

Flash

Energy



2020 Solar PV Auction

Scope and purpose

On 29 May 2020, the Procedure Announcement published in the Official Gazette ([Order no. 5921/2020 of the Secretary of State for Energy](#)) made public the opening of a Solar Capacity Auction for the allocation of 700 MW/MVA of grid reserve injection capacity for the energy produced in solar based Power plants with or without storage systems (“**Solar PV Auction**”). The Procedure Program and the Tender Specifications were also made available, clarifications having already been issued on 7 June which amended those Tender Documents¹; the final phase of the auction is expected to be held at the end of August, nevertheless, the final calendar, to be published by the procedure’s jury has not yet been revealed.

Please find below the main aspects of the Solar PV Auction:

Location of the batches	<ul style="list-style-type: none">■ The injection substations are located in the Alentejo and Algarve regions – Schedule I of the Procedure Program determines the exact location.
Maximum capacity	<ul style="list-style-type: none">■ 12 batches/lots with the following maximum capacities (available as from 30.06.2024):<ul style="list-style-type: none">– Three: 10 MVA;– Three: 19 MVA;– Four: 99 MVA;– One: 108 MVA;– Remaining batch 109 MVA.
Minimum capacity	<ul style="list-style-type: none">■ 10 MW for Distribution Grid injection points■ 50 MW for Transport Grid injection points
Remuneration	<ul style="list-style-type: none">■ Solar PV plants without storage systems:<ul style="list-style-type: none">– Guaranteed remuneration– General remuneration■ Solar PV plants with storage systems:<ul style="list-style-type: none">– General remuneration

¹ Updated documentation available at <https://leiloes-renovaveis.gov.pt/>.



Framework of the Solar PV Auction, contracting authority and Jury

The Solar PV Auction has been launched under Article 5-B of [Decree-Law no. 172/2006, of 23 August](#), as amended by [Decree-Law no. 76/2019, of 3 June](#). Said Decree-Law establishes the legal framework applicable to the production, transport, distribution and commercialization of the electricity markets.

The contracting authority is the Portuguese State, through the Directorate-General for Energy and Geology (“DGEG”), who is responsible for the direction of the procedure and the award of the rights to use the injection capacity reservation in the Public Grid.

The jury of the procedure shall be composed of three members (one presiding) and is nominated by the Director General of Energy and Geology.

Bidders (*concorrentes*)

Any natural or legal person who complies with the requirements of the Procedure Program may participate in the auction as a bidder.

Each bidder may only submit one application (“*candidatura*”) to participate in the Solar PV Auction, which can comprise one or more of the lots identified in Schedule I to the Procedure Program.

The submission of applications by a bidding consortium (“*agrupamento concorrente*”) is allowed, without being necessary any legal modality of association between its members. Notwithstanding, the members of a bidding consortium are not allowed to run as individual bidders or to integrate any other bidding consortium in the Solar PV Auction, under penalty of exclusion of all applications (“*candidaturas*”) affected.

A bidder (alone or in conjunction with other bidders that are in a group or control relationship) cannot surpass the maximum limit of 50% of the total injection capacity in the Public Grid; breaching the 350MV threshold determines the exclusion of all applications submitted by such bidders.

Phases of the Solar PV Auction

The Solar PV Auction is organized in three phases:

Qualification (*qualificação*)

- Processed electronically through the [Application Website](#), aims at determining the bidders who will be entitled to participate in the bidding phase. Potential bidders must be registered as users in the [Application Website](#).
- Includes the submission documentation comprising, *inter alia*, the initial purchase intentions (quantities and remuneration scheme chosen), legal documents and documents stating compliance of commitments.
- Potential bidders must submit a bid bond on behalf of the DGEG in the amount of EUR 10,000/MW; in case of awarding, this amount is deducted to the performance bond amount to be paid, otherwise it shall be released.
- Potential bidders must pay a small fee aimed at covering the costs of holding the auction (EUR 0.005/MWh).
- Applications must be submitted through the [Application Website](#) until 11h59 pm of 31 July 2020.

