

LAW INITIATIVE

SOLE ARTICLE. - The Drinking Water and Sanitation Law is promulgated as follows:

DRINKING WATER AND SANITATION LAW

FIRST TITLE

Fundamental Principles

CHAPTER I

Purpose and Concepts

Article 1. Municipalities and the Federal District, under the terms of Articles 115 and 122, respectively, of the Constitution of the United Mexican States are responsible for the **drinking water, sewerage, drainage, wastewater treatment and disposal** services in all urban and rural areas of their territory, and in a given case, with the concurrence of the States where necessary; observing the provisions of the Constitution of the United Mexican States the state, municipal and other regulations applicable in their jurisdiction, which is why the provisions of this Law are of public interest, generally observed throughout the country, and are regulations of Section III, paragraph a) of the Constitutional Article 115, and have the objective set forth hereafter:

- I. Lay the foundations for a national public policy on drinking water and sanitation services, sanitation is to be understood as the activities relating to drainage, sewerage treatment and disposal of wastewater;
- II. Ensure sustainable development of drinking water and sanitation services, in order to provide them with efficiency, continuity, sufficiency and quality;
- III. Establish regulatory conditions conducive for the management, operation, maintenance, rehabilitation and sustainability of drinking water and sanitation services;
- IV. Establish criteria for economic, social and environmental assessing of services, tariffs systems, collection and compensation mechanisms, and social measures that

ensure access to drinking water in general, especially in marginal rural and urban areas;

- V. Establish concurrent policies of the Federal Government, States, Federal District and Municipalities, in the promotion, regulation, financing and provision of drinking water and sanitation services, and
- VI. Establish mechanisms for coordination and conciliation between authorities, between authorities and social and private sectors, as well as with individuals and social groups in terms of drinking water and sanitation services.

Article 2. Shall be obligated subjects under the terms of this Law, the National Institute of Drinking Water and Sanitation, the State Regulatory Organs, the institutions, utilities, agencies, municipal boards, or similar, related to the provision of drinking water and sanitation services in any form.

Article 3. For purposes of this Law, the following terms shall have the meanings set forth thereafter:

- I. **Drinking water:** that which can be ingested without causing adverse effects to health, which meets the requirements established in the Mexican Official Standards in force, and is distributed mainly through the drinking water and sanitation services;
- II. **Wastewater:** water of varied composition resulting from any primary use for which it has suffered degradation;
- III. **Treated water:** wastewater resulting from having undergone treatment processes to remove all or part of contaminants;
- IV. **Sewerage:** network or system of pipes and devices to collect and conduct water and/or stormwater to its final destination;
- V. **Service Concession:** title by which the Federal District, the States or Municipalities, grant the right for the provision of drinking water and sanitation services in whole or in part to a Utility, under the conditions and characteristics set forth in the present Law, state laws and municipal regulations;

- VI. **Discharge:** the action of pouring, infiltrate, deposit or inject wastewater to the sewerage for disposal;
- VII. **Management Indicators:** Measuring parameters selected as variables that sufficiently allow reflecting a reality, referring to a moment or an interval and which seek to inform on managerial, production, planning, technical, financial aspects and other concepts pertaining to one or more organisations providing drinking water and sanitation services;
- VIII. **Institute:** the National Institute of Drinking Water and Sanitation or its acronym INAPyS;
- IX. **IMTA:** The Mexican Institute of Water Technology;
- X. **Water Law,** the National Water Law;
- XI. **Law:** The Drinking Water and Sanitation Law;
- XII. **Utility:** any agency, organ, institution or legal entity that, in terms of Articles 115 and 122 of the Constitution of the United Mexican States and of this Law, has the responsibility to organise and take over, partially or comprehensively, the management, operation, maintenance, conservation, rehabilitation, expansion and efficiency in the provision of drinking water and sanitation services, within the limits of their territorial division through any system or method, to more than one property, regardless of the supply source;
- XIII. **Public Utility:** A government agency created by the Government of the States, Federal District or municipalities for the public drinking water and sanitation services operation;
- XIV. **Private Utility:** legal entity legally constituted to operate the provision of drinking water and sanitation services to more than one property through a services concession, through any system or method in a given territorial division;
- XV. **Joint Utility:** legal entity created by the Government of the States, Federal District or Municipalities with the participation of any legal entity to operate the service delivery of drinking water and sanitation to more than one property through a service concession, through any system or method in a given territorial division;
- XVI. **State Regulatory Organ:** governmental entity that shall be responsible to act as regulator of the drinking water and sanitation services in each State and the Federal District, respectively;

- XVII. Regulation:** the Activity exercised by the Institute and the State Regulatory Organs to allow to maintaining regulation and control of services provided by the utilities, eliminating, whenever possible, generated asymmetries to avoid any concentration phenomenon in detriment of the public interest of the drinking water and sanitation services;
- XVIII. Sanitation:** the necessary measures and actions to collect, conduct, totally or partially treat wastewater and its discharges and final disposal, and in general, the necessary actions to preserve and improve water quality;
- XIX. Ministry:** The Ministry of Environment and Natural Resources;
- XX. Drinking Water and Sanitation System:** A set of activities, facilities, equipment and infrastructure works necessary to provide drinking water and sanitation services, as well as wastewater treatment, reuse, removal and final disposal;
- XXI. National Water and Sanitation Financial System:** A set of public policies, rules, strategies, programmes, standards, financial mechanisms, methodologies, processes and actions which purpose is the coordination between the various sectors and institutions related to water, to identify patterns that allow use of economic resources to promote improvement in coverage, sustainability and regulation of drinking water and sanitation services;
- XXII. National Drinking Water and Sanitation Services Information System:** comprises the documentary heritage as well as the compilation and processing of data generated by utilities, State Regulatory Organs, federal public entities and other entities involved in the subsector, on management indicators as well as information on ground and surface water;
- XXIII. Tariff:** The price structure authorised under the corresponding Revenue Laws to adjudge the consideration to be covered for the drinking water and sanitation services as well as for reusable water, and
- XXIV. Urban Public Service:** the use of drinking water and sanitation services to supply population centres and settlements through a Utility.

Article 4. Implementation and monitoring of the provisions herein set forth shall be incumbent upon the Federal Executive through the Institute. The States, Federal District, State Regulatory Organs and the Municipalities shall ensure compliance within their respective jurisdictions.

Article 5. The cases not covered by this Law, shall be settled by the National Institute of Drinking Water and Sanitation, according to the Federal Administrative Procedure Law, the Federal Civil Code and general legal principles.

