

RES update – competitive procedures for FiP

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Overview of RES state aid scheme Second regular competitive procedure

On 18 October 2018 the Regulatory Energy Agency (RAE) launched the second regular competitive procedures for determining the reference prices of state aid for wind and solar energy producers in Greece, which offers a total tender capacity of 423 megawatts (MW). The first regular competition procedures were conducted on 2 July 2018.

Overview of RES state aid scheme

The new renewable energy sources (RES) state aid scheme was introduced in Greece in 2016 by way of Law 4414/2016. The law provides that RES state aid will be granted in the form of operating aid, either as:

- feed-in-premiums (FiPs), which are essentially contracts for the difference between the market price of electricity and the reference price; in most cases, the reference price is determined in by way of competitive procedures; or
- in exceptional cases, feed-in-tariffs (FiTs).

According to the respective ministerial decisions, there are two types of competitive procedure:

- regular competitive procedures, which are organised for:
 - wind projects with a capacity between 3MW and 50MW;
 - photovoltaic (PV) plants with a capacity between 500 kilowatts and 1MW (small PV projects); and
 - PV plants with a capacity between 1MW and 20MW (large PV projects); and
- pilot competitive procedures, which are organised for other RES projects.

In 2018 the maximum capacity of any aid provided through regular procedures was determined to be 600 MW as follows:

- 70MW for small PV projects;
- 230MW for big PV projects; and
- 300MW for wind projects.

In order to enhance competition, the final auctioned capacity is determined by the minimum competition level, which has been set at 75%. This means that the total capacity for which aid will be awarded cannot exceed 75% of the capacities of the participants in the competition. The capacities applied for in July 2018 were below the maximum provided. In addition, the RAE did not approve participation for all of the submitted applications. Subsequently, instead of the maximum 600MW, a total of 283MW of state aid was approved.

Second regular competitive procedure

RAE Decision 1026/2018, issued on 18 October 2018 (OJ B' 4784/2018), launched the second regular competitive procedure for 2018, which offers a total tender capacity of 423MW (94MW for small PV projects, 100MW for big PV projects and 229MW for wind projects). This capacity includes

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all of the remaining capacities from the July 2018 tenders, increased by an additional 100 MW for wind projects (which equals one-third of the 2019 capacities). The increase in the capacity for wind projects was justified by the number of matured wind projects available. Applications for participation had to be submitted by 12 November 2018, while the capacities will be auctioned on 10 December 2018.

The prices achieved in the July 2018 tenders were significantly below the initial prices:

- for small PV projects, the initial price was €85 per megawatt hour (MWh), while the awarded amounts ranged between €75.87 and €80 per MWh;
- for big PV projects, the initial price was €80 per MWh, while the awarded amounts ranged between €62.97 and €71 per MWh; and
- for wind projects, the initial price was €90 per MWh, while the awarded amounts ranged between €68.18 and €71.93 per MWh.

Although the regulation initially provided that the initial price on each next auction would be equal to the highest price per category achieved at the previous auction reduced by 1%, according to the October 2018 amendments to the methodology for calculation of the initial price at these tenders (Ministerial Decision 180215/2018 OJ B' 4528/2018):

- there will be no 1% reduction; and
- from now on, the initial price per category of projects will be equal to the median between:
 - the initial price per category offered at each previous auction; and
 - the average of the range of prices achieved in each category.

The amendments seek to enable a permanent reduction in prices per category in the next auctions, although probably to a lesser extent than if the originally set methodology had applied. It seems that such amendments were deemed necessary in order to attract participation in the tender procedures.

Subsequently, the initial prices for the December 2018 auctions will be:

- €81.71 per MWh for small PV projects;
- €71.91 per MWh for big PV projects; and
- €79.77 per MWh for wind projects.

The amendment to the method for calculating the initial price as described above was supported by potential tender participants, which also claim that the 75% minimum competition level is sufficient to ensure the success of the competition and reduce state aid for RES projects.

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