiatives of the deregulated business of Iberdrola México, is the responsibility of the Board of Directors.

Article 9. Powers of the Board of Directors in terms of Quality Assurance and improvement initiatives.

The government body will approve the initiatives of quality control and improvement, including those related to customer relationships of the deregulated business of Iberdrola México.

Article 10. Powers of the Board of Directors regarding Contracts and other commitments. The Board of Directors is responsible for:

- a) Authorizing the granting of any guarantee or other support by the Company, in addition to the issuance of a ratification or contractual commitment (potentially binding).
- b) Approving the constitution of mortgages, loads, encumbrances and other collateral warranties on businesses, properties or assets of the Company (unless substituting an existing collateral warranty).
- c) The approval of adjudications of contracts (other than purchase contracts), of the exercise of exploitation or renewable business capital line items of Iberdrola México, whenever they exceed 6 million dollars.
- d) Acquisition of a property by any of its subsidiaries:
 - If it is of full ownership, for a price higher than 6 million US dollars.
 - If it is under financial lease, for a total income, throughout the minimum duration of the lease, higher than 6 million US dollars.
- e) Any contract of any subsidiary of the Company, which is not specifically covered by the provisions of the rest of this section and which turns out to be significant. For this purpose, "significant" will be understood as any contract exceeding the amount of 6 million US dollars:
 - The price or the market value of the assets subject matter of acquisition or provision;
 - Income generated by such assets;
 - Expenses incurred by such assets;
 - Obligation or indemnification associated with such assets.

Article 11. Competence of the Board of Directors related to other operational aspects.

The Board of Directors is entitled to take any decision related with the effective management of the deregulated business of Iberdrola México, in accordance with the policies, parameters and criteria of Iberdrola México.

Article 12. Powers of the Board of Directors regarding acquisitions and disincorporations

Regarding acquisitions and disincorporations, the Board of Directors will have the following powers:

- a) Authorize the disposal of substantial assets of the Company, and in general, all kind of investments and operations, by virtue of their high amount or special features, are important for the Company, including industrial, commercial or financial operations, which have significant specific conditions or risk for the Company;
- b) Without prejudice of the own competencies of the company's subsidiaries government bodies, the acquisition or sale of assets or properties, by a company forming Iberdrola Generación México, shall be approved or authorized by the Company's Board of Directors when any of the following concepts exceed the amount of 6 million US dollars:
 - Consideration;
 - Total market value of the business assets;
 - Net present value of the business;
 - Total value of business debts;
 - Total value of any liability (other than debt) linked to the business or (regardless the matters aforesaid) if the net present value of the business is a negative value.