Article 6. The purposes of this Law are set forth hereafter:

- I. Foster the reorganisation and modernisation of the drinking water supply and sanitation subsector, in line with the needs of the country through better integration of resources, legal instruments, processes, capacities, institutions and concurrence of the three levels of government and society;
- II. Establish a National Financial System that ensures the sustainability of drinking water and sanitation services;
- III. Expand coverage and improvement of drinking water and sanitation services;
- IV. Ensure quality and access to drinking water for all;
- V. Carry out the necessary actions to achieve the sanitation and disposal of wastewater and generated sludge;
- VI. Promote water culture in order that the real value of the resource and of the provision of drinking water and sanitation to be recognised, as well as to promote the fair and timely payment for services rendered;
- VII. Promote efficient use, reuse and recycling of water for different uses in the drinking water and sanitation systems, with the concurrence of users;
- VIII. Unify criteria in the provision of drinking water and sanitation public services to regulate the generated asymmetries that avoid any concentration phenomenon in detriment of the public interest pursuant to the provisions of the antepenultimate and penultimate

paragraphs of Article 28 of the Political Constitution of United Mexican States, and

- IX.** Regulate performance of functions and provision of drinking water and sanitation services that are incumbent upon the States, Federal District and municipalities, pursuant to the provision set forth by articles 115 and 122, respectively, of the Constitution of the United Mexican States.

CHAPTER II

Of the Drinking Water and Sanitation Services

Article 7. Access to drinking water is an environmental, economic, social, humanitarian, indefeasible, inalienable, and fundamental right that every human being, by the mere act of simply, temporarily or permanently, reside within the territory of the Republic, should have in a certain amount, quality, availability and conditions for survival in acceptable sanitary conditions, regardless their age, sex, race, creed, ideology, nationality or any other particular circumstance.

Article 8. Drinking water use is primarily intended for domestic use and the urban public service, before providing it for any other.

Article 9. The provision of drinking water service is preferably domestic and consequently is incumbent upon the users, the obligation to timely and sufficiently cover the payment of the consideration and according to the volumes used of drinking water and related services such as sanitation, in terms of section IV of Article 31 of the Constitution of the United Mexican States.

Article 10. Drinking water and sanitation services shall be governed under the principles that this Law provides for the delivery, considering the aspects of continuity, regularity, quality, coverage, efficiency, equity, solidarity, subsidies, social participation and environmental awareness.

Article 11. Drinking water and sanitation services include all activities inherent, from or relating to:

- I. Collection, extraction and distribution of drinking water, and
- II. Management of wastewater from its collection, conduction, effluents and its subproducts treatment, in general the use and exploitation of raw and treated wastewater; the conduction and sanitary removal of the treated water until its discharge into a national receiving body.

Article 12. With the purpose of supporting the regulatory scheme and fostering the sustainability of drinking water and sanitation services, a National Water and Sanitation Financial System shall be created.

Article 13. The creation of the National Water and Sanitation Financial System shall be carried out according to the following:

- I. The regulations proposed by the National Financial Institute, with the concurrence of the Federal District, States and Municipalities, in coordination with the competent agencies in the fiscal and tax field and, planning and economic and social development of the federal government;
- II. The mechanisms shall be proposed by the Institute for effectively planning, collection, management, investment, expenditure, depreciation and reinvestment of financial resources;
- III. The programmes considered by the System shall be drafted and regulated by the Institute and implemented by the appropriate authorities;
- IV. Planning of financial resources shall be carried out and regulated based on management indicators of the utilities, socio-economic conditions specific to each population centre, as well as on the needs on investment, operation, maintenance, rehabilitation and modernisation corresponding to the water management, planning, maintenance and sanitation, and
- V. Financing schemes and public or private investment in subsector shall be considered, providing legal certainty

to investors, and ensuring equal conditions for providers of public and private services.

Article 14. A National Drinking Water and Sanitation Services Information System shall be established, containing indicators on financial, accounting, management, drinking water and sanitation infrastructure, investments made in the sector, use of volumes and projection of demands of the water and sanitation authorities or individuals as well as the various economic uses of water, by authorities or individuals, in addition to the information on ground and surface water, generated by the Utilities, State Regulatory Organs, Federal Public Entities and other public entities involved in the subsector.

For purposes of constituting this system, the Institute shall coordinate with and create legal instruments with the competent authorities of each municipality, State and Federal District, with the purpose of providing the necessary information for its integration.

SECOND TITLE

Regulatory Framework

CHAPTER I

General Regulatory Framework of the Drinking Water and Sanitation Services

Article 15. The regulatory framework constituted by this Law and other applicable legislation, seeks to establish and facilitate the regulation and ensure the best conditions for the users of these services, while also ensuring delivery in a sustainable manner and with the quality required for the needs of the population at large, including their social and economic Activities, regardless of the legal nature of the Utility.

Article 16. In the use of the attribution that the Federal Political Constitution grants the Municipalities and the Federal District, the public water supply and sanitation services, as well as the construction and operation of hydraulic infrastructure assigned to these services, shall be provided and carried out preferably through a Utility with legal entity and own patrimony, to ensure its sustainability.

Article 17. The drinking water and sanitation services regulatory framework must adhere to the principles set forth hereafter:

- I. Minimum quality of services on a permanent, regular, uniform and continuous manner;
- II. Tariff levels and structures that ensure the sustainability of Utilities;
- III. Accounting principles that ensure the transparency, consistency and compatibility in the exercise of the resources of drinking water and sanitation subsector;
- IV. Application complementary to the State Law and Municipal Regulation regarding the functions that the Political Constitution of the United Mexican States grants to the Federal District and the Municipality for the provision of services, and
- V. Assessment system that allows the application of investment, incentives and stimuli to Municipalities and the Federal District, for the provision of services according with the regulation set forth in this Law

CHAPTER II

Federal Field

SECTION ONE

Competent authorities

Article 18. The Federal Executive through the Institute shall be the competent authority for:

- I. Approving public policies, strategies, programmes and projects for the conservation of water resources, that ensure their availability for drinking water services, supply to the population and continuity of service;
- II. Approving public policies, strategies, programmes and projects to ensure wastewater sanitation of the populations that ensure environmental sustainability;
- III. Issuing the Rules and Regulations for this Law;
- IV. Subscribing international instruments in the field of drinking water and sanitation services, in accordance with applicable Laws;
- V. Adopting the necessary measures for the establishment and enforcement of international agreements on drinking water and sanitation;
- VI. Establishing mechanisms for the standardisation and regulation of services, including the National Drinking Water and Sanitation Financial System, under the terms set forth in this Law, and
- VII. Other functions assigned to in this Law and other applicable regulations.

Article 19. For purposes of this Law, the Head of the Ministry of the Environment and Natural Resources shall have the powers set forth thereafter:

- I. Issuing the Mexican Official Standards in reference to drinking water and sanitation services, under the terms of the Federal Law on Metrology and Standardisation;
- II. Issuing the Internal Rules and Regulations of the Institute;
- III. Implementing public policies, strategies, programmes and projects approved by the Federal Executive;
- IV. Implementing guidelines and strategies for the compliance of international agreements that are subscribed to that effect, and
- V. All others set forth in this Law and other applicable standards.

