

Parliamentary discussions on Transfer to Auction System for RES in Ukraine

April 26, 2018

On April 19, 2018 a roundtable was held entitled “On the Concept of Introduction of Competitive Mechanisms to Pricing for Electricity from Renewable Energy Sources and Proposals Submitted to It.” As a result of the roundtable, the renewed Concept of Introduction of Competitive Mechanisms of Price Formation for Electricity from RES in Form of a Thesis (the Concept) was published on the Parliamentary Committee’s web site, available in Ukrainian at <http://kompek.rada.gov.ua/fsview/73550.html>. The Concept reflected certain comments and proposals from market players, which have been accepted by the Parliamentary Committee at this stage and will be used as the basis for the preparation of a draft law which will introduce respective changes.

The key ideas of the Concept as of 19 April 2018 are as follows:

- There is a reduction of “green” tariff for solar by 30 percent and for wind by 10 percent starting from January 1, 2020.
- The auctions shall be implemented starting on July 1, 2019.
- No transition period is envisaged, and there are no extensions of the current “green” tariff rates beyond 2030.
- Investors who sign a pre-commissioning PPA by July 1, 2019 will be eligible for the then applicable “green” tariff rate if the power plant is built within three years.
- There is an increase of bonus for local component (up to 15 percent.)
- The cap for bidding in the auction will be the “green” tariff rates as then applicable through 2030.
- After 2030, auction market price will govern apparently with no more “cap.”
- The only criteria for the winner will be the offered price.
- The term of validity of the auction price will be up to 15 years after commissioning (and this will be the term of the PPA.)
- The PPA will be the confirmation of the purchase price (auction result).
- Auction winner would sell at market price and would have a contract with the guaranteed buyer for compensation for any difference between market price and auction result.
- Auctions would be mandatory for solar starting with 10 MW and for wind starting with 20 MW.
- A bank guarantee for the auction will be required and would be calculated as annual output of the power plant multiplied by the first price proposal of the participant and multiplied by 20 percent.
- If the auction winner delays construction of the power plant (i.e., more than three years), it shall be entitled to a one

year extension provided that the amount under the guarantee is increased five times.

- There will be annual all-Ukrainian and special quotas which would not change within the specific period.
- Annual quotas will be determined based on division of capacity necessary in 2035 by the amount of years (there could be some deviations as determined by the government.)
- There will be quotas for specific RES in the overall quota (solar and wind separately.)
- Full liability for imbalances after appearance of the liquid intraday market—within one year after intraday market starts functioning.
- There would be guaranteed output of electricity to the grid.
- The guaranteed buyer (a special legal entity to buy electricity from RES under new electricity market legislation) shall be responsible for administration of auctions.
- Regardless of the capacity, investors may participate in the auctions to get a longer period of support under PPA (15 years).
- There is a simplified procedure for installations up to 500 kW.

To some extent, the parliamentary committee took into account proposals and comments from the market players, such as special quotas, higher thresholds for the auctions, later decrease of “green” tariff and later implementation of the auctions.

However, it appears that market players have not yet fully agreed on all ideas of the Concept and do not yet have a uniform approach with regard to certain ideas. Most likely the draft law will deviate to some extent from the ideas of the current Concept.

Your Key Contacts



Maksym Sysoiev

Counsel, Kyiv

D +380 44 494 4774

maksym.sysoiev@dentons.com