Bidding (licitação)

- Includes the electronic auction of the several batches and is executed on a specific electronic platform provided by OMIP - Pólo Português, S.G.M.R., S.A. (“OMIP”).
- Each batch corresponds to a single auction; nevertheless, the different auctions (bidding sessions) will take place at the same time.
- The auctions will be anonymous, competitive, non-biased and transparent, in the format of an ascending clock auction, with successive rounds that will wind down according to the competitiveness of the bids.
- On 17 August 2020 (indicative date) qualified bidders will be notified of the indicative bidding calendar; **bidding sessions are expected to take place in the last week of August.**

Awarding (atribuição)

- Includes the allocation of rights to the winning bidder or the SPV to be the holder of right to use the injection capacity in the Public Grid (“**Holder of the Right**”) as per each lot, the delivery of a performance bond in the amount of EUR 60,000/MW, the incorporation of the legal person/company that owns the capacity reserve title and the issuance of the same by the relevant Public Grid Operator (DNO or TSO, as applicable).

Formalities

Potential bidders must register as users in the [Application Website](#), the submission of applications being exclusively conducted in electronic form. In case of any difficulty to access and use the Application Website, the potential bidder may contact Technical Support Service via telephone (+ 351 214 722 800), which is available in business days from 9.00 am to 6.00 pm, or via the following e-mail address: suporte.ti@adene.pt.

The documents must be submitted in the Portuguese language or be accompanied by a duly legalized translation. Any and all documents authored by the bidders, uploaded in the [Application Website](#), including the application documents consisting of declarations of the bidders, must be signed electronically.

All notifications and communications between the jury and the bidders are carried through the [Application Website](#).

Remuneration of the electricity produced

There are three remuneration schemes:

- A. For solar power plants operating without storage, the following remuneration alternatives are made available:
 - Guaranteed Remuneration (“*prémio variável por diferença*”), in which the winning bidder will receive a fixed annual tariff (EUR/MWh), for 15 years;
 - General Remuneration (“*compensação fixa ao Sistema Eléctrico Nacional*”), in which the winning bidder will receive the market price in exchange for a fixed annual value (per EUR/MWh) paid to the National Electricity System (“SEN”) for 15 years.
- B. For solar power plant operating with storage, only the following remuneration scheme is available:



- General Remuneration (“*prémio fixo por flexibilidade*”), in which the winning bidder will receive a fixed annual payment (in EUR/MW), and in return will offer a reliability option to the SEN, which means that when market prices spike, above the price threshold set in the auction rules, the winning bidder will pay the SEN, considering a fixed amount of energy.

Regardless of the remuneration scheme, the electricity produced – including the storage system if applicable – up to the limit of the injection capacity reservation in the Public Grid, can be traded:

- In an organized market or through a bilateral contract;
- Through market participant, able to provide aggregation of production services.

Injection reserve capacity titles

When the Solar PV Auction is concluded, the implementation requirements are met and the final performance bond is deposited accordingly, the awarded lots will be represented by a capacity reserve title (“*título de reserva de capacidade*” or “TRC”). Said title is to be issued by the relevant Public Grid Operator, and should certify and grant the rights to the injection capacity in the Public Grid to the winning bidder. It should also include the obligations to be complied with by the winning bidder.