SECTION TWO.

Of the National Institute of Drinking Water and Sanitation

Article 20. The National Institute of Drinking Water and Sanitation is created, attached to the Ministry, as a decentralised public organ with legal entity and own patrimony, which shall serve as technical-regulatory body on drinking water and sanitation services.

Article 21. The Institute has the functions set forth thereafter:

- I. Act as technical-regulatory authority on drinking water and sanitation;
- II. Issuing technical-ruled-based guidelines and criteria for utilities;
- III. Set technical rules and criteria concerning the principles of accounting and regulatory processes systematic and ongoing evaluation in terms of quality, productivity and efficiency of drinking water and sanitation services;
- IV. Propose guidelines and support processes under which State Regulatory Organs are established in each of the States;
- V. Issuing national policies and plans on drinking water and sanitation services;
- VI. Execute and enforce the provisions herein set forth;
- VII. Substantiate the sanction procedure herein established;
- VIII. Act as conciliator authority in conflicts between the Utilities, upon request;
- IX. Promote, at national level, the efficient use and conservation of water resources for domestic use and public urban service;
- X. Promote the development of a water culture that considers this element as a vital and scarce resource with high social and environmental value, in coordination with other utilities, competent in the field, encouraging social participation in the governing organs of drinking water and sanitation services;
- XI. Collaborate with the competent authority to: establish public drinking water policies, promote legal certainty to the assigns of water rights, count on ground and surface water availability statistics, prevent overexploitation and ensure supply availability to population centres;

- XII.** Propose, to the Ministry, the Mexican Official Standards on water and sanitation, in accordance with the Federal Metrology and Standardisation Law;
- XIII.** Provide the States with analytical tools and methodologies that support the value of water and the costs of providing drinking water and sanitation;
- XIV.** Integrate and coordinate the National Drinking Water and Sanitation Services Information System, and cooperate with the National Water Commission in the integration of the National Water Information System;
- XV.** To be in coordination with the Association that brings together the drinking water and sanitation services providers in order to support the objectives of this Law, as well as the promotion and sustainability of services in the country;
- XVI.** Exercise the mechanisms for the application of support resources or incentives to the drinking water and sanitation services, according to the Evaluation and Information System that considers the performance of the utilities, in coordination with State Regulatory Organs and within the terms of the National Drinking Water and Sanitation Financial System, and
- XVII.** All others herein set forth or in other regulations.

Article 22. For the study, planning, execution and delivery of its business, the Institute shall comprise a Governing Body, which shall be a Board and a Director General. The decisions taken to attend a business matter shall be by majority vote.

To better perform its functions, the Institute shall have administrative and technical staff to allocating the budget for this purpose, and whose powers, organisation and functions are established in the Internal Rules and Regulations of the Institute.

Article 23. Members of the Board of Directors shall be able to attend meetings and have full voting rights, and shall be formed as set forth thereafter:

- I. The Heads of the Ministries of:

- A. Environment and Natural Resources, who shall chair the Board of Directors;
- B. Social Development;
- II. The Head of the National Water Commission;
- III. Three representatives from State Regulatory Organs, and
- IV. Three members of the Association that brings together the largest number of utilities in the country.

Article 24. The Director General of the Institute shall be appointed by the Federal Executive from a list presented by the Board of Directors, and shall have the powers set forth thereafter:

- I. Manage and legally represent the Institute;
- II. Implement the agreements taken by the Board of Directors of the Institute;
- III. Enter into agreements or contracts concluded by the Institute;
- IV. Submit reports as required by the Board of the Institute;
- V. Propose to the Board of the Institute programmes and strategies on drinking water and sanitation services;
- VI. Submit for approval of the Board of the Institute analytical tools and methodologies that support determining the value of water and the costs of providing drinking water and sanitation, and
- VII. Other function herein set forth, the Internal Rules and Regulations of the Institute and by the Board of Directors, according to their powers.

Article 25. The Director General of the Institute shall remain five years in office and must meet the requirements set forth thereafter:

- I. Be a Mexican citizen;
- II. Must have knowledge and at least five years of experience in the provision of drinking water and sanitation services, and preferably, have worked in a Utility, and
- III. All others established in the Internal Regulation of the Institute.

CHAPTER III

State Regulation of Drinking Water and Sanitation Services

SECTION ONE.

Of State Authorities

Article 26. The water supply and sanitation policy in the States and the Federal District shall be the responsibility of the Executive Head of State and Government respectively, who shall exercise it through the State Regulatory Organ created for this purpose, or through the organisation or agency that is designated for this purpose.

Article 27. In addition to the powers granted to the State and the Federal District governments, through its Legislature or Legislative Assembly respectively, on water and sanitation, shall have to:

- I. Regulate the provision of drinking water and sanitation services in urban and rural areas;
- II. Formulate and adopt state policies and plans on water and sanitation;
- III. Promote the development of a water culture that establish water as a vital and scarce resource, with high environmental and social value;
- IV. Manage, and eventually enter into agreements and other legal instruments necessary to promote and streamline the financing of water and sanitation systems;
- V. Create temporary or permanent mechanisms and bodies for a timely, efficient and integrated compliance of their functions in water and sanitation;
- VI. Propose tariff structures to ensure sustainability and efficient delivery of drinking water and sanitation services;
- VII. Set the tariff levels that ensure sustainability of drinking water and sanitation services prior to approval by the State Legislature or the Federal District Assembly, respectively, and
- VIII. All others designated herein and in other related legal provisions and rules.

Article 28. For the implementation of this Law, the authorities in the States and Federal District shall be, in their respective areas of competence:

- I. The Head of the Executive State and the Head of Government of the Federal District;
- II. The State Regulatory Organ in each state and the Federal District or, the state agency or body designated for these purposes;
- III. The Halls and Boroughs (Delegaciones) of the Federal District and
- IV. The drinking water and sanitation Utilities.

SECTION TWO

Of the State Laws

Article 29. The State Congresses, under their respective constitutions and the Federal District Legislative Assembly, shall issue the necessary legal provisions to regulate matters within their jurisdiction herein set forth. Halls shall determine the correspondent police force and good governance, circulars regulations and administrative provisions, in their respective constituencies, in order to comply with the provisions provided for in this Law

In exercising its powers, the States, the Federal District and Municipalities, shall observe the provisions herein set forth and those grown out of it.

