

New incentive scheme addressed to the renewable energy sources provided in the draft Act on Renewable Energy Sources dated 20 February 2015 (“RES Act”).

Current incentive scheme addressed to RES investors based on tradable certificates of origin whereby renewable energy producers receive: (a) price for electricity sold at competitive market (current market price equal to approx. EUR 43,2/MWh) as well as (b) price for tradable certificates of origin purchased in particular by suppliers selling electricity to final consumers. The foregoing incentive scheme operates so that market price for certificates may not exceed in practice the so-called “substitute fee” which is an alternative method of fulfillment of the obligation to obtain and redeem certificates of origin. Such substitute fee is currently equal to EUR 71,5/MWh which operates as a cap for market price of certificates. However, current market price for certificates fell in December 2014 to approx. EUR 43,3/MWh).

Adoption of the RES Act is aimed at the following **optimizations of the incentive scheme addressed to the RES installations:**

- **introduction of a new “auction system”** under which financial sources available within the incentive scheme will be collected from the final energy consumers by DSO and TSO (so-called “RES Payer”) and then transferred through the state-controlled company named Renewable Energy Settlement Operator S.A. (“OREO”) to the RES operators selected within the auction either directly or – in case of RES installations below 0,5MW – through so-called “obliged purchasers”;
- **auctions to be carried out at least once a year in order to select RES operators authorized to benefit from support in the form of:**
 - **the 15-year long-term power purchase agreement** concluded with the “obliged purchaser” and providing for sale of electricity for the price agreed within the auction – **in case of RES installations below 0,5 MW; or**
 - **right to compensation** of the difference between: (a) the envisaged revenues from sale of actually generated electricity for the price agreed within the auction and (b) market value of the same electricity calculated based on average daily prices of electricity quoted at the commodity exchange – **in case of RES installations with installed capacity of 0,5 MW or higher;**it being provided that period of support in any form must end not later than on 31 December 2035, save for offshore wind installations where the expiration date may be extended to 31 December 2040;
- **RES operators eligible to participate in the “auction”:** all the RES installations except for certain types specified in detail in RES Act, e.g. the following types of installations commissioned before 1 January 2016:
 - hydro power installations of total installed electric power exceeding 5 MW;

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- multi-fuel power plants which are not qualified as “dedicated multi-fuel power plants”;
- non-CHP installations using biomass, biofuels, biogas and agricultural biogas with installed capacity exceeding 50 MWe;
- CHP installations using biomass, biofuels, biogas and agricultural biogas with installed capacity exceeding 150 MWt;
- **equipment installed in the RES installation covered by the auction system may not be manufactured earlier than 48 months (in case of offshore wind generation - 72 months) before first electricity generation** from the RES installation;
- **“pre-qualification procedure” established to pre-qualify entities authorized to submit offers within the auction:**
 - pre-qualification criteria aimed at selection of reliable investors with feasible RES projects that meet the criteria for the incentive scheme;
 - pre-qualification certificate authorizes to participate in auctions launched generally not later than 12 months after pre-qualification;
 - pre-qualification procedure shall not apply to RES installations commissioned before 1 January 2016;
- **auction carried out based on the following assumptions:**
 - **selection of the RES operators based on the criterion of the lowest unit price offered for renewable energy;**
 - **separate auctions will be carried out for electricity generated in RES installations commissioned before 1 January 2016 and after that date and - within each of the foregoing groups - separately for RES installations with total installed electric power:**
 - not exceeding 1 MW (in this group may also compete the following: all the biogas installations existing as of the date on which the RES Act enters into force and – if the budget for group ≤1MW is not allocated and supplemental auction is launched – all the RES installations ≤2MW existing as of 1 January 2016 and/or modernized after 1 January 2016);
 - exceeding 1 MW;
 - **at least one fourth of the financial sources available within the auction system to be allocated to installations with installed capacity not exceeding 1 MW;**
 - **reference prices to be set for each RES technology so that all the offers providing for prices higher than the reference price may be rejected;**
 - **fixed price for electricity to be agreed within the auction, such price to be binding on the parties within the whole 15-year support period** (save for yearly indexation of such price with annual average index of retail prices of consumer goods and services, described by President of Central Statistical Office);
 - **fixed volumes of purchased electricity to be agreed within the auction for each year of the whole 15-year support period** (no possibility to carry forward or make-up any volume of electricity between specific years)
 - **commissioning of the new RES installation covered by the auction to occur not later than within 48 months** (save for solar energy where the deadline is 24 months and offshore wind installations where the deadline is 72 months) following the auction, **such commitment to be**



secured with bank guarantee or money deposit in the amount of PLN 30/kW of the installed capacity;

- new incentives for so-called **micro-installations** (i.e. RES installations with installed capacity not exceeding 40 kW):
 - operation of the micro-installation exempted from the concession requirement;
 - general **feed-in tariff** for micro-installations (obliged supplier to purchase electricity generated from micro-installations at a price equal to 100% of the average electricity market price as announced by the President of the ERO for previous quarter, such obligation to be limited with respect to each micro-installation to 15 years);
 - higher feed-in tariffs for micro-installations with installed capacity not exceeding 10 kW and commissioned after 1 January 2016 (obliged supplier to purchase electricity generated from such micro-installations at prices equal to: (i) 750 PLN/MWh for electricity generated in hydro-energy, onshore wind and photovoltaic micro-installation with capacity not exceeding 3 kW, (ii) 650 PLN/MWh for electricity generated in hydro-energy, onshore wind and photovoltaic micro-installation with capacity higher than 3 kW and not exceeding 10 kW, (iii) 450-700 PLN/MWh for electricity generated from different types of biogas in micro-installation with capacity higher than 3 kW and not exceeding 10 kW – each such price being subject to potential change by way of regulation of the Minister of Economy; the obligation to purchase electricity as described in this point is also limited with respect to each micro-installation to 15 years);
 - RES operators to be burdened with balancing costs;
- as regards **RES installations commissioned before 1 January 2016**, the operators will be authorized to choose whether to benefit from the current support scheme based on the tradable certificates of origin (acquired rights) or new auction system; in any case, the total period of support available to the existing RES cannot exceed 15 years from first generation confirmed by certificate of origin;
- **current support scheme based on tradable certificates of origin will be adjusted** as follows:
 - RES installations commissioned after 31 December 2015 cannot benefit from current scheme;
 - the total period of support cannot exceed 15 years from first generation confirmed by certificate of origin;
 - hydro-power installations with installed capacity exceeding 5MW deprived of the right to support in the form of certificates of origin;
 - multi-fuel power plants using biomas, biofuels, biogas and agricultural biogas, other than “dedicated multi-fuel power plants”, may obtain only limited number of certificates in each year corresponding to the average annual “green generation” in the period 2011-2013 and such certificates to be further subject to correction with “co-efficient” set by the Council of Ministers;
 - if the price of certificates of origin quoted at the Polish Power Exchange is lower than 75% of the substitute fee for the period of more than 1 month, there will be limited possibility to pay “substitute fee” as an alternative method of the fulfillment of the obligation to obtain and redeem certificates of origin;
 - “substitute fee” set at PLN 300,03/MWh.



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