



New Renewable Energy Auction: What Matters

On May 29, National Energy Regulatory Council (NERC) announced new renewable energy auction for **0,7 TWh**. Maximum price premium will be 3.02 Eur/MWh (last year it was 3.86 Eur/MWh).

We remind you the winner of the first auction was wind farm project developer, who offered a price premium of 0 Eur / MWh and a maximum annual amount of electricity production, thus the winner got entire 300 GWh quota. In total 7 bidders participated in the previous auction the winner will enjoy the priority dispatch of all of the electricity produced for 12 years from the start of electricity generation.

1

What are the parameters of the auction?

The auction is technologically neutral, all technologies are allowed to participate - solar, wind, biogas, biomass. Since the maximums and the reference prices are announced within 70 calendar days after NERC announces the start of the auction, participants shall:

- 1) receive preliminary connection conditions, agree on the fulfilment of obligations and sign a letter of intent with the electricity network operator
- 2) perform calculations and prepare a proposal regarding the desired price premium to the electricity exchange price.

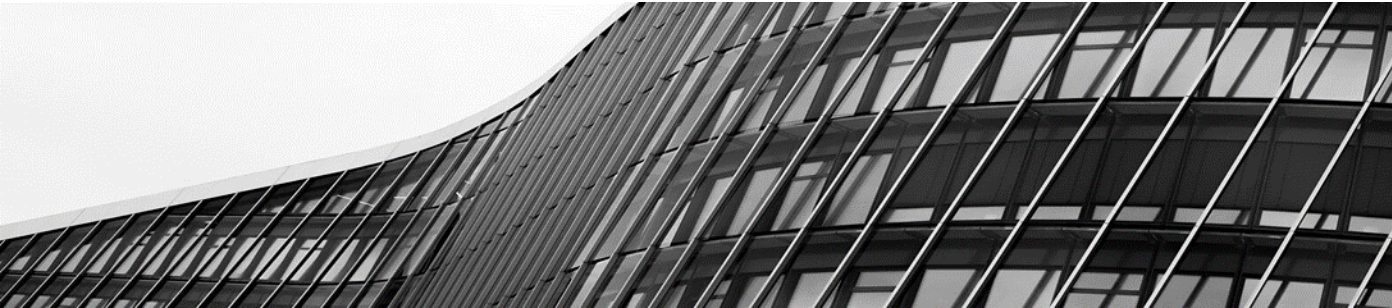
Auction participants will be able to submit bids for the desired price premium, which may be equal to or lower than the maximum price set by NERC, but not less than 0. The winner will be selected according to the proposed minimum price premium.

Submission of documentation is planned between August 10-24, 2020. First auction committee meeting will be held on August 25, 2020. It is expected the winner of the auction will be announced until October 2020.

2

How will be the auction winner's price supplement determined?

In general the principles with the previous auction will not be changed.



The participants shall bid on their preferred premium (which may be less than the maximum premium) and the winner will be selected based on the lowest premium offered. The maximum premium is calculated as the difference between the maximum price and the reference price. If the premium offered by several bidders is the same, the participant with the highest annual production shall take precedence.

The **maximum price** is calculated by taking into account the costs of producing 1 MWh of electricity from renewable sources using the most technologically efficient technologies.

The **reference price** is calculated on the basis of the electricity prices in the exchange for the last 3 years, i.e. the price that an entity can reasonably expect to receive through the exchange selling electricity produced from renewable sources.

The payment of the premium to the winner **may be described by the following three rules:**

- if the market price exceeds the maximum price, the premium shall not be paid;
- if the market price is between the maximum price and the reference price, the difference between the maximum price and the market price is paid;
- If the sum of the market price and the premium is lower than the maximum price, the full premium is paid.

3

Are there any changes in the auction regulations?

As the auction organized in 2019 highlighted certain shortcomings of the system, NERC made certain changes to the regulations for the auctioning of quotas for the promotion of electricity production from renewable energy sources, the main ones of which are the following:

- 1) In the first stage of the auction, if the participants offer the same 0 Eur/MWh desired price premium, the potential winner will be the participant who has indicated the highest annual production volume. If the annual production coincides, the incentive quota will be allocated to these participants in proportion to their annual production. According to the previous procedure, Phase II had to be announced.
- 2) In order to ensure that the auction participants correctly submit bids for the desired price premium to the electricity exchange price, NERC has prepared a



special form. Also, if necessary, it will be possible to submit revised bids for the second stage of the auction within a slightly longer term - 5 working days (previously - 5 calendar days).

- 3) In addition, NERC will be able to request information from the auction participants regarding the clarification/explanation of the documents or contact the relevant authorities and/or energy companies regarding the verification of the data on the auction participants.

We are ready to assist:

Vaidotas Puklevičius
Partner
Attorney at Law

M +370 699 546 81

E vaidotas.puklevicius@walless.com

Laura Ziferman
Partner
Attorney at Law

M +370 640 410 36

E laura.ziferman@walless.com