Article 30. State Laws issued to that effect by the legislatures of the States and the Federal District in accordance with this Law shall include within its regulatory body, at least the aspects set forth thereafter:

- I. Characteristics of the State Regulatory Organ;
- II. Minimum conditions for the provision of drinking water and sanitation services in the State;

- III. Capacity of the State Regulatory Organ, when needed, to promote and encourage the association of municipalities in the provision of drinking water and sanitation services, for efficiency, economies of scale use, sustainability and convenience reasons that they represents to the Municipalities ;
- IV. Capacity of the State Regulatory Organ to set the minimum tariff levels that ensure sustainability of services;
- V. For the cases of having tariffs been approved, by the respective legislatures, below the minimum levels of sustainability of drinking water and sanitation services, the States Governments or the Federal District, shall allocate resources to ensure the financial stability of these services;
- VI. Establish conditions that guarantee domestic services cost recovery;
- VII. Ensure access to drinking water to all inhabitants of the municipalities;
- VIII. Grade drinking water and sanitation systems by the State Regulatory Organ for the implementation of budget incentives;
- IX. Authority of the State Regulatory Organ for the implementation of accounting principles approved by the Institute and its verification;
- X. Establish mechanisms to promoting metering service;
- XI. Provide support and stimuli tools for the sustainability of rural systems by municipalities;
- XII. Envisage mechanisms for the State Regulatory Organ to count on technical and financial autonomy, as well as the authority to prevent its conditioning to circumstances beyond its purpose.

SECTION THREE.

Of the State Regulatory Organ of Drinking Water and Sanitation

Article 31. The State Regulatory Organ of Drinking Water and Sanitation, shall be the decentralised entity or body, or government agency of any State or the Federal District, preferably with legal entity, with own assets and financial

autonomy, which shall be responsible for regulating, promoting and fostering the provision of drinking water and sanitation services in their jurisdiction, which shall have the denomination determined by the Executive Head of State or Head of Government of the Federal District, respectively.

Article 32. The State Regulatory Organ shall establish specific rules necessary to shape the characteristics and profile of needs, expectations and regulation and control mechanisms in relation to the improvement and expansion in the provision of drinking water and sanitation services in the corresponding State.

Article 33. The State Regulatory Organ shall have at least the powers set forth hereafter:

- I. Monitor within its jurisdiction the compliance with this Law and regulations grown out of it, to expand and improve the efficiency of drinking water and sanitation systems, as well as the wastewater quality in the referred systems;
- II. Establish state criteria, in accordance with the standards and technical criteria, issued to this effect, by the Institute for the economic, social and environmental evaluations of the drinking water and sanitation systems, costs, tariffs, subsidies systems and other mechanisms that integrate the state financial system, as well as collection and compensation in accordance with federal programmes and regulations;
- III. Promote the creation or integration of utilities in the municipal townships and rural population centres;
- IV. Determine the care measures for rural and marginalised urban areas, that seek to provide them with drinking water and sanitation services;
- V. Specify the state framework grown out of the national public policy aimed at the protection and preservation of water sources for domestic use and urban public service as well as the respective sanitation;
- VI. Promote. in their field of competence, the drinking water culture in order for the real value of the resource being

- recognised, as well as to promote fair and timely payment for services rendered;
- VII. Implement the standards, efficiency criteria, management indicators and technical-administrative models to assess the technical, administrative, environmental, and financial management of the utilities to determine investment, incentives and stimuli from the federation;
 - VIII. Provide the Institute with information on a regular basis, through management indicators, in respect to technical, operational, and financial performance of Utilities, for the purpose of granting financial incentives and stimuli;
 - IX. Collaborate with the Institute in the creation of the register of the National Drinking Water and Sanitation Service Information Service, by providing the necessary data for that purpose;
 - X. Determine the investment and incentives application for utilities according to the efficiency criteria and management indicators in service delivery and
 - XI. All others designated herein, local Laws and related legal provisions and rules.

Article 34. The integration and operation of the State Regulatory Organ, if any, shall be adjudged by the Law to that effect issued in each State and the Federal District, respectively.

CHAPTER IV

Planning of Services

Article 35. Planning of drinking water and sanitation services is long term by their nature, and it is incumbent upon to the States and the Federal District, respectively, in their field of competence, to generate, support, promote and oversee the development of municipal, local and long or medium term plans, as well as their monitoring and updating through the administrative changes of the local governments.

The consolidation of the planning of drinking water and sanitation services shall be mandatory and an integral part of the National Water Programme to be approved by the Federal Executive, in conjunction with the policies and strategies set by the Institute.

Article 36. The proposal, drafting, implementation and promotion of strategies and policies to guide the development of drinking water and sanitation services, shall include:

- I. Those aimed at promoting rational and efficient use of drinking water and corresponding sanitation;
- II. The sectorial, regional, state and specific subprogrammes to address problems of water scarcity or pollution;
- III. The actions proposing the planning and comprehensive solution of the drinking water supply and its sanitation by the utilities, as well as technical and financial sustainability of the latter;
- IV. Those mechanisms that promote improved efficiency and conservation of drinking water and its sanitation;
- V. Integration, debugging, updating and dissemination of basic information on the management of drinking water and sanitation services;
- VI. The actions, projects and subprogrammes aimed at securing the diagnosis, monitoring, evaluation, adaptation and sustainable development of drinking water and sanitation services;
- VII. Policies and setting of minimum standards designed to ensure effective sanitation, according to the particular circumstances of areas of the Municipalities and the Federal District, as appropriate;
- VIII. Mechanisms and measures that stimulate and foster the development, improvement, expansion and efficiency of delivery of drinking water and sanitation services;
- IX. The planning, promotion, stimuli and where appropriate, execution of actions for the wastewater treatment and sludge management, as well as all those necessary for the prevention and control of water pollution;
- X. Financial mechanisms that enable the creation of an integrated and equitable system that streamlines the provision of drinking water and sanitation services, at municipal and state level, and

- XI.** The formulation and implementation of programmes and Actions for the management and reuse and recycling of water.

THIRD TITLE

Operation and Regulation of Service Delivery

The provision of services in the municipalities and the Federal District

Article 37. Each municipality and the Federal District are accountable for the provision of drinking water and sanitation public services within their field of competence, including rural communities, which shall be preferably provided through utilities.

Article 38. Municipalities and the Federal District may request the assignment of the water use that might have been granted by the National Water Commission and is used for domestic or urban public service in order to supply it to those users with no rights for exploitation of national water in urban and rural areas of the municipality in question.

