New ITS Project
Combined Event on Sustainable Energy Policy

National Control Commission for Prices and Energy
Legal RES regulation – NRI perspective
Vilnius, Lithuania, September 27, 2013

BUILDING PARTNERSHIPS FOR ENERGY SECURITY

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Legal RES regulation – NRI perspective

Rimgailė Baliūnaitė
Chief Specialist of Law Division
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<thead>
<tr>
<th>EU RES Support Scheme</th>
<th>EU Climate and Energy package 20/20/20</th>
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</thead>
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<tr>
<td><strong>20% reduction in EU greenhouse gas emissions from 1990 levels</strong></td>
<td><strong>20% improvement in the EU's energy efficiency</strong></td>
</tr>
<tr>
<td>EU ETS directive 2003/87/EC</td>
<td>Energy Efficiency directive 2012/27/EU</td>
</tr>
<tr>
<td>National legislation</td>
<td>National legislation</td>
</tr>
<tr>
<td>Relevant institutions</td>
<td>Relevant institutions, including NRI</td>
</tr>
<tr>
<td><strong>Raising the share of EU energy consumption produced from renewable resources to 20%</strong></td>
<td></td>
</tr>
</tbody>
</table>
## EU RES support Scheme

<table>
<thead>
<tr>
<th>Regulatory</th>
<th>Price-driven</th>
<th>Quantity-driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Investment focused</td>
<td>• Investment incentives (EU funds, National support program)</td>
<td>• Tendering system for investment grant</td>
</tr>
<tr>
<td></td>
<td>• Tax exemptions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Low interest (soft loans) (INVEGA)</td>
<td></td>
</tr>
<tr>
<td>- Generation based</td>
<td>Fixed tariffs:</td>
<td>• Tendering system (MW) for long-term contracts</td>
</tr>
<tr>
<td></td>
<td>- FIT</td>
<td>• Green Certificate system</td>
</tr>
<tr>
<td></td>
<td>- FIP</td>
<td></td>
</tr>
<tr>
<td>Voluntary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Investment focused</td>
<td>• Shareholder programmes</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>• Contribution programmes</td>
<td></td>
</tr>
<tr>
<td>- Generation based</td>
<td>Voluntarily buying green electricity</td>
<td>-</td>
</tr>
</tbody>
</table>
EU RES Support Scheme
FIT, FIP, Quota

Notes:
1) The patterned colours represent a combination of instruments.
2) Investment grants, tax exemptions, and fiscal incentives are not included in this picture unless they serve as the main support instrument.

Source: re-shaping 2011
LT RES Support Scheme

Law on Energy

Law on Renewable Energy

Gvts’ Regulation on promotion of RES

Gvts’ Regulation on quotas and auctioning regions

NCC’s Regulation on Auctions

NCC’s Methodology on RES tariffs

Law on Electricity

- Gvts’ Regulation on provision of Public Service Obligations (PSO)
- Gvts’ Regulation on administration of funds of PSO

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LT RES Support Scheme

Law on Renewable Energy

Support measures

- FIT (12 years)
- Priority to buy electricity from RES
- Compensation of connection to the grid
- Producers’ exemption from balancing obligation
- Investment incentives
- Reservation of grid capacities
- Support for agricultural biofuels production
LT RES Support Scheme

Law on Renewable Energy Amendments

REASON: Solar PV‘s boom (up to 30 kW)
- Amendment as of 2013 February 1:
  • FIT fixed from the issuance of generation permit
  • No auctioning only up to 10 kW
  • Tariff review 4 times per year
  • Compensation for producers of solar PV‘s

REASON: To reduce PSO costs
- Biomass (including biogas in electricity) quota reduced from 355 MW to 105 MW
- Investment incentives for biomass

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Auctions
Main principles

- Max term – 180 days
- Auction participants - producers with installed capacity over 10 kW
- Different auctions for the different technologies and different installed capacities
- Feed – in tariff for 12 years
- Two-stage auction
- 26 different auctions if there is enough free quota
Auction’s stages

1. Request to organize an auction
2. Auction announcement
3. Provision and registration of the relevant documents and initial offers
4. Estimation and arrangement of the initial offers
5. Registration of the revised offers
6. Estimation and arrangement of the revised offers
7. Selection of the auction winner(s)
Auction announcement

RES producer

Request

NCC

Information about request

Description of the auction’s condition

15 days before the auction - participant registration

Information about auction

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15 days before the auction:

- RES producer submits documents.
- Initial feed-in tariff is calculated.
- Secretary of the auction records the participant number.
- An official participant is registered in the auction.
Participants list

- The first auction committee meeting - Public
  - auction committee
  - open envelopes with documents
  - initial check of the documents
  - pass requirements
  - don't pass requirements

- The second auction committee meeting - private:
  - auction committee
  - detail check of the documents
  - don't pass requirements
  - The list of participants who pass requirements
  - NCC decision
Initial feed - in tariff rating

• The third auction committee meeting - Public:

Criteria:
✓ the lowest feed – in tariff;
✓ the biggest installed capacity;
✓ abnormally low price;

Don’t pass requirements

The list of participants who pass requirements

NCC decision
Revised feed - in tariff registration

Criteria:
- revised feed – in tariff in 5 days;
- no bigger then initial feed – in tariff;
- revised tariff can decrease at 0,5 ct/kWh.

