

## **MD.21 Case Story**

### **“Recommendations for support of electricity produced from RES (secondary legislation and feed-in tariffs)”**

#### **Small-scale project**

##### **1. The idea**

During the SEMISE fact finding mission to Moldova in autumn 2009 the idea of small scale projects to be implemented by the SEMISE team was presented at various state institutions and national companies. The national energy regulator (ANRE) was empowered by the newly passed Renewable Energy Law to define the feed-in tariffs for electricity generated from renewable energy sources (RES). ANRE understood that it was a good opportunity to ask European experts to assist in developing such tariffs and submitted an application to the SEMISE project.

##### **2. Implementation**

The SEMISE team has received an application for the assistance in development of concrete feed-in tariffs in Moldova. It has organised two expert missions to Chisinau. The first one was dedicated to the analysis of the situation in the renewable energy sector, meetings with local experts and potential investors in the RES electricity generation, as well as to discussions with all the interested parties of the main issues. SEMISE experts arranged a special meeting at the energy regulator’s premises and had a good discussion about the existing legislative framework and the concrete incentives and hurdles in implementing renewable energy projects.

The existence of general energy legislation and special legislation on the renewable energy gave Moldova a good chance to develop its domestic renewable energy resources: biomass, biogas, wind, Solar and small hydro. The existing scientific and technical potential was a good driving force for the development of new technologies and implementation of the best practices. The SEMISE experts met the relevant local experts and discussed renewable energy potentials as also availability of technologies to utilise it.

SEMISE experts presented the EU best practices in stimulation of electricity production using RES to the beneficiary and other stakeholders, showing advantages and disadvantages of different approaches, presenting success stories, failures and their reasons.

The general conclusion after analysis of the existing Moldovan legislation on the promotion of electricity generation from RES was that the Moldovan RES tariff scheme was inconsistent with the EU best practice schemes. It gives little certainty to the investors as tariffs are revised every year and may cause a very negative public perception if some high cost investments were supported as the Law allows. On the other hand, the SEMISE experts stressed that the feed-in tariff scheme proposed in the

Moldovan legislation was the most widely used in the EU member states (in 21 state out of 27) and produced best results.

During the second mission, SEMISE experts presented their proposals what should be done in order to improve the existing renewable energy support framework.

### **3. Results achieved**

SEMISE experts have concluded that RES in Moldova are currently under-exploited mostly due to the lack of a proper legal and regulatory framework. The present methodology for tariff calculation for RES developers is a cost-plus scheme merely a first-come, first-serve system, that results in tariffs not reflecting actual generation costs, with potential risk of expensive sites with medium/low potential being developed and without providing the required certainty to potential investors. Therefore it is suggested that this regime is to be modified towards a feed-in tariff scheme.

The SEMISE experts proposed that the ANRE proceeds to detailed sectorial studies in order to determine specific costs of power generation and thus calculate appropriate levels of feed-in tariffs for each technology of interest. For the reference, SEMISE provided a simplified spread-sheet which allowed the calculation of a feed-in tariff based on certain generalised project cost inputs, and an assumed tariff validity period per technology. With these instructions, the next step will be to conduct market research per technology in order to attain detailed country-specific data and extract tariff levels.

Having in mind low affordability rates in Moldova, the experts also recommended to the beneficiary to conduct a simple affordability study under the initiative of ANRE in order to assess the levels of affordability of end-customer tariffs under different scenarios to pay the extra costs caused by the expansion of RES generation.

In order to implement the above proposals, the introduction of amendments to the Renewable Energy Law is necessary.

These recommendations have evoked an immediate positive reaction of the Beneficiary and according to representative of ANRE, they *“... started to work on a feed-in system that would be implemented in the Republic of Moldova based on the recommendations proposed in the project report. An amendment act for the Renewable Energy Law will be prepared in order to implement this mechanism, as well as to enact some other regulatory measures in line with EU best practices and RE supporting schemes that were mentioned in the report”*.



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



#### 4. The future

With the minor changes in the Renewable Energy Law (which of course, requires approval by the Parliament) ANRE may go further with the development of a real feed-in

tariffs system. Based on the market research and best practices from the EU member states the feed-in tariff levels may be determined.

The feedback received from ANRE proved that the project results were taken seriously and will be used *"...to design a more efficient regulatory framework that would lead to a successful deployment of the renewable energy market in our country. On the other hand, these deliverables will greatly contribute to the development of the legal framework and fulfill the commitments that Moldova has made regarding the harmonization of our legislation with the European Acquis in the energy sector as a Contracting Party to the Energy Community Treaty"*.