Article 39. In order to provide conditions that ensure continuity, regularity, quality and coverage of drinking water and sanitation services to meet the needs of the population and the environment, it is constituted and declared of public interest, in each state and the Federal District, the development and maintenance of a Drinking Water and Sanitation Services System, which shall include:

- I. Tariff systems, which should be reviewed periodically for the corresponding updates in coordination with the National Water and Sanitation Financial System;

- II.** Extraction, regulatory, collection, conduction, disinfection, purification, storage, distribution, and, in the given case, water desalination systems, as well as the collection, removal, treatment, and disposal of wastewater, and sludge management;
- III.** The study, design, project, budget, improvement, construction, operation, conservation, maintenance, expansion and rehabilitation of the works assigned for the provision of drinking water and sanitation public services;
- IV.** Efficient operation, maintenance and rehabilitation of drinking water and sanitation distribution networks, to timely address the demand, control and repair of leaks and induce the reuse of treated wastewater;
- V.** The proposal, drafting, implementation and promotion of policies that lead towards the development of drinking water and sanitation services, and to a National Water and Sanitation Financial System that allows the utilities sustainability;
- VI.** A permanent water culture programme that emphasises the value of services, considering the efficient use and care of water, involving all stakeholders and users of the drinking water subsector.
- VII.** Coordinating with the respective authorities for the study, planning, implementation and participation in the realisation of actions to achieve the recovery and conservation of aquifers, on which an entitlement is held by Water Law.
- VIII.** Participation in the coordination of integrated regional projects for water conservation and alternative supply sources, ground or surface;
- IX.** The agencies responsible for construction and operation of the required infrastructure for the provision of drinking water and sanitation services;
- X.** The utilities, whether public or private, of Municipalities or the Federal District, as appropriate;
- XI.** The state agencies related, for their activities, to drinking water and sanitation services,
- XII.** The information systems on drinking water and sanitation services, as well as those from each utility including its regulatory accounting systems and their register of users, and

XIII. Other items that may determine the respective local legislatures.

Article 40. The coordination and development of the Drinking Water and Sanitation Services System, shall be incumbent upon the State Regulatory Organ or the agency that the Executive of each State or the Head of Government of the Federal District, respectively, designates for that purpose, and shall count with the participation of Municipalities or Boroughs (Delegations), Utilities or any public or individual entity involved in the provision of services.

CHAPTER II

Of the Conditions of Service Delivery

Article 41. Municipalities, the Federal District and, in which case, States shall be obliged to provide all inhabitants on a permanent, continuous, uniform and regular basis, access to safe drinking water to meet their basic and health needs.

Article 42. Drinking water and sanitation services users shall be obliged for the timely payment on the domestic services fees that shall be approved by the competent authority in accordance with the fees authorised for that purpose.

Article 43. The domestic drinking water and sanitation service shall be preferably metered in and through the tools installed for that purpose, in accordance with regulations issued by the competent authority. Payment collection for the provision of services shall be according to the periodicity to be determined by each Municipality or the Federal District, within their field of competence.

Article 44. Wastewater discharges into the sewerage systems shall be done with the quality required by the correspondent receiver body, or in which case, timely and sufficiently, pay the fees established for that purpose by the sanitation service. These discharges shall be carried out in accordance with the Mexican Official Standards, under the provisions issued by the States, the Federal District and the Municipalities in their corresponding territorial jurisdiction.

Article 45. The users that request the drinking water and sanitation services must conclude an adhesion contract with the corresponding Utility for each municipality or the Federal District, which shall provide legal certainty in the provision of such services.

Article 46. The corresponding Utility for each municipality or the Federal District shall adjudge the terms and conditions of the contract of adhesion in accordance with the provisions herein set forth, State Laws and other applicable regulations.

Article 47. People with no drinking water and sanitation services, shall be obliged to enter into contract for the drinking water and sanitation services, and that, under any ownership or title, are holders of:

- I. Properties intended for housing and are temporarily or permanently inhabited , or,
- II. Properties intended for commercial, industrial, services or any other activity that, by their nature, are bound to drinking water or treated wastewater use as well as sanitation.

Article 48. The Municipalities and the Federal District are accountable for providing drinking water and sanitation services, as well as for the manner and conditions for the provision of such

services in their territory, under the provisions by this Law and other applicable provisions.

Article 49. Utilities may restrict or suspend, depending on the case, the provision of drinking water:

- I. In case of unforeseen circumstances or force majeure;
- II. Breach of contract of adhesion, and
- III. Upon the user's request.

Article 50. The public services of drinking water and sanitation as well as the construction and operation of hydraulic infrastructure involving such services, shall be provided and realised by the Municipalities and the Federal District or, preferably, through its utilities, under the provisions of the local legislation in force, but in any case, shall be responsible for the coordination with the State Regulatory Organ.

Article 51. For economic reasons as well as for efficiency in the operation of the provision of drinking water and sanitation service, according to the convenience and benefits that it represents, two or more municipalities or, in which case, with the Federal District may be established and organised as regional utilities for the services operation, which may be decentralised entities or any of the others set forth herein.

CHAPTER III

Of Utilities

SECTION ONE.

General Provisions

Article 52. Utilities shall be the decentralised entities, public or private, with legal capacity and own patrimony, created by the

competent authorities to provide drinking water and sanitation services, which their charters must contain, regardless their legal nature, the statements set forth hereafter:

- I. Sufficient period of validity to ensure for the Utility the investment recovery and its economic sustainability for the benefit of its users.
- II. Operating conditions;
- III. Grounds for revocation or dissolution;
- IV. Grounds to vindicate the infrastructure for the provision of services;
- V. Obligations;
- VI. Criminal, labour, civil and patrimonial Liability Warranty, through mechanisms approved for this purpose;
- VII. Delimitation of the geographical area where they provide public services, and
- VIII. Violations and penalties.

Article 53. The State regulation and related Laws shall guarantee equal conditions between Utilities in the provision of drinking water and sanitation services to the population, regardless of their legal nature.

Article 54. The granting of the concession of services to Utilities by the competent authorities shall be conducted according to regulations in force of the States, Federal District or Municipalities, or in their absence, as set forth in this chapter.

Article 55. The concession title granted by the States, Federal District or the Municipalities, shall include at least:

- I. The purpose and legal basis;
- II. The description of the concessionaire;
- III. The rights and obligations of the concessionaire and the concedent;
- IV. The guarantees given by the concessionaire;
- V. The considerations to be covered to the concedent;

- VI.** The basis of compensation that the concedent grants to the concessionaire in case of revocation for reasons not attributable to the latter;
- VII.** The period of validity that ensures the investment recovery to the Utility as well as its sustainability, for the benefit of its users;
- VIII.** The description of services, goods, works and facilities to be conceded, as well as their rehabilitation, maintenance, expansion, improvement, productivity and use obligations;
- IX.** Specify the geographic area where the concessionaire shall provide public services;
- X.** The coverage, and technical, physical and commercial efficiency objectives, as well as their respective non-compliance penalties;
- XI.** The mechanisms through which the construction, expansion and modernisation of systems programmes shall be met, which shall adhere to the provisions applicable in reference with ecological balance and environmental protection, and
- XII.** The grounds of extinction, revocation or vindicating.