Restrictions to transfer of TRC’s and change of control

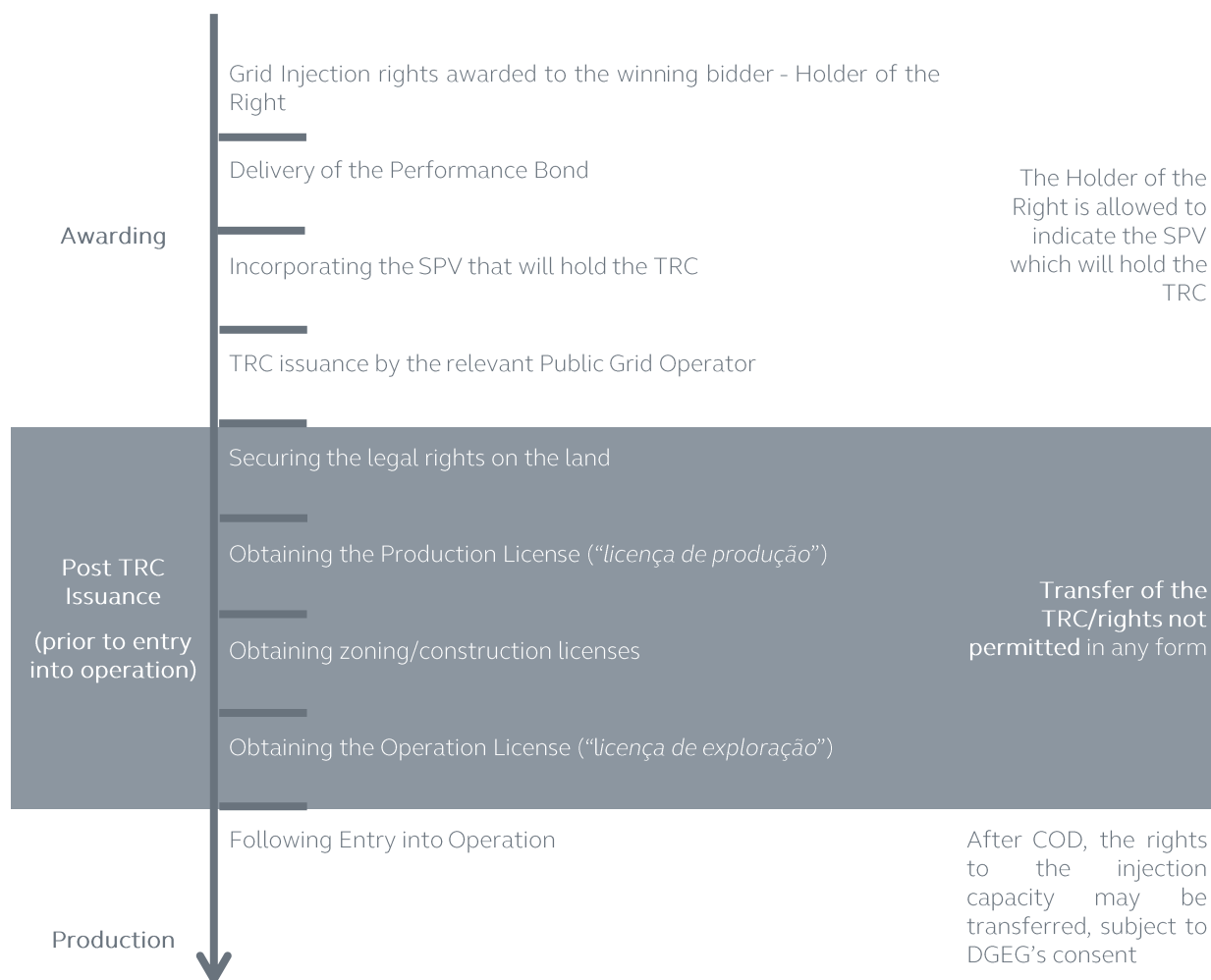
The rights to use the injection capacity reservation in the Public Grid as well as the capacity TRCs cannot be transferred until the issuance of the operation license (“*licença de exploração*”), under penalty of loss of the bond delivered and all the rights arising from the award and consequent expiry of the TRC.

The transfer and / or encumbrance of the shares representing the share capital of the Holder of the **Right** that lead or could lead to the change of control, direct or indirect, on the later – including any material or legal acts whose effects are materially equivalent – is not allowed, under penalty of loss of the bond and all the rights arising from the award and consequent expiry of the TRC. Such restriction does not apply to the encumbrance of the shares in favour of financing entities, including creation of pledges, nor does it hinder the potential enforcement of such charges.

For the purpose of assessing compliance with such restrictions, prior to the issuance of the production license and the operation license of the power plant, DGEG shall require documentary evidence that the requirements have been complied with.

After the issuance of the operation license, the TRC may be transferred, subject to authorization of DGEG of the production license transfer upon the holder's request, which can only be granted provided that the legal requirements of the assignment are observed.

For a better understanding of these timing restrictions please refer to the timeline below.



Final remarks

The 2020 Solar PV Auction accommodating a new type of projects – the ones that opt for storage – marks the beginning of a new era, one that puts forward the need to combine production with storage, moreover given the strong penetration of renewable energies in Portugal.

The location of the batches – which favoured southern areas, with greater sunlight exposure – seems also to have taken into consideration the several requests pending before the TSO and DSO for applicants to enter into direct agreements with the relevant Public Grid Operator for the allocation of capacity reservation.

The procedural rules governing the 2020 Solar PV Auction largely reproduce the 2019 experience, which attracted so much attention as it was considered a true milestone in terms of competitive procedures for the award of injection capacity.

Nonetheless, it is clear that having benefited from a considerable learning curve, the 2020 Solar PV Auction constitutes an improvement, both in terms of procedure and design of the auction itself. In particular, the following may be highlighted as it illustrates an effort to address bankability issues:



- More generous procedural deadlines, allowing for a better assessment of the risks and shape of the projects that will sustain the bids, as well as more realistic licensing and construction timelines;
- Clearer and more detailed regulatory options, mainly as regards topics which may be sensitive for the financing of the projects and risk assessment, such as the property rights, the bonds, the use different renewable primary source.

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