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The Official Results of the Latest Joint Technology RES Tender: A Grasp of the New State of Affairs

May 31, 2021

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On January 4th 2018, the European Commission approved the Greek tender scheme for the provision of Operating Aid to eligible stations for the production of electricity from renewable sources and high efficiency cogeneration¹, in line with the EU Guidelines on State aid for Environmental Protection and Energy 2014 – 2020, the duration of which has been extended until December 31, 2021. On this basis, Greece organized tenders (the “RES Tenders”) in accordance with the provisions of Article 7 of Law 4414/2016 (the “New RES Support Law”), which along with the relevant secondary legislation (Ministerial Decisions) set out the framework for the organization of RES Tenders by the Regulatory Authority for Energy (“RAE”) under the applicable tender scheme. Under said scheme, RES producers are required to successfully participate in the RES Tenders in order to secure a reference tariff, for the receipt of operating aid, under a sliding Feed-in Premium (FiP) mechanism.

During the 2018 – 2020 RES Tender cycle, five (5) technology specific RES Tenders along with two (2) joint technology RES Tenders were conducted, resulting to the gradual lowering of the reference tariffs.

The May 2021 Joint Technology RES Tender

As a wrap-up to the 2018 – 2020 RES Tender cycle, the third Joint Technology RES Tender (the “Joint Tender”) for a total capacity of 350 MW, among Photovoltaic Parks (PVs) with capacity of up to 20 MW and Wind Parks (W/Ps) of up to 50 MW, was held by RAE on May 24th, 2021, following the issuance of its decision no 1648/2020 dated December 23rd, 2020, and the relevant Call for Joint RES Tender no 4/2020. RAE issued the final list of successful participants on May 27th 2021, by virtue of its decision no 461/2021.

The required competition level of the Joint Tender was raised by RAE to 100%, meaning that the final list of participants should represent an installed capacity exceeding the maximum tendered capacity by 100% and the actual tendered capacity of the Joint Tender, reaching approximately 349.92 MW, was almost fully

¹ European Commission Decision no C(2017)/9102/04.01.2018

allocated. As a result of the substantial number of participants (126) and the consequent increased competition, the weighted average reference tariff decreased significantly, stepping up the trend of the previous RES Tenders conducted from 2018 and onwards.

In more detail, the weighted average reference tariff plummeted to **37.60 €/MWh**, compared to the weighted average reference tariffs of the previous Technology Specific RES Tender of July 27, 2020, namely of 49.91 €/MWh for PVs and 55.67 €/MWh for WPs, taking also into account the Joint Tender's maximum bidding price of **53.86 €/MWh**.

The complete dominance of PVs over WPs is noteworthy. Despite the fact that both PVs and WPs were eligible to participate in the Joint Tender, only PV projects managed to succeed in securing a reference tariff. More specifically, forty one (41) PV projects in total qualified, having secured reference tariffs ranging from 51,20 €/MWh to 32,97 €/MWh.

Reactions to the official results

According to the official stance adopted by the Ministry of Environment and Energy (MEE) in its announcement of May 24, 2021, the significant reduction in the weighted average reference tariff of the Joint RES Tender should be attributed to the increased competition in the Greek energy market and the technological advancements in the field of RES. It should also be interpreted as a vote of confidence on behalf of investors with regard to the prospects of the Greek economy. The MEE has also expressed its

expectation that the reduced tariffs will result in lower energy prices for household and industrial consumers.

According to the relevant industry feedback, the downtrend of the reference tariffs of the latest Joint Technology RES Tender affirms that the Greek market is currently transitioning from an era of guaranteed prices to a more commercially-based system and reinforces the need of increased investor engagement in bilateral power purchase agreements ("PPAs") with energy intensive consumers, so as to secure a fixed price for the produced energy in the long-term. This is also crucial for ensuring the "bankability" of RES projects, since banking institutions are keen on providing funding under the condition that the projects that require financing have secured stable and adequate cash flow in the long-run.

Nevertheless, not everyone in the industry subscribes to the idea that the recent collapse of the reference tariffs is a positive sign for the Greek energy market, with local stakeholders expressing skepticism on whether the significant reduction of the reference tariffs reflects current financial data. The extent of the decline of the reference tariffs in the recent Tender has been questioned with regards to whether it is in line with the current pricing of PV equipment, while according to the same sources, the cost of the interconnection works that PV producers are required to undertake for securing access to the grid has also remained stable.

It has been supported that the aforesaid inconsistencies may be attributed to short-term

strategies of certain market participants to sweep the tendered capacities in an attempt to eliminate competition. This theory is claimed to be especially relevant in the case of vertically integrated undertakings, involved both in electricity production and supply, considering the neutral effect the wholesale electricity prices have in their financial results in view of their ability to be ultimately reimbursed for the energy that they procure to consumers in retail prices.

The Way Forward

With the 2018 – 2020 RES Tender cycle coming to an end, the approach taken so far by the Greek State for the promotion of RES can be characterized as successful, with 2,7 GW of capacity tendered in this period.

As regards the means that aid will be provided to PV and W/P projects from 2021 and onwards, the MEE's objective is to launch and carry out six (6) separate joint RES Tenders by 2024, with specifically set quotas per technology. Each individual tender is expected to be carried out for a tendered capacity of 350 MW, resulting in 2,1GW of total auctioned capacity at the end of the cycle. In addition to the six joint RES Tenders for large scale projects, additional RES Tenders for "small scale" and for special projects are expected to be carried out as well.

All indications point to a similar Tender regime being promoted; nevertheless the aim is to improve and update the existing framework, taking into account the increased competition due to the enactment of the Target Model and

the consequent reduce of the tariffs to the benefit of consumers, while at the same time providing a clear roadmap for RES producers.

The approach for the new regime will seemingly maintain transitionally the provision of state aid to RES projects, without however committing vast capacities, while also attempting to address the increased competitive forces expected to develop in the market due to enactment of the Target Model as of late 2020. In addition, the new regime is expected to promote PPAs, so as to reinforce a commercially-based mindset in the market, as well as the provision of balancing services mainly aimed to RES combined with energy storage solutions.

In any case, RES Tenders are expected to continue being in the forefront of the state aid regime, even though state officials seem to acknowledge that not all projects and technologies would benefit from the tendering procedure; as a result, certain exceptions will most probably apply. The new regime was submitted for approval by the EU in early 2021 and is currently under review by DG Comp.

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