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RAE Decision on the 1st tendering process for the award of Investment and Operating Aid support to Battery Energy Storage System Projects– A grasp of the key provisions

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The 1st tendering process for the award of Investment and Operating Aid support to Battery Energy Storage System Projects

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Introduction

By virtue of Law 4920/2022 (Government Gazette issue A' 74/2022), amending Law 4001/2011 (Government Gazette issue A' 179/2011) on "*the operation of Electricity and Gas Energy Markets, Research, Production and Hydrocarbon transmission networks and other provisions*", the legal basis is set for the award of State Aid (Investment grant and Operating Aid support) to Battery Energy Storage System Projects (hereinafter "**BESS**"), subject to the European Commission's prior approval of such aid and for the adoption of any further implementing measures.

On the grounds of the above, Greece notified to the European Commission on 10 June 2022 its intention to establish a scheme to provide support for the development of BESS in Greece, as part of the Greek National Recovery and Resiliency Plan – Greece 2.0 ("**RRP**"), targeting to promote the integration of new RES projects to the System, which is required for the achievement of the National Energy and Climate Plan ("**NECP**") objectives. The development of BESS aims to increase the flexibility of the Electricity Transmission System (hereinafter the "**System**") and liquidity of the Balancing Market, enhance System adequacy, enable energy

efficiency, promote transparency in electricity price formation, and lower energy costs, while they may also alleviate network congestion.

Following the approval of the European Commission on 05.09.2022 (Reference: State Aid SA.64736 – RRF – Greece – Financial support in favour of electricity storage facilities), a Ministerial Decision of the Minister of Environment and Energy was required governing:

- i. the main elements of the BESS Tender scheme;*
- ii. the number of BESS Tenders on an annual basis;*
- iii. the timeline for the conduct of the BESS Tenders, the minimum and the maximum period required starting from the issuance of the Calls for Tenders until the conduct of each BESS Tender;*
- iv. the starting bidding price for each BESS Tender;*
- v. the BESS capacity in order to be eligible to participate in the Tenders and be selected;*
- vi. the capacity of BESS tendered for the award of investment and operating aid support;*
- vii. the minimum technical requirements;*
- viii. the development stage of the BESS as an eligibility criterion;*
- ix. the timeline for the commercial operation of the BESS following the selection of same in the Tenders;*

- x. the amount of the investment grant and*
- xi. the validity period of the Operating Aid support.*

On May 20th, 2023, a Ministerial Decision governing the BESS Tenders has been issued (hereinafter the “**MD**”), which specified the main parameters for the conduct of BESS Tenders.

According to the MD, the selection of the projects will be made on the basis of three (3) successive BESS Tenders, which will be conducted for an aggregate capacity of **1,000 MW** and the BESS participating in the tendering process will be selected the latest by **31.12.2023**.

On this basis, on June 17th, 2023, a Decision (hereinafter the “**Call for Tender**”) has been issued by RAE, procuring the conduct of the 1st BESS Tender for a total capacity of 400 MW for BESS developed throughout the entire country, except from the island of Crete.

The main parameters for the conduct of the 1st BESS Tender are specified in the Call for Tender as follows:

I. Timeline

Storage License holders can submit a participation application from 17th of June until **10th of July 2023**. The Participation LoG, which amounts to 35,000.00€/MW, must be submitted electronically and in hard copy by **12th of July 2023**.

The Regulatory Authority for Waste, Energy and Water (hereinafter “**RAE**”) will issue the Provisional list of selected and excluded participants on 3rd of August 2023. Objections submitted until 7th of August 2023 will be assessed by RAE. The Final list

of selected and excluded participants will be issued on **10th of August 2023**.

II. Eligibility criteria – Participation fee

For the participation in the 1st BESS Tender, the following requirements must be cumulatively met:

- i. the BESS participating in the 1st BESS Tender must have been granted with a valid Storage License for a storage station with a maximum injection capacity of at least 1,000.00 MW and a discharge duration of at least two (2) hours or a corresponding License issued by the competent authorities of Bulgaria;
- ii. construction works for the BESS must not have been commenced prior to the submission of the bid offer and
- iii. the BESS must be connected directly to the System or through MV interconnection works not included in the System.

It is further noted that the participation of BESS emerged from the segmentation of a Storage License, which took place following the issuance of the Call for Tender, is prohibited.

The participation fee is defined to 2,500.00 €/BESS.

III. Bidding process

The Tender will be under the form of a single-stage bidding process.

The financial offer corresponds to the annual Reference Income of the BESS, i.e., the necessary amount of money that ensures the sustainability of the BESS’s operation per year and is calculated in €/MW.

The starting bidding price has been defined to 115,000.00 €/MW/year.

The bid offer may correspond to a capacity lower than the capacity of the BESS defined in the Storage License. In that case the bid offer will include an application for the amendment of the Storage License, which will be reviewed by RAE, provided that the BESS is selected during the tendering process.

IV. Terms of the Tender - Assessment

The Tender, in the context of achieving a satisfactory level of competition, will be conducted under the following rules:

- i. a minimum of four (4) participants, which are not affiliated entities, shall apply in the Tender. If that is not the case the Tender is called off;
- ii. the cap capacity for the participation of each BESS in the Tender is set to 100 MW;
- iii. the aggregate capacity tendered per participant is set to twenty-five percent (25%) of the capacity tendered;
- iv. cumulatively the cap of the capacity that can be tendered on a per applicant basis is set to 100 MW;
- v. the Minimum Competition percentage (the minimum accepted price of the percentage as per which the aggregate capacity of BESS participating in the Tender exceed the capacity to be tendered) is set to 100% and
- vi. a “last project” rule will apply, by virtue of which the last BESS (as per the order of selection) may lead to an excess of the capacity tendered up to five percent (5%).

