# Energy Newsletter

**The awaited "New Deal" on feed-in tariffs for renewable projects and other matters**

Issue 7 March 2014

## In this newsletter



## A. "New Deal" Bill on RES released for Public Consultation

On Friday, 7 March 2014 the bill on the "New Deal" on Renewable Energy Resources ("RES") was released for public consultation by the Ministry of Environment, Energy and Climate Change ending at 16:00 on Thursday, 13 March 2014.

The main elements of this bill involve a reduction in the feed in tariffs as well as a discount on 2013 energy sales of photovoltaic parks and other renewable energy plants. The measures of the "New Deal" intend to settle the problem of the large debt amassed by LAGIE, the market operator responsible to pay the margins of the feed in tariffs to renewable operators through the renewables levy. According to recent estimates, such debt amounts to EUR 550 million. Given Greece's obligation to eliminate such debt within 2014, the "deal" has reportedly obtained the support of the EU Authorities and the three representatives of Greece's lenders ("Troika"). RAE, the Regulatory Authority for Energy, has issued several decisions noting that if measures are not put in place to reduce such debt, the Renewables Levy payable in the consumer bills will have to be considerably increased.

The main measures of the New Deal are as follows:

## Reduction of feed-in tariffs for operating plants

As from the entry in force of the "New Deal", all feed-in tariffs for power produced by stations already in trial or regular operation or whose connection has been already energised (where no trial operation is provided) are to be readjusted.

The main feature of the reduced prices is that the provisions of the bill distinguish between power stations that have received subsidies (W/S) and stations that have not received any subsidies (N/S). For a station to qualify as having received a subsidy (W/S), the following conditions must be cumulatively met:

- The power station has directly received a grant or equivalent subsidy (e.g. untaxed reserves, income tax exemption, interest rebate) which covers at least 20% of the total investment cost, as such cost is determined on 31 December 2013 and reflected on the accounting books and statements of the producer; and
- The producer has been paid at least 50% of the value of the above subsidy.

In cases where producers have received a subsidy but less than 50% of the power plant's value has been paid until the date of publication of the "New Deal" law but the threshold is reached subsequently, producers must submit a solemn declaration attesting the fact within two (2) months as of the last payment installment by virtue of which they reached the threshold so that their tariff can be reduced.

In particular, feed-in tariffs for PVs are to be readjusted in accordance with the table below:

| PV STATIONS (€/MWh) | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | INTERCONNECTED NETWORK | | | | | | | | | | NON-INTERCONNECTED NETWORK | | | |
| Period of Connection | Rooftop PVs (<100kW) | PV <100kW | | 100kW<P<500 kW | | 500kW<P<1MW | | 1MW<P<5MW | | PV>5MW | | PV <100kW | | 100kW<P<500kW | |
| | | N/S | W/S | N/S | W/S | N/S | W/S | N/S | W/S | N/S | W/S | N/S | W/S | N/S | W/S |
| Before 2009 | 550 | 460 | 440 | 410 | 390 | 410 | 385 | 410 | 385 | 410 | 385 | 505 | 480 | 457 | 390 |
| 2009 1st Trimester | 540 | 460 | 430 | 410 | 355 | 410 | 355 | 410 | 355 | 410 | 355 | 505 | 480 | 457 | 360 |
| 2009 2nd Trimester | 540 | 460 | 410 | 410 | 330 | 410 | 325 | 410 | 325 | 410 | 325 | 495 | 460 | 457 | 330 |
| 2009 3rd Trimester | 540 | 460 | 380 | 410 | 315 | 400 | 315 | 400 | 315 | 400 | 315 | 480 | 420 | 415 | 320 |
| 2009 4th Trimester | 540 | 460 | 350 | 390 | 300 | 390 | 300 | 390 | 300 | 390 | 300 | 460 | 400 | 390 | 305 |
| 2010 1st Trimester | 535 | 440 | 330 | 375 | 285 | 375 | 285 | 370 | 275 | 370 | 275 | 440 | 350 | 380 | 290 |
| 2010 2nd Trimester | 535 | 420 | 320 | 375 | 280 | 375 | 280 | 370 | 275 | 365 | 270 | 420 | 340 | 380 | 285 |

