Energy Newsletter

The renewables "New Deal" as enacted

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The "New Deal"

The "New Deal" was voted by Greek Parliament and published on 7 April 2014 in the Government Gazette. The relevant provisions differ substantially in many aspects to these of the bill, especially with regards to the tariffs applicable to the plants already in operation (please see relevant tables set out below). For reasons of completeness we have set out again the main provisions of the new deal scheme updated and amended in accordance with the enacted legislation.

Reduction of feed-in tariffs for operating plants

As from 1 April 2014, all feed-in tariffs for power produced by stations already in trial or regular operation are to be readjusted.

The main feature of the reduced prices is that the "New Deal" provisions 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 must have directly received a grant or equivalent subsidy (e.g. untaxed reserves, income tax exemption, interest rebate), covering 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 must have been paid at least 50% of the value of the above subsidy.

In cases where producers have received a subsidy, and less than 50% of the power plant value has been paid until 1 April 2014, but the threshold is reached subsequently, producers must submit a solemn declaration attesting to the fact, within two (2) months as of the payment of the last installment by virtue of which they reached the threshold so that their tariff can be reduced.

Even where producers are not benefiting from subsidies at all, they need to notify this to the relevant grid/ system operator in order to obtain the full tariff (instead of the lesser one for subsidized plants).

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

PV STATIONS (€/MWh)															
		INTERCONNECTED SYSTEM										NON-INTERCONNECTED SYSTEM			
Period of Connection	Rooftop PVs (<=100kW)	PV ≤100kW		100kW<PV≤500kW		500kW<PV≤1MW		1MW<PV≤5MW		PV>5MW		PV ≤100kW		100kW<PV	
		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	-	-	445	-	390	-	385	-	385	-	385	-	480	-	440
2009 1st Trimester	-	-	440	-	375	-	365	-	365	-	355	-	480	-	380
2009 2nd Trimester	-	-	435	-	370	-	345	-	345	-	325	-	460	-	370
2009 3rd Trimester	-	-	430	-	365	-	325	-	325	-	315	-	430	415	360
2009 4th Trimester	-	-	425	-	350	-	315	-	300	400	300	-	410	415	350
2010 1st Trimester	-	-	400	-	335	-	315	-	290	390	280	-	385	415	330
2010 2nd Trimester	-	-	380	-	315	-	315	400	285	390	270	500	370	410	310
2010 3rd Trimester	-	-	365	-	295	400	295	380	260	375	255	490	355	405	275
2010 4th Trimester	-	-	345	395	280	395	280	355	245	360	240	470	335	400	275
2011 1st Trimester	-	-	335	390	270	375	260	340	235	335	225	455	330	360	245
2011 2nd Trimester	-	-	320	375	260	365	250	330	225	320	220	440	315	360	245
2011 3rd Trimester	470	430	305	360	250	360	245	310	215	300	205	415	295	335	230
2011 4th Trimester	470	405	285	330	230	325	225	290	200	280	190	390	280	305	210
2012 1st Trimester	415	375	265	305	215	295	205	260	180	260	180	365	265	280	195
2012 2nd Trimester	385	360	240	280	195	265	185	235	165	230	155	330	240	270	190
2012 3rd Trimester	340	360	225	265	185	250	175	215	150	210	145	305	220	260	180
2012 4th Trimester	295	340	215	255	180	240	165	205	145	195	135	290	215	240	170
2013 1st Trimester	295	285	205	240	170	240	145	195	140	190	130	280	205	220	155

PV STATIONS (€/MWh)															
		INTERCONNECTED SYSTEM										NON-INTERCONNECTED SYSTEM			
Period of Connection	Rooftop PVs (<=100kW)	PV ≤100kW		100kW<PV≤500kW		500kW<PV≤1MW		1MW<PV≤5MW		PV>5MW		PV ≤100kW		100kW<PV	
		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
2013 2nd Trimester	270	270	195	185	160	185	145	185	140	180	130	270	195	185	150
2013 3rd Trimester	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2013 4th Trimester	175	-	-	-	-	-	-	-	-	-	-	-	-	-	-

It is noted that the above tariffs are increased by 10% for PV stations less than 20kW (not on rooftops) while special provisions apply for PV stations owned by professional farmers.

