

**Main provisions of the draft Law *On Amendments to Certain Laws of Ukraine on Competitive Conditions of Electricity Production from Renewable Energy Sources* (registration number 8449 dated 07.06.2018)**

Issue	Main points
<b>General issues of the new support scheme (the “NSS”) introduction for the RES</b>	
<b>NSS introduction date</b>	01 July 2019
<b>NSS outline</b>	Obligatory buy-out by the Guaranteed Buyer of the total electricity volume supplied to the energy system by the RES-based power plant at the price of the “day-ahead” market. Compensation to the RES-based power plant for the electricity price difference estimated as the difference between the auction price <sup>1</sup> and electricity selling price on the “day-ahead” market.
<b>Surcharge for usage of Ukrainian-made equipment</b>	Retained. There is also introduced a new surcharge at 15% of the auction price for the use of 70% and more Ukrainian-made equipment
<b>Term of support provision under the NSS</b>	20 years
<b>Condition for support provision under the NSS</b>	Winning the auction on the state support quota allocation
<b>Bidders obliged to participate in the auctions</b>	Companies planning to build a SPP with installed capacity exceeding 10 MW or a WPP with installed capacity exceeding 20 MW
<b>Bidders not obliged but permitted to participate in the auctions</b>	Other economic entities producing electricity from RES, regardless of the source and installed capacity of the power plant
<b>Expected schedule of the first auctions</b>	First auctions to allocate 2020 national quota shall be held in 2020. A “pilot” auction to allocate a special quota for the construction project development concerning the RES-based power plants in the exclusion zone shall be held in the 2 <sup>nd</sup> half of 2019
<b>State of the current support scheme for the RES producers after 01 July 2019</b>	

<sup>1</sup> Subject to surcharge for usage of Ukrainian-made equipment

<b>Green tariff level</b>	Green tariff for the SPPs commissioned from 01 January 2020 shall be reduced by 30% <sup>2</sup> . Green tariff for other RESs remains unchanged and is set according to the current version of the Law <i>On Alternative Energy Sources</i>
<b>Application of the green tariff after 01 July 2019</b>	RES-based power plants commissioned before 01 July 2019 regardless of their installed capacity. The producers who are going to produce electricity from the RES and to conclude the pre-PPA at the green tariff <sup>3</sup> with the Guaranteed Buyer <sup>4</sup> by 01 July 2019. SPPs with up to 10 MW installed capacity, WPPs with up to 20 MW installed capacity, and other RES-based power plants to be commissioned after 01 July 2019
<b>Surcharge for use of Ukrainian-made equipment</b>	Retained. There is also introduced a new surcharge at 15% of the green tariff for the use of 70% and more Ukrainian-made equipment
<b>Auction under the NSS</b>	
<b>Auction procedure approval</b>	The auction procedure shall be approved by the Cabinet of Ministers of Ukraine
<b>Auction organization</b>	Guaranteed Buyer
<b>Auction platform</b>	Electronic trading platform
<b>Auction frequency and deadline</b>	Twice a year but not later than 01 May and 01 October Auctions shall be held until 31.12.2029
<b>Auction lot</b>	Allocation of RES state support quota (allocation of capacity of RES-based power plants within which the economic entities may acquire the right to use the state support as a result of the auction)
<b>Quota size for the auction</b>	The Cabinet of Ministers of Ukraine shall determine the quota size.

<sup>2</sup> It will occur instead of reduction of the green tariff for the SPPs by 10% as it is provided for in the current version of the Law *On Alternative Energy Sources*

<sup>3</sup> Conclusion of the pre-PPA in accordance with the law *On the Electricity Market* is possible after the applicant company has submitted documents confirming the land title, grid connection agreement, and construction permit

<sup>4</sup> Until establishment of the Guaranteed Buyer, with the State Enterprise "Energorynok" acting as the wholesale electricity market operator

	The Ministry of Energy and Coal Industry of Ukraine shall submit proposals on the quota size <sup>5</sup>
<b>Frequency of quota setting</b>	It shall be set annually, before 01 December of the year preceding the year for which it is set. The quota is set for the next 5 years, taking into account the results of previous auctions and the state of construction project development concerning RES-based power plants
<b>Bases for quota size determination</b>	International obligations of Ukraine concerning RES development. Energy Strategy of Ukraine Ten-year development plan for the transmission system
<b>Quota characteristic</b>	It is a state support quota with determined share of every RES in the general size of the quota. State support quota may include special quotas (by the territory, type of generation, capacity of RES-based power plants, etc.)
<b>Quota splitting for the auction organization and conduction</b>	Lots of various sizes. Maximum lot size is 1 MW
<b>Ways to guarantee the participation in the auction</b>	Irrevocable bank guarantee. The guarantee amount is calculated based on USD 50,000 per 1 MW of installed capacity in the allocation of which the bidder intends to participate
<b>Type of the auction</b>	Dutch reverse auction
<b>Conditions to ensure competition in the auction</b>	Total size of lots to be acquired by one bidder solely or together with other bidders with which it has a joint ultimate beneficial owner, shall be limited and shall not exceed 25% of the total quota size.
<b>Winner selection process</b>	Winner of the auction shall be selected per every specific lot. The winner of the auction shall be the bidder first placing the bid within gradual increase of the price by the electronic platform. The bid is the offered price of 1kWh power unit for electricity production from RES and electricity sale.

