

SPANISH GOVERNMENT ANNOUNCE AUCTION FOR 3000MW OF RENEWABLE ENERGIES

The first ever auction under Spain's new economic regime governing 'clean energy' generated from renewable sources (*régimen económico de energías renovables*, "REER") will be held on 26 January 2021. The auction is for 3000MW, reserving 1000MW for photovoltaic energy and 1000MW for wind power.

OVERVIEW

The new REER is underway, with a first auction to be held in January 2021; its outcome will be decisive for the sector's future and for meeting 'clean energy' or decarbonisation targets.

The Spanish government set out a tentative timetable for renewables auctions for the period 2020-2025 in its Order TED/1161/2020 on 4 December 2020.

The Order sets stringent requirements for the renewables projects to be carried out under the REER, some key rules affecting hybridation and repowering, and market adjustment coefficients that will pass on a certain market risk to the successful bidders.

Repowering (modification of existing installations) is excluded from this first auction.

WHAT IS THE AUCTION TIMETABLE FOR 2020-21?

15 Dec 2020-19 Jan 2021	Delivery of documentation for pre-qualification and qualification
22 Jan 2021	Auction 'dry run'
25 Jan 2021	Access test
26 Jan 2021	Auction
	Submission of bids: 9:00am to 11:00am
	Matching of bids and publication: 2:00pm
	Claims: within two hours of publication
	Validation: within 24 hours of the end of the claim period

Key issues

- First auction under the REER, for 3000MW, will be on 26 January 2021
- New installations, expansions and modifications can participate in the auctions, but the last are excluded from the first auction
- The Order establishes the requirements for the auction and for successful bidders, including guarantees, time limits and milestones.
- Market adjustment coefficients are approved: 25% for installations with storage capacity and 5% for those without it.

WHICH GENERATION INSTALLATIONS CAN PARTICIPATE?

Only those electricity generation installations that are new or are expansions or modifications of existing installations can take part in these auctions. The general requirements are as follows:

1. **New investment:** The start date of the implementation of the investment must fall after the auction date. The start date is considered to be the earlier of the start-up date of the construction works, or the first firm commitment to order equipment or another commitment that renders the investment irreversible. Preparatory actions to obtain permits and the execution of feasibility studies will not be taken into account.
2. **Storage:** The installation must not have a storage system or, if it does, it must be used exclusively to store the energy generated at that plant.
3. **Modifications:** In the case of modifications: the plant must be at least 15 years old (from the date it was recorded at the Administrative Registry for electricity generation installations to the date of the auction announcement) and the modification must be significant in terms of the auction announcement (i.e. to replace essential equipment, exceed a standard investment amount, or both).

This general regulation will be essential for the repowering and hybridation of power plants, although it should be taken into account together with the regulations on the conservation of access and connection rights (see our [Client briefing](#)).

Note that for the first auction, only installations that are new or are expansions of existing plants located in Spain's peninsular electricity system can participate. Modifications of existing plants cannot take part; consequently, repowering is excluded for now, even though it is mentioned in the Order.

KEY ASPECTS OF THE FIRST AUCTION

- The possible excess capacity that can be awarded will be 6%: 3180MW.
- The maximum indivisible tranche that can be bid will be 180MW.
- The maximum that can be awarded to a single group will be 1500MW.
- The maximum price is confidential; it will be disclosed to the Iberian Electricity Market Operator (OMIE) on the day the bids are opened.
- The minimum price is 0€/MWh.
- The deadlines by when the installations must be available are established according to:
 - the technologies: 28/02/2023 for photovoltaic and 29/02/2024 for onshore wind energy; and
 - the dates of their expulsion from the REER: 30/06/2023 for photovoltaic and 30/06/2024 for onshore wind energy.
- The maximum delivery period for the energy at auction is 12 years for all technologies, except for biomass (15 years).