Article 56. Utilities shall establish policies and mechanisms to ensure the income earned for the provision of drinking water and sanitation public services herein set forth, are intended solely for the administration, operation, maintenance and rehabilitation of systems as well as for expanding their water infrastructure.

Article 57. Utilities shall prepare the studies necessary to motivate, inform and enable the Drinking Water and Sanitation Service System to establish appropriate tariffs, according to the regulation in force, for the service, that reflect in an efficient and timely provision of service.

Article 58. In case of conflict between utilities of one or more states, the Institute may serve as a conciliatory authority, if the utilities agree to be subjected to the said procedure.

SECTION TWO

Of Public Utilities

Article 59. Public Utilities are created by agreement of the City Council, or the Federal District Legislative Assembly and in accordance with the applicable Law in force, as decentralised public agencies or private agencies under the municipal shareholding company regime.

Article 60. Municipalities and the Federal District may be associated with the private or social sector, as a joint-Utility that allows private investment, while retaining those, at all time, the share majority in order to protect the public interest.

Article 61. Public Utilities are governed under the agreement of the City Council or the Legislative Assembly of the Federal District, the legal instruments or provisions that determine its creation or its modification, as stipulated in this Law and other provisions grown out of it.

Article 62. Public Utilities shall be responsible for the functions that the charter establishes, and additionally:

- I. The minimum time needed to perform the long-term planning actions, referred to in Article 35 of this Law;
- II. Service Provision Planning and programming in their field of competence, under the guidelines provided in the plans of the various levels of government, and
- III. The timely payment of contributions, rights, use and products by the applicable Law.

Article 63. Public Utilities shall have the authority to charging for drinking water and sanitation services, as well as other charges related to the provision of services.

Article 64. Public Utilities may associate for the integration of Regional Utilities, as provided in section four of this chapter of this Law

SECTION THREE.

Of Private Utilities

Article 65. The City Council or the Federal District or the States, in which case, may authorise by concession, the private sector participation, constituting it as a Utility to provide the services set forth hereafter:

- I. Extraction, conduction, purification, supply, metering, billing, collection, transport and distribution of drinking water or any other suitable means to ensure its purification, and;
- II. Wastewater treatment.

Article 66. The City Council or the Federal District or the States, in which case, as appropriate within their respective field of competence, may concede totally or partially, the services covered by the preceding article, under the terms established by Law and regulations applicable in each Municipality, Federal District, or State, concerning the provision of services, serving at all times to ensure the best conditions available in terms of price, quality, funding, opportunity, modernisation of systems and other relevant circumstances.

Prior to the granting of the concession of services, the Municipalities or the Federal District, as the case may be, shall order the diagnosis and strategic planning studies of drinking water and sanitation public services, which determine the social, technical and financial viability for its granting.

Article 67. Without prejudice to the requirements and conditions established by the Law applicable in the respective Municipality or State, the concessions for the provision of services referred to in

Article 65 of this Law, may be granted only to companies legally constituted under Mexican Law, and with financial and technical capacity for the provision of services.

Article 68. May operate under Private Utility concession, as provided in Article 66 of this Law, to provide adequate water and sanitation services, independently, the companies set forth hereafter:

- I. Housing developments;
- II. Neighbourhood committees or organisations;
- III. Rural Committees of drinking water;
- IV. Industrial, tourism and countryside developments, and
- V. Other activities related to the drinking water subsector.

In these cases the operation for the provision of services shall be subject to the standards established in this Law, its regulations, local regulations and other applicable provisions.

Article 69. The Private Utility, to which the concession is granted, shall be subrogated to the rights and obligations of the Public and/or Regional Utility, in which case, is being replaced, or adjusted, in which case, to the rights and obligations of the concession granted.

Article 70. Once the concession of services and while formalising the new contracts of adhesion entered into with users, in which case, shall remain in force those concluded with the previous Utility. New adhesion contracts shall conform to the provisions set forth herein and the regulations of the respective municipality, or in which case, the respective State, in their respective field of competence.

SECTION FOUR.

Of Regional Utilities

Article 71. To ensure better and effective exercise of the provision of drinking water and sanitation services, two or more neighbouring municipalities, urban or rural areas, as well as the Federal District, as the case may be, prior agreement of their governing bodies may partner and co-operate to form a Regional Authority.

For the association of Municipalities of two or more States, or in which case, the Federal District, they shall be approved by the respective legislature or Legislative Assembly.

Article 72. The Regional Utility shall be created prior agreement between the respective Municipalities or Federal District, or between States when they intervene, assuming the provision of services in the area of competence established in the corresponding agreement.

The Regional Utility shall be publicly run and shall have legal entity and own patrimony.

Article 73. The agreement concluded by the Federal District or the Municipalities shall be published in the Official Journal of each of the States. In the case of the Federal District, published in its Official Gazette of the Federation.

The Regional Utility shall be subrogated to the rights and obligations of utilities, in which case, may be extinguished by its creation.

Article 74. In addition to the provisions of Article 66 of this Law, the agreement to constitute the Regional Utility is subject to the minimum essential foundations set forth hereafter:

- I. The terms and conditions governing the contributions of Municipalities or the Federal District, to integrate the patrimony of the utility, shall be established;
- II. The Statements and clauses considered suitable for the integration and operation of the Regional Utility, shall be constituted in a legal instrument;
- III. The agreement shall be rescinded or terminated by agreement of the City Councils or the Federal District Legislative Assembly, on the grounds that the instrument

itself determines, considering the necessary arrangements to avoid affecting the provision of services, and

- IV. The criteria for setting the tariffs applied to the payment of services, shall be established in the respective agreement and in accordance with the provisions of this Law

Article 75. The Regional Utility shall have the object and the powers set out in Section Two of this Chapter and shall be providing water and sanitation in its field of competence, in accordance with the rules and conditions stipulated in the agreement entered into and in the service concession title under the terms of this Law

CHAPTER IV

Regulatory Accounting

Article 76. The regulatory accounting principles that the Institute integrates and publishes, shall be adopted by the utilities providing drinking water and sanitation services, regardless their legal nature, and shall aim to make transparent the information generated by utilities, create an information system that sets the required essential minimum standards being among others, the catalogues of accounts, the presentation, preparation and periodicity, in order for these accounting principles meet the standard and regulatory needs and, in which case, concurrent with each Municipality, Federal District, the Institute and any competent IRS or taxing authority.

Article 77. The regulatory accounting principles shall establish a system to reflect the technical, operational and commercial performance, as well as of the evaluation of economic and

financial decisions regarding drinking water and sanitation services.