Participant

Record in the book

Secretary of the auction

NCC
Winner announcement

• The fourth auction committee meeting - Public:

- The list of participants who pass requirements
- The list of participants who don’t pass requirements
- Potential winner(s)

Criteria:
- ✓ the lowest feed – in tariff;
- ✓ the biggest installed capacity;
- ✓ abnormally low price;
- ✓ The following two participants can agree with the winner’s Revised feed - in tariff.

NCC decision
# Finished auction

<table>
<thead>
<tr>
<th>Winners</th>
<th>Price cap, eur.ct/kWh</th>
<th>Feed-in tariff, eur.ct/kWh</th>
<th>Change, proc.</th>
<th>Allocated quota, MW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind power plants (TSO)</td>
<td>3</td>
<td>8,11</td>
<td>7,10</td>
<td>12,45</td>
</tr>
<tr>
<td>Biogas plants (up to 1000 kW)</td>
<td>18</td>
<td>16,80</td>
<td>13,61</td>
<td>18,99</td>
</tr>
<tr>
<td>Wind power plants, up to 350 kW (DSO)</td>
<td>15</td>
<td>10,43</td>
<td>10,43</td>
<td>0</td>
</tr>
<tr>
<td>Wind power plants, over 350 kW (DSO)</td>
<td>3</td>
<td>8,11</td>
<td>7,24</td>
<td>10,73</td>
</tr>
<tr>
<td>Hydro-power</td>
<td>1</td>
<td>7,82</td>
<td>7,82</td>
<td>0</td>
</tr>
<tr>
<td>Biomas plant</td>
<td>5</td>
<td>13,03</td>
<td>9,70</td>
<td>25,56</td>
</tr>
<tr>
<td>Wind power plants (TSO)</td>
<td>1</td>
<td>7,53</td>
<td>6,95</td>
<td>7,69</td>
</tr>
</tbody>
</table>
Unfulfilled auctions

<table>
<thead>
<tr>
<th>Auctions</th>
<th>Reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biogas power plants (over 1000 kW)</td>
<td><em>Aborted.</em> Not enough participants (at least two participants)</td>
</tr>
<tr>
<td>Biomass power plants (over 5000 kW)</td>
<td><em>Aborted.</em> Incorrectly submit a proposal for the initial feed-in tariff</td>
</tr>
<tr>
<td>3 auctions for solar PV plants</td>
<td><em>Aborted.</em> Promotion quota is used in full</td>
</tr>
<tr>
<td>4 auctions for biogas power plants</td>
<td><em>Aborted.</em> Promotion quota is used in full</td>
</tr>
<tr>
<td>2 auctions for biomass power plants</td>
<td><em>Aborted.</em> Promotion quota is used in full</td>
</tr>
<tr>
<td>2 auctions for wind power plants</td>
<td><em>Suspended.</em> Until will be available free promotion quota</td>
</tr>
</tbody>
</table>
Organizing the auctions

- Hydro power plants:
  - installed capacity of up to 1000 kW;
  - price cap 27 ct/kWh;
  - free quota 13,54 MW.
Next steps

• „The child has grown, it’s time to let it go.“

Open questions:
- New challenges to shift from tariff-based support mechanisms to other alternatives
- Only investment incentives? (eg. EU funds)
- Public involvement into investments to RES?
- Support only till 2020? (EC opinion)
- Amendments of Law on Renewable Energy
Electricity energy sector: TSO unbundling

• The new Law on Electricity legitimized the unbundling of the electricity networks operators in line with the provisions of the EU Third Energy Package;

• Electricity network operator LITGRID AB, which is controlled by the Ministry of Energy, submitted information and documents to the NCC, supporting TSO separation from commercial interests of the vertically integrated company, related to supply and generation. Currently, the electricity network operator has temporary license;

• The NCC performed an assessment of the unbundling of the mentioned activity (under Directive 20009/72 requirements) and submitted a draft decision with certain reservations* on TSO certification to DG ENER;

• Final decision on TSO certification is expected on April 2013;
Natural Gas Sector

• Permissions in natural gas sector were **abolished**, since the amendments of the Law on Natural gas came into force (as of 19/06/2012);

• The NCC meeting issued the **gas market operator's license** to UAB GET Baltic on 8/11/2012. The company plans to start trading at the natural gas Exchange in early 2013.
Natural Gas Sector: the LNG terminal project

• The Lithuanian company Klaipėdos nafta (70.63% of its shares are state-owned) is implementing the LNG terminal project, which is expected to operate as of 3/12/2014;

• The construction of the Lithuanian LNG terminal is aimed at:
  – ensuring the diversification of gas supplies to Lithuania;
  – at bringing about a reduction in gas prices owing to the possibility to import cheaper gas;
  – the initiation of competition on the Lithuanian gas market.

• The company, intended to become an LNG terminal operator is required for natural gas liquefaction license.
Heat sector

• The heat supplier must hold a **licence for the supply of heat**;

• The licences for the supplier of heat supplying at least 10 GWh heat per year, taking into account the recommendations of municipal institution are issued, their validity are suspended, the licensed activities are controlled by the NCC.

• The licences for the supplier of less heat are issued, suspended, cancelled by the municipality which controls the licenced activities.

• At present there are 48 heat suppliers, which licences for the supply of heat are issued and their licenced activities are controlled by the NCC.
Common issues

• As the new Law on Energy market came into force as of 05/06/2012, the NCC issued the energy resources exchange operator's license to UAB BALTPPOOL (on 27/09/2012);

• Energy resources exchange operator will perform centralized trade of biofuels and oil stocks product, as well as natural gas and other auxiliary instruments, in order to protect from energy prices variations.
Thank you for your attention!

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