| PV STATIONS (€/MWh) | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | INTERCONNECTED NETWORK | | | | | | | | | | NON-INTERCONNECTED NETWORK | | | |
| Period of Connection | Rooftop PVs (<100kW) | PV <100kW | | 100kW<P<500 kW | | 500kW<P<1MW | | 1MW<P<5MW | | PV>5MW | | PV <100kW | | 100kW<P<500kW | |
| | | N/S | W/S | N/S | W/S | N/S | W/S | N/S | W/S | N/S | W/S | N/S | W/S | N/S | W/S |
| 2010 3rd Trimester | 535 | 415 | 315 | 370 | 270 | 365 | 265 | 360 | 260 | 360 | 260 | 415 | 330 | 375 | 275 |
| 2010 4th Trimester | 535 | 410 | 310 | 360 | 265 | 360 | 265 | 355 | 260 | 355 | 260 | 410 | 325 | 370 | 275 |
| 2011 1st Trimester | 440 | 400 | 310 | 345 | 255 | 340 | 250 | 335 | 245 | 335 | 245 | 405 | 320 | 345 | 255 |
| 2011 2nd Trimester | 435 | 380 | 305 | 335 | 245 | 330 | 240 | 330 | 235 | 325 | 235 | 390 | 315 | 335 | 250 |
| 2011 3rd Trimester | 425 | 375 | 300 | 320 | 240 | 320 | 235 | 315 | 230 | 315 | 225 | 385 | 305 | 330 | 240 |
| 2011 4th Trimester | 415 | 365 | 290 | 300 | 220 | 300 | 215 | 300 | 215 | 295 | 205 | 375 | 300 | 310 | 225 |
| 2012 1st Trimester | 385 | 360 | 280 | 295 | 205 | 290 | 200 | 285 | 200 | 275 | 195 | 360 | 290 | 285 | 210 |
| 2012 2nd Trimester | 345 | 340 | 275 | 285 | 185 | 270 | 180 | 270 | 180 | 255 | 175 | 340 | 280 | 270 | 190 |
| 2012 3rd Trimester | 310 | 310 | 260 | 275 | 185 | 260 | 180 | 255 | 175 | 245 | 175 | 320 | 260 | 260 | 190 |
| 2012 4th Trimester | 255 | 305 | 240 | 265 | 180 | 250 | 175 | 240 | 170 | 240 | 170 | 315 | 250 | 250 | 185 |
| 2013 1st Trimester | 230 | 300 | 240 | 245 | 180 | 240 | 175 | 235 | 170 | 230 | 165 | 310 | 240 | 245 | 180 |
| 2013 2nd Trimester | 220 | 290 | 230 | 195 | 180 | 195 | 145 | 195 | 140 | 195 | 135 | 290 | 230 | 210 | 150 |
| 2013 3rd Trimester | 125 | 230 | 165 | 185 | 140 | 185 | 135 | 185 | 130 | 185 | 125 | 230 | 165 | 200 | 140 |
| 2013 4th Trimester | 125 | 230 | 165 | 185 | 140 | 185 | 135 | 185 | 130 | 185 | 125 | 230 | 165 | 200 | 140 |

The above tariffs are increased by 10% for PV stations less than 20kW (not on rooftops) and for PV plants of professional farmers under certain conditions.

Feed-in tariffs for wind parks are to be reduced in accordance with the following table:

| WIND PARKS (€/MWh) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Period of Connection | INTERCONNECTED NETWORK | | | | | | NON-INTERCONNECTED NETWORK | | | | | |
| | WP <5MW | | 5MW <WP<=20MW | | WP >20MW | | WP <5MW | | 5MW <WP<=20MW | | WP >20MW | |
| | N/S | W/S | N/S | W/S | N/S | W/S | N/S | W/S | N/S | W/S | N/S | W/S |
| until 31/12/2006 | 107 | 87 | 107 | 84 | 105 | 82 | 120 | 93 | 120 | 90 | 115 | 84 |
| from 01/01/2007 | 107 | 89 | 107 | 86 | 105 | 84 | 120 | 95 | 120 | 92 | 115 | 89 |

The bill further provides for reduced feed-in tariffs for power produced from small hydroelectric parks with a capacity of up to 15 MWe as well as for power produced from cogeneration stations. It is noted that the above tariffs are not applicable to stations, whose feed-in tariffs in respect of power produced in January 2014 would have been otherwise lower than that resulting from their classification in the "New Deal" scheme (including any surcharges thereto).