It is noted, that during the capacity limits examination, affiliate companies of the applicants are taken into consideration.

The BESS participating in the Tender will be evaluated by RAE as to the completeness and validity of their submissions and as to the technical requirements, based on the technical description submitted for each project, according to the criteria and process defined in the Call for Tender.

Valid submissions are ranked in an ascending order based on the cost of bids until the tendered capacity cap is reached.

V. Investment and Operating Aid support

BESS selected through the 1st BESS Tender shall receive an investment grant of 200,000.00 €/MW.

The BESS selected will enter in an Operating Aid Agreement (Sliding Premium) with the RES Operator & Guarantees of Origins S.A. (DAPEEP as per its initials in Greek). The BESS will be receiving operating aid which will correspond to an amount of 100% of the difference between the aggregate net income and the aggregate estimated income (estimated ex ante by RAE) of all the selected BESS in the 1st and 2nd BESS Tenders. In case the aggregate net income of the selected BESS is particularly low due to the implementation of practices that lead to systematic deviation, RAE may decrease the percentage of the difference that will be received as operating aid.

The validity period of the Operating Aid is set to ten (10) years starting from the commercial operation of the BESS.

VI. Obligations of the selected BESS

The Call for Tender provides that the BESS selected through the Tender are required to:

- enter into commercial operation the latest by 31.12.2025;
- submit an application for the electrification of the projects to IPTO the latest by 30.09.2025;
- submit to RAE a Timely and Good Performance LoG, which amounts to 250,000.00€/MW and substitutes the Participation LoG, within three (3) months from the issuance of the Final list of selected and excluded participants;
- submit to DAPEEP a Good Operation LoG following the trial operation of the BESS and prior to the commercial operation of the projects, which substitutes the Timely and Good Performance LoG and shall remain valid during the validity period of the Operating Aid Agreement (10 years). The 1st Letter of Guarantee shall amount to 200,000.00 €/MW;
- within five (5) years as of the commercial operation of the BESS, a new (2nd) LoG amounting to 100,000.00€/MW shall be submitted, substituting the initial LoG, which will be returned;
- participate in the Electricity Markets as per the relevant Regulations;
- submit to RAE quarterly reports on the progress of the implementation of the projects (licensing, execution of agreements, construction, connection to the Grid, trial operation phase), starting from the selection in the BESS Tender until the commercial

operation phase. The first progress report shall be submitted within three (3) months as of the issuance of RAE's Decision on the results of the Tender and

- submit to RAE an annual report certifying that the Storage License holder or any of its affiliates does not own BESS with a total capacity exceeding 100 MW, selected in the 1st and the 2nd BESS Tenders of 2023.

During the 10-year validity period of the Operating Aid Agreement, the selected BESS are prohibited to enter into a Power Purchase Agreement (PPA), participate in the Energy Derivates Market and terminate the Operating Aid Agreement. Finally, BESS must provide services in priority, such as grid decongestion, aiming in further RES penetration in the energy mix.

VII. Technical obligations of the selected BESS

The BESS must fulfil the technical requirements of the Call for Tender during the operating and investment aid period, otherwise sanctions may be imposed. The main technical requirements are the following:

- the maximum injection capacity and the discharge duration of the BESS cannot be modified during the investment and operating aid period;
- the BESS technology selected must have been utilized internationally in BESS that participate in Electricity Markets and have been set into commercial operation within the period 2018-2022, with an aggregate capacity of at least 1,000 MWh. Technologies of pumped hydro

storage and lithium-ion accumulators are excluded from the obligation of compliance with this requirement;

- the selected SVSPs shall have a full cycle performance at least equal to 80% when enter in commercial operation;
- when active and in standby mode, the maximum consumption of energy by BESS must not exceed 15% of the guaranteed capacity on a daily basis;
- the BESS must be in position to participate as an independent Balancing Services entity in the Electricity Markets, in accordance with the relevant Regulations and
- the selected BESS shall achieve availability of capacity equal to 93% calculated as an average price on a biennial basis, for consecutive two-year periods.
- used or second-life equipment for BESS is prohibited.

It is finally noted that BESS selected through the Tenders will be subject to curtailments.

VIII. Sanctions

In cases of poorly and/or non-timely implementation of the BESS, non-timely submission of the Timely and Good Performance and Good Operation LoGs, non fulfilment of the technical obligations and breach of obligations during the operation of the BESS, sanctions will be imposed by RAE, such as the forfeiture of the LoGs and/or the cancellation of the investment and operating aid support scheme.

Conclusion

As BESS are initiated to face the volatility of electrical energy production from RES and consequently constitute a useful tool for the decrease on electrical energy production costs, the BESS Tender was much anticipated by the Greek RES energy market.

The MD and the Call for Tender, aim, in the first place, to achieve maximum competition in the Tenders and in addition, in the context of granting the minimum possible operating aid and concurrently not jeopardizing the viability of the BESS, provide for remarkably targeted rules on the implementation of incentives for BESS to achieve the most efficient participation in the energy markets possible.

The actual conduct of the 1st BESS Tender will evidence whether the aforementioned rules will achieve their objective and will highlight any thorny problems that will emerge from the implementation of those rules.

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