

BRIEFING

RENEWABLES IN SPAIN: AUCTION
RESOLUTION

APRIL 2017

THE SPANISH GOVERNMENT HAS ANNOUNCED A NEW RENEWABLE ENERGY AUCTION, WHICH WILL TAKE PLACE ON 17 MAY 2017



On 12 April 2017, two resolutions published in the Spanish *Official Gazette* set out the final procedural details for the auction announced by the Spanish Government for the allocation of payments under the specific remuneration regime to new facilities for generating energy from renewable energy sources:

- Resolution of 10 April 2017, of the Secretary of State for Energy, calling the auction, pursuant to Order ETU/315/2017 of 6 April (“Auction Resolution”).
- Resolution of 10 April 2017, of the Secretary of State for Energy, which establishes the procedure and the rules of the auction, pursuant to the provisions of Royal Decree 359/2017 of 31 March and Order ETU/315/2017 of 6 April (“Rules of the Auction Resolution”).

This auction is the second auction called since the approval of the new regulatory framework for renewable energy in Spain. The first one was the auction of 500 MW of wind energy and 200 MW of biomass, which took place in 2016.

The auction

The object of this auction is the allocation of capacity eligible for specific regulated remuneration to new facilities for generating energy from renewable energy sources. The initial eligible capacity will be 2,000 MW and may be extended up to 3,000 MW, provided that the conditions of a confidential clause are met.

Unlike the first auction, this one is technologically neutral, meaning that there are no capacity caps for each technology (wind, photovoltaic and others).

“THE INITIAL ELIGIBLE CAPACITY WILL BE 2,000 MW AND MAY BE EXTENDED UP TO 3,000 MW, PROVIDED THAT THE CONDITIONS OF A CONFIDENTIAL CLAUSE ARE MET.”

“SINCE IT IS A MARGINAL AUCTION, THE LAST BID AWARDED WILL BE THE ONE DETERMINING THE COST OVERRUN FOR THE SYSTEM FOR ALL THE AWARDED BIDS.”

The allocation of the payments and the determination of the initial investment of each type of facility (called “standard facilities”) will be set through a sealed bid auction procedure.

The auction is based on a given standard value of the initial investment for each standard facility. The bidders will bid percentage reductions in such standard value of the initial investment, subject to a maximum reduction established for each technology by the Auction Resolution:

TECHNOLOGY	MAXIMUM PERCENTAGE REDUCTION
Wind	63.43%
Photovoltaic	51.22%
Others	99.99%

The cost overrun for the electricity system will be assessed in respect of each bid¹. The bids will be ranked from less to more cost overrun. However, since it is a marginal auction, the last bid awarded will be the one determining the cost overrun for the system for all the awarded bids.

The result of the auction will determine the capacity allocated to each technology and the percentage reduction of the standard value of the initial investment of each standard facility for the awardees. These will form the basis for assessment of the remuneration on the investment, the standard value and the other remuneration parameters for each standard facility.

Auction timetable

The participation in the auction will require the pre-qualification and qualification of the bidders. The auction is taking place on 17 May 2017 according to the following timetable²:

- 11 May 2017 (13:00): time limit to submit the documentation for the pre-qualification and qualification.
- 12 May 2017 (9:00): auction test with the qualified participants.
- 16 May 2017 (9:00): test of the access to the system and electronic sign.
- 17 May 2017 (9:00): **auction**.
- 17 May 2017 (9:00): opening of bidding window.
- 17 May 2017 (11:00): closing of bidding window.
- Up to two hours after the closure of the bidding window: selection procedure and publication of the provisional results.
- Up to two hours after the publication of the provisional results: appeals against the provisional results.

¹ Based on the payment calculated by reference to the reduced value of the initial investment offered and the operating hours of the technology.

² All the hours are Spanish time (UTC/GMT+2).

Other relevant information

Once the capacity allocation has been made through the auction procedure, within 45 days from the publication of the result of the auction in the Spanish *Official Gazette*, the awardees shall apply for the initial registration of the capacity awarded in the specific regulated remuneration registry, together with the corresponding guarantees.

The application for the definitive registration in the specific regulated remuneration registry shall be submitted by 31 December 2019. One or more operating projects may be definitively registered in the specific regulated remuneration registry, provided that their total capacity does not exceed the one awarded in the Auction.

FOR MORE INFORMATION

Should you like to discuss any of the matters raised in this Briefing, please speak with one of the authors below or your regular contact at Watson Farley & Williams.



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