**New lower tariffs for Renewables (other than PVs)**

In addition to the retroactive reduction of feed-in tariffs, the "New Deal" law provides for a reduction in the feed-in tariffs also for all categories of renewable plants whose contracts are entered after the entry in force of such law. It is reminded that the relevant feed in tariffs for new photovoltaic plants were already reduced recently but until today such reductions had not been introduced to other categories of renewable plants. The respective provisions once again distinguish between power stations that have received subsidies (W/S) and stations that have not received any subsidies (N/S). Indicatively the feed in tariff for new wind parks above 5MWe will be 105 €/MWh for plants without a subsidy and 85€/MWe for plants with subsidy. More information on these new feed in tariffs can be provided if required.

It is important to note that the bill provides that these tariffs applicable to new plants may be amended in the future by decision of the Ministry of Energy after RAE has issued its opinion, and not by virtue of a new law, as it used to be the case. The Minister is thus able to amend the tariffs and/or the categorisation of power technologies. Such change would be mainly based on the criterion of whether the capacity targets for each renewable technology have been achieved.

**No annual increase of feed-in tariffs according to CPI**

The draft law further provides that feed-in tariffs for all RES plants will no longer be annually readjusted pursuant to the Consumer Price Index.

**Retroactive discounts via the issuance of a special debit note**

In addition to the reduction in the feed in tariffs, within two (2) months as of the entry in force of the "New Deal" law, all producers must issue a debit note by virtue of which they will provide a substantial discount on the total value of energy produced by their plants in 2013. In particular, such discount will amount to:

- 35%, for energy produced from PVs (excluding PVs that are part of the Special Development Scheme for Photovoltaics on Rooftops) and

- 10% for energy produced from all other RES and cogeneration stations.

If no discount note is issued within the above timeframe then LAGIE (in the interconnected system) and DEDDIE (in the non-interconnected system) are not bound to pay any compensation to producers as from the entry in force of the "New Deal" law and onwards.
It is noted however that the bill includes provisions abolishing the Special Solidarity Contribution (tax imposed on the gross income of the power plants), which was introduced by virtue of the provisions of Laws 4093/2012 and 4152/2013.

## Extension and modification of contracts

The "New Deal" bill provides for the automatic five-year extension of certain contracts. These contracts are namely all power purchase (and offset agreements for PVs that are part of the Special Development Scheme for Photovoltaics on Rooftops) which have been in force for less than twelve (12) years as of 1 January 2014. The extension further covers the underlying production and operation licenses.

Throughout the extension period, the producers may elect one of the following compensation schemes:

- the sale of electricity at system and market prices or

- the sale of any power produced on a priority basis at €/80MWh for up to a certain maximum annual amount to be determined pursuant to the following formula:

**Max Power Amount (KWh) = Installed Capacity (KW)*Rate of Production (KWh/KW)** where the Rate of Production is determined by station type.

Producers must exercise the above right of choice by submitting an irrevocable declaration to either LAGIE or DEDDIE (as applicable) at least six (6) months prior to the beginning of the extended term.

## Other provisions

Pursuant to the provisions of the bill, the obligation of the RES stations to pay the Special Levy (3% on gross income) is reduced by half for all RES stations falling within the ambit of the New Deal provisions.

The freezing of review of applications for signing of PPA and connection agreements for photovoltaics is abolished, as is the suspension for review of generation licences and connection agreements for exempted stations.

Various other provisions are introduced on other matters not related to tariffs (such as guarantees, change of project's site or capacity etc.).

For more information, please contact us.

## B. Extension of Timetable for Completion of Subsidy Projects

The deadline for the completion of investment schemes subject to the provisions of law 3299/2004 is extended until 31-12-2015, regardless of whether the original or extended completion deadline has expired, and provided that it expires before 31-12-2015. Until 30/6/2014, implementation entities for projects subject to Law 3299/2004 may request an additional extension until 31-12-2016.

Further provisions relate to the eligible expenses, the timing of compliance with obligations post-completion and the obligation of project owners to install on site a sign advertising the fact that the project has been subsidised.

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