

BRIEFING

THAILAND SHIFTS FROM RENEWABLE
ENERGY ADDER RATES TO FEED-IN TARIFFS
FOR VSPPs
MARCH 2015

- THAILAND SHIFTS FROM RENEWABLE ENERGY ADDER RATES TO FEED-IN TARIFFS FOR VSPPs
- VSPPs CAN NOW CONVERT ADDER RATE PPAs TO 20 YEAR FiT PPAs PRIOR TO THE END OF MARCH 2015



VSPPs (power producers generating less than 10 MW) can now convert adder rate PPAs to 20 year FiT PPAs prior to the end of March 2015.

Thailand's utility scale renewable energy sector has its origins in 2007, when Thailand's state owned electricity distributors offered to buy electricity from renewable energy producers under power purchase agreements (PPAs) in which an adder rate was payable on top of the prevailing wholesale price of electricity.

The adder rate payable depended on the technology used and was initially as high as 8 Baht per kWh for solar energy. The policy of the National Energy Policy Commission (NEPC) has been to progressively replace adder rate payment structures with a "Feed-in Tariff" (FiT), in which a fixed amount per kWh is paid during the life of the PPA. The NEPC has also announced that future applications for VSPP PPAs should take place using a new Competitive Bidding Method.

The Energy Regulatory Commission (ERC) has now ordered Thailand's state owned electricity distributors, being the Provincial Electricity Authority (PEA), the Metropolitan Electricity Authority (MEA) and the Electricity Generating Authority of Thailand (EGAT), to cease offering PPAs to power producers generating less than 10 MW (VSPPs) and instead to issue PPAs based on the ERC's FiT subsidy program.

PPAs issued for VSPPs in the future are now likely to be issued exclusively on the basis of FiT, although some applications for PPAs which were lodged prior to the ERC's announcement can still be eligible for an adder rate PPA.

The ERC has also issued a notification which gives VSPPs with adder rate PPAs (other than solar power producers) the option to convert their PPAs to FiT PPAs. The FiT PPAs are for a 20 year term for all eligible forms of renewable energy with the exception of land fill, for which a ten year PPA is offered.

For some projects, the prospect of a 20 year fixed rate will provide financial certainty over a period twice as long as the existing PPA and in the case of wind farms producing substantial amounts of electricity during off peak periods (and subject to a lower off peak wholesale rate), a single fixed FiT may provide greater financial returns than the price payable under an adder rate PPA.

VSPPs which have already generated electricity into the grid will not be eligible for the conversion. However VSPP projects for wind, waste to energy or hydropower plants will be eligible for conversion to FiT PPAs where they satisfy the following criteria:

- a. a project which obtained approval to sell electricity in 2014, provided that the project has not been granted an extension or the Scheduled Commercial Operation Date (**SCOD**) has not passed. These projects will be granted a FiT rate PPA in accordance with the table in Annex 1 below and the SCOD will remain the same;
- b. a project which obtained a PPA but has not commercially delivered power to the grid, provided that the project has not been granted an extension or the SCOD has not passed. These projects will be granted a FiT rate PPA in accordance with the table in Annex 1 below and the SCOD will remain the same; or
- c. a project which has already submitted an application for a PPA but has not yet received approval. If the project wishes to participate in the FiT program, the PPA will be obtained through the Competitive Bidding System as if it were a new project.

A project wishing to participate in the conversion to the FiT system must lodge an application requesting the ERC to cancel its existing PPA or cancel its previously lodged PPA application (as the case may be) with the ERC (bond will not be deducted) and apply for a new PPA no later than 3.30 pm on 31 March 2015.

ANNEX 1

FEED-IN TARIFF (FIT) RATE FOR VERY SMALL POWER PRODUCERS (VSPP)

Capacity (MW)	FiT (Baht/kWhr)			Duration (Years)	FiT Premium (Baht/kWhr)	
	FiT _F	FiT _v 2560	FiT ⁽¹⁾		Bio-fuel projects (first 8 years)	Project in Southern Border Province (2) (project lifetime)
1. Waste (integrated waste management)						
Installed Capacity ≤ 1 Megawatt	3.13	3.21	6.34	20	0.70	0.50
Installed Capacity > 1-3 Megawatt	2.61	3.21	5.82	20	0.70	0.50
Installed Capacity > 3 Megawatt	2.39	2.69	5.08	20	0.70	0.50
2. Waste (land fill)	5.60	-	5.60	10	-	0.50
3. Biomass						
Installed Capacity ≤ 1 Megawatt	3.13	2.21	5.34	20	0.50	0.50
Installed Capacity > 1-3 Megawatt	2.61	2.21	4.82	20	0.40	0.50
Installed Capacity > 3 Megawatt	2.39	1.85	4.24	20	0.30	0.50
4. Biogas (waste water/ waste material)	3.76	-	3.76	20	0.50	0.50
5. Biogas (energy plants)	2.79	2.55	5.34	20	0.50	0.50
6. Hydro						
Installed Capacity ≤ 200 kW	4.90	-	4.90	20	-	0.50
7. Wind	6.06	-	6.06	20	-	0.50

Remarks

- (1) This FiT rate applies to a project that delivers power into the grid in the year 2017. After 2017, the FiT rate will be increased based on the core inflation rate. This only applies to waste (integrated waste management), biomass and biogas (energy plants) projects.
- (2) Projects located in Yala, Pattani, Narathiwat and 4 Sub-districts in Songkla (Jana Sub-district, Tepha Sub-district, Sabayoi Sub-district and Natawee Sub-district) only.

CONTACTS

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