<sup>5</sup> *De facto* it will be done by the transmission system operator (NPC “Ukrenergo”); the Ministry of Energy and Coal Industry of Ukraine will agree and submit it for approval to the Cabinet of Ministers of Ukraine

<b>Auction price ceiling</b>	The auction price shall not exceed the green tariff set for relevant RES <sup>6</sup>
<b>Auction price in EUR</b>	The auction price is fixed in EUR
<b>Auction price when the rights for the RES-based power plant construction are acquired by the multiple lots</b>	Auction price for such RES-based power plant shall be estimated as the average weighted of auction prices for the corresponding lots
<b>Contracts and agreements to be concluded by the auction winner and the Guaranteed Buyer</b>	Power Purchase Agreement (the “PPA”) in respect to electricity produced from RES by the economic entity that has acquired the right to use the state support as a result of the auction. Contract for Difference (the “CFD”) in respect to electricity price
<b>Form of Agreement and Contract</b>	Standard. It shall be approved by the Regulator following the agreement with the Antimonopoly Committee of Ukraine and consultations with the Energy Community.
<b>Term of Agreement and Contract</b>	Term of provision of the state support (20 years)
<b>Particular contractual conditions</b>	Obligations of the winner of the auction to construct and put into operation the RES-based power plant during 3 years from the date of signing of the Agreement and the Contract <sup>7</sup>
<b>Type of guarantee for the fulfillment of particular contractual conditions</b>	Irrevocable bank guarantee of the winner of the auction shall be kept as a guarantee of contractual obligations fulfillment
<b>Responsibility for non-fulfillment of particular contractual conditions and effect for such non-fulfillment for the winner of the auction</b>	The banking institution shall fulfill the obligations under the irrevocable bank guarantee in favor of the Guaranteed Buyer. PPA and CFD become null and void
<b>Features of NSS application for electricity market operation</b>	
<b>Conditions precedent for operation of the producer from RES on the electricity market</b>	Producer from RES shall: <ul style="list-style-type: none"> <li>• become a market participant;</li> <li>• have concluded the PPA and CFD with the Guaranteed Buyer;</li> <li>• become a member of the balancing group of the Guaranteed Buyer</li> </ul>

<sup>6</sup> The auction price ceiling of the pilot auction on the allocation of a special state support quota for projects in the exclusion zone scheduled for the second half of 2019 shall not exceed current green tariff for solar power plants with 0.7 reducing coefficient.

<sup>7</sup> In the case of auctions, the Agreement and Contract both shall be signed at the same time

<b>Selling of electricity by the producer from RES</b>	To the Guaranteed Buyer at the price on the “day-ahead” market (excluding electricity for own needs)
<b>Settlement term and procedure for sold electricity</b>	Settlement terms and procedures for sold electricity shall be determined by the producer from RES and Guaranteed Buyer under the Procedure of purchase of electricity from RES by the Guaranteed Buyer; such Procedure shall be approved by the Regulator
<b>Compensation for price difference to the producer from RES</b>	<p>Compensation shall be estimated as the difference between the auction price (including the surcharge for the local component) and electricity price on the “day-ahead” market.</p> <p>It shall be compensated by the Guaranteed Buyer within Public Service Obligations concerning increase of the electricity production share from RES according to the Article 62 of the Law <i>On Electricity Market</i>.</p> <p>It shall be compensated from the payment made to the Transmission System Operator (the “TSO”) by the Guaranteed Buyer for the Public Service Obligations concerning increase of the share of electricity production from RES<sup>8</sup></p>
<b>Compensation term and procedure</b>	<p>It shall be paid by the Guaranteed Buyer on monthly basis not later than on the 5th day of the month following the settlement period.</p> <p>To calculate the compensation, the auction price for the settlement period shall be converted to the national currency at the average official exchange rate of the NBU for this period (month).</p>
<b>Responsibility of the producers from RES for imbalances</b>	<p>Under the system provided for in Clause 11 of Transitional and Final Provisions of the Law <i>On Electricity Market</i>, introduction of responsibility for imbalances starting from 2021 with gradual 10% increase on annual basis until recognition of the intra-day market to be liquid.</p> <p>Full responsibility of the producer from RES for imbalances after the recognition of the intra-day market to be liquid</p>
<b>The person responsible for the imbalances of producers from RES before the recognition of the intra-day market to be liquid</b>	Guaranteed Buyer
<b>Funds of the Guaranteed Buyer for expenses on the settlement of electricity imbalances of producers from RES</b>	Payment for the Public Service Obligations concerning increase of the share of electricity production from RES

<sup>8</sup> Thus, compensation is made at cost of the TSO tariff for electricity transmission

<b>Miscellaneous</b>	
<b>Stimulation of electricity production from the RES by small commercial enterprises</b>	Green tariff is set for legal entities and individuals-entrepreneurs with up to 500 kW generation installations intended for generation of electricity from solar and wind energy