In addition, PV stations falling within a cell of the above table bearing the indication [-] are not subject to the readjustments provided therein.

However, a separate set of readjusted tariffs applies, as per the table below, in respect of PV stations fulfilling the following criteria:

- their feed-in tariffs were determined pursuant to the provisions of Law 4093/2012; and
- they were connected to the system within the second semester of 2013.

	INTERCONNECTED SYSTEM										NON-INTERCONNECTED SYSTEM			
Period of Connection	PV≤100kW		100kW<PV≤500kW		500kW<PV≤1MW		1MW<PV≤5MW		PV>5MW		PV ≤100kW		100kW<PV	
	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
2013 3rd Trimester	300	215	205	175	205	160	205	155	205	150	285	205	205	165
2013 4th Trimester	290	210	200	170	200	155	200	150	200	145	280	200	200	160

Furthermore, **feed-in tariffs for wind parks** are to be reduced in accordance with the following table:

WIND PARKS (€/MWh)								
	INTERCONNECTED SYSTEM				NON-INTERCONNECTED SYSTEM			
Period of Connection	P≤5MW		P>5MW		P≤5MW		P>5MW	
	N/S	W/S	N/S	W/S	N/S	W/S	N/S	W/S
until 31/12/2006	107	87	107	84	120	93	120	90
from 01/01/2007	107	89	107	86	120	95	120	92

The "New Deal" provisions further provide for reduced feed-in tariffs for power produced from small hydroelectric parks with a capacity of up to 15MW as well as for power produced from cogeneration stations.

It is noted that the above tariffs are not applicable to stations, whose compensation (including any surcharges thereto) in respect of power produced in January 2014 would have been otherwise lower than that resulting from their classification in the "New Deal" scheme.

Retroactive discounts via the issuance of a special credit 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 RES producers (other than those participating in the Special Development Scheme for Photovoltaics on Rooftops) must issue a credit note by virtue of which they will provide a substantial discount on the total value of energy produced by their plants in 2013. These differ from the provisions envisaged in the bill. In particular, such discount will amount to:

- 34% for energy produced from PVs connected to the system until 31 December 2009;
- 35% for energy produced from PVs connected to the system from 1 January 2010 to 31 December 2011;
- 37% for energy produced from PVs connected to the system from 1 January 2012 to 31 December 2012;
- 37.5% for energy produced from PVs connected to the system from 1 January 2013 to 31 December 2013;
- 20% for energy produced from small PV stations, i.e., stations with a capacity equal to or less than 100kW;
- 10% for energy produced from all other RES and cogeneration stations.

If no credit note is issued within the above timeframe, LAGIE (in the interconnected system) and DEDDIE (in the non-interconnected system) are not obliged to pay any compensation to producers as from the entry in force of the "New Deal" law.

The Special Solidarity Contribution (tax imposed on the gross income of the power plants) payable for the year 2013 will be calculated on the reduced income which results from the abovementioned haircut. The Special Solidarity Contribution is abolished with effect from 1 April 2014.

Extension and modification of contracts

The "New Deal" law provides for the automatic seven year extension of certain PPAs (instead of five years which was provided in the bill). The contracts affected are 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 licences. 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 €/90MWh 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. It is particularly noted that producers retain no right of compensation for any surplus produced.

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.

New lower tariffs for renewables (other than PVs)

In addition to the retroactive reduction of feed-in tariffs, the "New Deal" law also provides for a reduction in the feed-in tariffs for all categories of renewable plants which are connected to the system 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 5MW will be 105€/MWh for plants not having received a subsidy and 85€/MW for plants having received a subsidy. More information on these new feed-in tariffs can be provided if required. Some of these tariffs differ from these originally envisaged in the bill.

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. Such decision would be applicable to power plants which are connected to the grid/ system two years after its issuance.

Other provisions

The "New Deal" law does not include any provisions related to the reduction of the Special Levy, as originally provided in the respective bill. As such, the obligation to pay to the municipalities 3% on the plant's gross income per RES station remains in force.

In addition and, notwithstanding the criticism such provision has received when the "New Deal" bill was published, feed-in tariffs for all RES plants will no longer be annually readjusted pursuant to the Consumer Price Index.

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