Article 78. Regulatory accounting principles shall have the objectives set forth hereafter:

- I. Standardise the available information for the utilities;
- II. Provide costs information on a reliable, timely and quality manner on a permanent basis;
- III. Know the costs of management, operation, rehabilitation, maintenance, creation of infrastructure for expansion, improvement and investment of the assets used in the provision of services by the utilities;
- IV. Know the demand for services;
- V. Generate a national database of systematic information for the drinking water and sanitation utilities;
- VI. Establish compatible and significant management indices;
- VII. Establish systems, grants criteria or ranges, by service areas that serve the population with high social marginality.
- VIII. Implement control measures to prevent the discretionary decision making in the financial-accounting field, and
- IX. Assess the financial statements of the Utility.

Article 79. Regulatory accounting principles shall comprise:

- I. Policies, procedures and manuals;
- II. Information systems;
- III. Management indicators;
- IV. Audits and certifications, and
- V. Accounting, financial and economic tools and indices, that helps to develop regulatory accounting principles, among others.

Article 80. In order to integrate the regulatory accounting principles of services, the guidelines set forth hereafter shall be considered:

- I. Enter for the costs of current expenditure by type of service;
- II. Classify the infrastructure costs;
- III. Criteria defining on the content of the ledger accounts;
- IV. Analysis of assets and overhead;
- V. Control of procurement and contracting;
- VI. Analysis of investment planning;
- VII. Study of the financial-economic stability of the country and the population, and
- VIII. Other necessary to achieve its objectives.

CHAPTER V

Of the Tariff Systems

Article 81. The tariff system is constituted by individual contributions of users that compensates in the provision of drinking water and sanitation services. These fees should reflect the Actual service cost, including the margin sustainability of utilities.

Article 82. The pricing system shall include a list of prices for water supply according to the tariffs authorised and issued by the competent authority, which shall promote the efficient use of resources, rationalisation of consumption patterns and discouraging of activities that involve excessive demands of drinking water according to the areas of water availability.

Article 83. Municipalities, or in which case, the Federal District, shall establish tariffs, based on the information established by the Institute to cover the actual cost for the provision of services, taking into consideration:

- I. Tariffs Indexing;
- II. Connection charges for expansion works to incorporate to the system of water supply and sanitation, which must be covered by new users, by providing sole contributions which amount will be the marginal cost of peak demand;

- III. The corresponding part for operating and discharge rights, and
- IV. The cost of operation, administration, depreciation of fixed assets and establishment of a reserve fund for rehabilitation, maintenance, extension or improvement of public service.

Methodologies or formulas that are designed by the Institute and the State Regulatory Organ, shall establish the necessary elements for tariff calculations, which shall be considered in the general regulations or provisions that the municipalities or Federal District issue respectively in their field of competence.

Article 84. Tariffs may be adjusted according to the prevailing conditions in the territory of application, that allow for the sustainability of water and sanitation services, for which the Institute shall issue the adjustment calculation criteria.

Article 85. In the case of Regional Utilities, the respective Municipalities and the Federal District shall be coordinated in order to consolidate their revenue laws in the category corresponding to the fees for the drinking water and sanitation services, where it was agreed upon.

Article 86. Service Tariff structures set by the Institute or State Regulatory Organs shall provide at least:

I. The guidelines for determining the minimum and maximum prices for the uses authorised, the definition of the price for the population below minimum consumption or with low income and the proportional increase thereof to promoting efficient water use, to those using more than the minimum supply required, with the necessary prices to ensure the sustainability of the received service for use and required volume;

II. The mechanisms for determining tariffs in response to efficiencies depending on the type of population, system and region, in order to standardise the tariff structures that

encourage efficiencies gradually greater and accessible to the municipalities of the respective State or, in which case, the Federal District;

III. The mechanisms for determining the marginal cost of infrastructure use for service demand increases or new service demand connections; and

IV. The updating mechanisms, according to the inflation or financial opportunity cost variables, as applicable.

Article 87. Pursuant to the established in the second subparagraph of paragraph c) of section IV of Article 115 of the Federal Constitution of the United Mexican States, the consumption of drinking water in public domain facilities, be it federal, state, municipal or government Federal District, used for a public service shall be regulated by criteria and ranges of consumption in volume and time, as proposed by the appropriate state regulatory organ for the approval of the respective Federal District or Municipality Government, according to the nature of the service they provide.

Article 88. The failure to pay the consideration for the drinking water and sanitation services, entitles Utilities to temporarily suspend these services, when it is established in the contract of adhesion entered into by the utility and the user, determining for this purpose the source that allows access to drinking water, in accordance with article 7 of this Law and with total respect for the guarantee provided for in Article 121 of the General Health Law, without prejudice to other grounds for suspending established by the Federal District City Councils or Local Legislatures.

FOURTH TITLE

Of the Goods for the Delivery of Services

CHAPTER ONE

Works, Infrastructure, Equipment and Facilities

Article 89. Public domain goods that constitute the infrastructure and the regulatory, collection, conduction, purification, storage and distribution of drinking water systems, rainwater collection and controlled removal systems, and the wastewater collection, discharge and treatment systems, as well as those enabling subsequent use and removal, and all those necessary for the effective delivery of water and sanitation services to rural communities or urban areas shall be indefeasible, inalienable and not subject to embargo.

Without prejudice to the foregoing, financial mechanisms shall be established to ensure payment of the acts, facts or omissions made by the Utility, in compliance with the respective Laws in force.

FIFTH TITLE

Of Training, Technology and Certification

CHAPTER I.

Training

Article 90. In order to ensure sustainable management of water and sanitation services and the development of their systems, it shall be strengthened the training of both operational and technical staff from all areas of the Utilities. The Institute, in the exercise of its functions, shall promote the participation and contribution to achieving this target of the federal agencies, states, municipalities,

firms and educational and training institutions renowned in the environmental and technology field of the drinking water subsector.

Article 91. The Institute shall promote and coordinate, with private national and international institutions renowned in the water service field, the training of the staff through workshops, seminars and other similar events, to update the water supply and sanitation services.

Article 92. The Training in the water supply and sanitation subsector provided for the Utilities staff, shall be grouped at least in the items set forth thereafter:

I. Water quality and analysis;

II. Safe operation of drinking water systems;

III. Metering in the drinking water and sanitation systems and at domestic level;

IV. Operation of drinking water networks and leakage control;

V. Poor pumping operation and energy saving;

VI. Sewerage systems, wastewater and sludge treatment, marketing, and finance;

VII. Technical-administrative-financial care brigades for rural drinking water committees, and

VIII. Certification of staff skills training.

CHAPTER II.

Technological Development

Article 93. The Institute in coordination with the States, Federal District and Municipalities, and with support from the Mexican Institute of Water Technology, and other national and international research institutions, shall promote the development and diffusion of technologies and scientific research in the drinking water and sanitation subsector, than enable to implement mechanisms, processes or measures to save drinking water, treating and reusing wastewater, and other necessary actions to make competent the sustainable management of the subsector.

Utilities shall seek to implement within their systems, the innovative technologies that are developed by research institutions.