WHAT GUARANTEES AND MILESTONES ARE SET FOR SUCCESSFUL BIDDERS?

- Guarantee for taking part in the auction: 60€/kW for the capacity that is up for bid.
- Guarantee to carry out the projects and meet the following milestones: 60€/kW:
 1. An application to record the project in the online Registry of the REER, in pre-selection status (*estado de preasignación*) and including a receipt for this guarantee, must be made within 2 months of publication of the awarding in Spain's Official State Gazette (BOE).
 2. Within 6 months of publication in the BOE of pre-selection status, the plant must be identified, giving at least its name, location and installed capacity. Once the application has been decided, these identification details cannot be changed.
 3. Confirmation of having obtained Administrative Authorisation for Construction (AAC) must be provided within 12 months of the registration in pre-selection status being published in the BOE.
 4. The application for registration in commercial operation status (*estado de explotación*) must be made within a maximum of one month as from the deadline for the plant becoming available or the date of its expulsion from the REER, according to the auction announcement. The installation must coincide with one of the installations identified and must have the same owner as that on record at that time, in both the REER Registry and the registry of electricity generation installations.
- Achieving the above milestones will lead to the partial cancellation of the guarantees as follows: 12€/kW (milestone 2), 18€/kW (milestone 3) and 30€/kW (milestone 4).
- The guarantee may be enforced if such milestones are not achieved, or partially enforced if the milestone is met for only part of the capacity.
- The successful bidders of the first auction will be required to include, with their application for registration in pre-selection status (milestone 1), a strategic plan that includes estimates of the socio-economic impact of the generation installations and, with their application for registration in commercial operation status (milestone 4), the final plan.

WHAT OTHER ASPECTS OF THE REER HAVE BEEN ESTABLISHED?

The Order has established a number of other aspects of the REER.

Operating hours (maximum/minimum)

The maximum and minimum number of Equivalent Operating Hours (EOH) for each technology are approved.

Market adjustment coefficients

Two market adjustment coefficients are established:

- 25% if the plant has storage capacity
- 5% if the plant does not have storage capacity.

A power plant is considered to have storage capacity if it can store 2 hours of its installed capacity.

Penalties

Automatic penalties are established for the milestones not met every 3 years, during the maximum delivery period (defined in the auction announcement), with a flexibility factor of 0.8. The penalty amount is set at 5€/MWh of the penalised energy, bearing in mind, to calculate that penalised energy, the energy traded at a price lower than the exempt price.

Up to 40% of the penalties can be deducted from the subsequent settlements by the market operator.

Both the penalties applied and the guarantees enforced will be considered revenue from the electricity system.

WHAT IMPLICATIONS DOES THE AUCTION HAVE FOR ACCESS AND CONNECTION RIGHTS?

None. These are separate and different regulations that are completely unrelated. The approval of the legislation ending the moratorium on the granting of new access and connection rights remains pending. The successful bidders of the auction assume the risk of carrying out the projects by the established deadlines and this includes the risk of obtaining access and connection rights.

WHAT IS THE AUCTION TIMETABLE FOR 2021-2025?

An auction timetable with indicative deadlines has been approved and will be updated annually. The intention is to hold auctions each year (except for thermosolar and biomass plants, which would be held every two years).

Auctions are planned in the coming years for 1500MW per year for wind power and 1800MW per year for photovoltaic energy, with reserved capacity for other technologies.

CONTACTS



Jaime Almenar
Partner

T +34 91 590 4148
E jaime.almenar@cliffordchance.com



José Luis Zamarro
Partner

T +34 91 590 7547
E joseluis.zamarro@cliffordchance.com



Alba Sande
Associate

T +34 91 590 4184
E alba.sande@cliffordchance.com



Mónica Romero
Associate

T +34 91 590 9482
E monica.romero@cliffordchance.com

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www.cliffordchance.com

Clifford Chance, 10 Upper Bank Street,
London, E14 5JJ

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