

Main Provisions of the Draft Law No. 8449-D Registered on 05/12/2018 (Renewable Energy Auctions Law) v2

Issue	Provisions of the Draft Law
Date of new support scheme introduction	01 January 2020
Final date to sign a pre-PPA to complete the launched RES projects using the “green” tariff scheme (regardless of the project size)	<p>By 31 December 2019.</p> <p>Terms and conditions for the pre-PPA conclusion:</p> <ul style="list-style-type: none"> - confirmed right of land ownership/use; - concluded grid connection agreement for the facility; - construction permit. <p>Terms and conditions to obtain the “green” tariff: commissioning of the SPP facility during 2 years and of facilities of all other RES types during 3 years.</p> <p>The “green” tariff rate is determined by the date of facility commissioning.</p>
Pilot auctions	The Cabinet of Ministers of Ukraine shall ensure conduction of a pilot auction (pilot auctions) during 6 months from the effective date of the Law.
Auction frequency	2 times a year with deadlines on or before 01 April and 01 October
Entities obliged to participate in the auctions	<p>All types of RES technologies reaching 15% of total electricity production from RES shall participate in auctions (based on the results of the previous year). <i>Currently, SPPs and WPPs reached the specified level.</i></p> <p>The following projects are obliged to participate in auctions:</p> <p>in 2020 – WPPs with the installed capacity > 20 MW and all other RES types (except for WPPs) with the installed capacity > 10 MW</p> <p>in 2021 and 2022 – WPPs with the installed capacity > 20 MW and all other RES types (except for WPPs) with the installed capacity > 5 MW</p> <p>from 01 January 2023 – WPPs with the installed capacity > 3 MW (or one wind turbine) and all other RES types (except for WPPs) with the installed capacity > 1 MW</p>

Issue	Provisions of the Draft Law
Entities to participate in auctions on a voluntary basis	All RES types
"Green" tariff term	"Green" tariff is valid until 2030 only
"Green" tariffs for SPPs, WPPs	<p>Decrease for SPPs in 2020 is 25% with a further decrease by 2.5% annually during 3 years.</p> <p>Decrease for WPPs in 2020 according to the wording of the current law is 10% with a further decrease by 1.5% annually during 3 years.</p>
"Green" tariffs for biomass, biogas, micro-, mini-, small HPPs, geothermal	"Green" tariff rate according to the current Law (decrease by 10% in 2020 and 2025, respectively).
Support for the successful bidder	20 years
Quota size - approving authority, approval procedure	<p>Annual quota size shall be approved by the Cabinet of Ministers of Ukraine.</p> <p>The Ministry of Energy and Coal Mining of Ukraine shall prepare submission on a quota size based on proposals of the transmission system operator and the State Agency on Energy Efficiency and Energy Saving of Ukraine.</p>
Principles for quota sizing	<p>The annual quota is allocated by 3 separate types:</p> <ul style="list-style-type: none"> • wind • solar • other RES types (biomass, biogas, hydro-, geothermal)
Quota planning period	Quotas shall be set annually for 5 years.
Auction platform	Prozorro electronic auction platform

Issue	Provisions of the Draft Law
Auction design	<p>One-stage static sealed-bid auction. The bidders shall submit closed bids containing the technical bid (capacity for which the bidder intends to obtain the right) and the price bid (electricity price per 1 kilowatt hour).</p> <p>The successful bidders are selected by the results of simultaneous opening of envelopes with and evaluation of technical and price bids. Price is the only criterion to select successful bidders.</p>
Auction competition	<p>Competition is a mandatory condition to conduct an auction.</p> <p>Capacity for which the bidders shall obtain the right for the support cannot exceed 80% of the aggregate value of the capacity proposed by all bidders</p>
Auction ceiling price	<p>“Green” tariff for corresponding RES technology on the auction date</p>
Measures to prevent from high concentration on the RES market	<p>The maximum share of the annual quota to be awarded to one bidder with other related parties at two auctions (per year) shall not exceed 25% (inclusive)</p>
Bid bond	<p>EUR 15,000 per 1 MW, where:</p> <p style="padding-left: 40px;">EUR 5,000/1MW to participate in the auction</p> <p style="padding-left: 40px;">EUR 10,000/1 MW in case of auction winning as the guarantee of obligation fulfilment</p>
Bidders qualification criteria	<p>Requirements are as follows:</p> <ul style="list-style-type: none"> - confirmation of a right of land ownership/use; - concluded grid connection agreement for the facility.
Contractual structure	<p>The Guaranteed Buyer undertakes to buy electricity from the producer at an auction price under the Power Purchase Agreement.</p> <p>Contractual payment: the final settlement for the billing period (month) shall be made within 20 days of the month following the billing one</p>

Issue	Provisions of the Draft Law
Simplified procedure for the “green” tariff (without obtaining an electricity generation license)	Simplified procedure for the “green” tariff (without obtaining an electricity generation license) shall cover the following: <ul style="list-style-type: none"> • wind, solar – for the consumers with up to 50 kW generating facilities (currently, it is 30 kW for households). Such consumers shall maintain contractual relations with the universal service provider • solar for the consumers with the generating facilities with a capacity exceeding 50 kW but not exceeding 500 kW, subject to placement of facilities on roofs, facades of capital buildings, structures. Such consumers shall maintain contractual relations with the Guaranteed Buyer
Local content surcharge	Surcharge shall be applied to the auction price. Its rate shall correspond to the current Law (10% maximum at 50+% local content)
Responsibility for imbalances	Full responsibility after recognition of the intra-day market to be liquid (the Regulator shall decide on liquidity); from 2024 by latest.
Term of Technical Conditions for the grid connection	The term shall be specified for the Technical Conditions (currently, the Technical Conditions have no fixed term). Technical Conditions for the SPPs shall be valid for 2 years and Technical Conditions for the WPPs all other RES types shall be valid for 3 years. Technical Conditions issued to business entities which became entitled for the support by auction outcomes shall be valid for the term of fulfilment of such entities’ obligations for the construction and commissioning of the facilities (2 years for the SPPs and 3 years for the WPPs). As for the transitional period: <ul style="list-style-type: none"> • Technical Conditions issued more than 2 years before the effective date of the Law: <ul style="list-style-type: none"> - shall be valid no longer than 1 year for the SPPs and 2 years for all other RES types if construction permit is available - shall be declared null and void if no construction permit is available • Technical Conditions issued less than 2 years before the effective date of the Law shall be valid no longer than 2 years for the SPPs and 3 years for all other RES types.
Remedy for the foreign investments	Shall a foreign invested enterprise (where foreign investment in the charter capital is 10% or more) be the successful bidder and upon the request of this enterprise, the Power Purchase Agreement to be concluded with the Guaranteed Buyer may contain an arbitration clause on the resolution of disputes arising out of or in connection with the Agreement in an international commercial arbitration court.