Article 94. The Institute is obliged to foster, develop and strengthen, in general, the scientific and technological research, focused on the activities and functions of the utilities, in addition to encouraging the concurrence of resources to achieve those objectives.

Article 95. Without prejudice to the powers of the Mexican Institute of Water Technology and in coordination with it, the Institute shall promote research and development of new technologies in the drinking water use and inherent services that ensure delivery with the quality and efficiency appropriate for the population, carried out through the activities set forth hereafter:

- I. Research and development of new technologies on drinking water use;
- II. Guidance and coordination with higher education institutions in the implementation of research, technological development, specialised consulting, technical information and training on drinking water, drainage, sewerage, wastewater treatment and disposal programmes;
- III. Development of Water quality standards projects and accreditation of laboratories;

IV. Development of technology related to strategies for water management aimed at preventing contaminated water discharges to rivers and seas;

V. Technology application on: Geohydrology, geographic information systems, ground and surface water, weather, maps and any other science involved with water, and

VI. Others necessary for the consolidation of services.

CHAPTER III

Certification

Article 96. The main objective of the certification is to formally recognise the processes, systems, knowledge and skills required for the exercise of the utilities functions, in a competitive manner, aimed to updating the drinking water subsector, in accordance with the provision set forth in this Law. The Institute shall promote the certification processes, which may be realised by accredited utilities.

Article 97. The Institute shall promote the certification of the Utilities in the aspects set forth hereafter:

I. Significantly increase their volumes in the wastewater treatment and implementing reuse measures;

II. Water infrastructure operation and maintenance projects or programmes for the drinking water administration and management;

III. Training for managers, administrative, technical and operational staff, and

IV. Improvement in services and user care.

Article 98. State Regulatory Organs, in accordance with the provisions set forth in this Law and other applicable laws, shall establish regulatory mechanisms in coordination with the competent authorities for compliance with standards and certify quality of equipment, machinery and infrastructure of the Utilities, associated with the water use, development and quality as well as promoting water culture.

SIXTH TITLE

Of Assessments and Penalties

CHAPTER I

Overview of Evaluation

Article 99. Utilities shall be subject to evaluation of their physical and commercial efficiency, infrastructure and equipment as a means leading to optimal provision of drinking water and sanitation services, according to the rating process determined by the provenance to applying resources, stimuli and incentives.

Article 100. The Institute, in coordination with State Regulatory Organs and public and private institutions specialized in the drinking water and sanitation subsector, shall establish management indicators for the provision of the aforementioned public services, which shall be published in the Official Gazette of the Federation, and with which the evaluation will be made.

The States, through the State Regulatory Organ and based on the management indicators, shall make the evaluation of the Utilities, aimed to verifying technical and financial efficiencies, which results shall be timely deliver to the Institute for the effect of providing, to

the State and the Federation, facts and information to support establishing the allocation of incentives, supports and other resources authorised arising from federal and state programmes.

CHAPTER II.

Evaluation of Utilities

Article 101. Drinking water and sanitation Utilities shall provide the necessary information and documentation that grew out from the management indicators, requested by the State Regulatory Organ, to conduct the review and evaluation of their technical and financial efficiencies.

Article 102. Drinking water and sanitation Utilities shall be subject to evaluation by the State Regulatory Organ, according to the items set forth hereafter:

- I. Efficient service and care to the user;
- II. Reliability of the drinking water on pressure and continuity of supply;
- III. Performance of the technical and operational areas;
- IV. Coverage of drinking water, sewerage and chlorination;
- V. Percentages of treated, waste, purified water;
- VI. Proper functioning of the sewerage service before contingencies;
- VII. Production and turnover;
- VIII. Billing and collection;
- IX. Register users, portfolio in arrears and trading system, and

X. Others needed to estimate and compare competitiveness and efficiency.

Article 103. The Institute shall issue the operation rules for applying incentives, stimuli and support for water and sanitation infrastructure development programmes, establishing access, assessment and accountability regulatory mechanisms for each programme. The application shall be conducted based on efficiency, economy and transparency principles.

Article 104. State regulatory Organs should provide the necessary consultancy to utilities, to address and correct the irregularities and observations that may grow from their assessment and may seek assistance of the Institute for this purpose.

CHAPTER III.

Of sanctions and Means of Impugnment

Article 105. The Penalties set forth by this Law shall be sanctioned by the Institute and, where appropriate, by the State Regulatory Organ, through the procedure according to the provisions set forth in the Rules and Regulations of this Law.

Article 106. To impose any sanction on the offender, the right to a hearing shall be given, in terms of the procedure set forth for this purpose in the Rules and Regulations of this Law

Article 107. Against the resolutions that impose sanctions herein set forth, they may be appealed through a federal administrative proceeding pursuant to legislation in force.

Article 108. For purposes of the evaluation process, the assumptions set forth hereafter are considered infringements by the utilities:

I. Breach of conditions of treatment, purification and the minimum acceptable parameters in distribution networks, in terms of wastewater;

II. Failure to comply with quality standards of services;

III. Not conform to the guidelines, criteria, methodologies or standards issued by the Institute.

IV. Omit the implementation of information and accounting systems, set forth herein;

V. Unwarranted interruptions in the delivery of services;

VI. Breach of the tariff regime in force;

VII. Unreasonably refuse to provide information to the Institute or the State Regulatory Organ;

VIII. Hinder or prevent the performance of verifications ordered by the State or the State Regulatory Organ;

IX. Exercising spending incentives, stimuli and other resources of this nature in actions not intended for these purposes;

X. Not responding to complaints and claims in relation to public services when appropriate;

XI. Breach of obligations of conservation, repair and maintenance of service delivery systems, and

XII. Breaching their obligations under this Law and other applicable.

Article 109. The sanctions imposed by the Institute or State Regulatory Organ for infringements and breach of obligations herein set forth, could consist of removing the qualification needed to obtain the support, stimuli and incentives from federal programmes.

Nothing in this Article shall apply without prejudice to the administrative and criminal responsibilities set forth in other federal and local laws applicable to the subject matter.

TRANSITIONAL ARTICLES

Article One. - This Law becomes effective on the following day of its publication in the Official Gazette of the Federation

Article Two. - All provisions that infringe or are contrary to this Law are repealed.

Article Three. - The Rules and Regulations of this Law shall be issued within 90 days after this decree becomes effective.

Article Fourth. - The Ministry of Environment and Natural Resources shall issue within 120 days after publication of this Law, the Internal Rules and Regulations of the Institute.

Article Five. - The Congress of the Union shall carry out the corresponding adjustments in the federal laws within a maximum of ninety calendar days from the commencement of the term of this Decree.

Article Six. - The legislatures of the States and the Federal District Legislative Assembly must bring its legislation in accordance with this Decree, no later than one year after its entry into force.