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PORTUGUESE SMALL PRODUCTION AND  
SELF-CONSUMPTION SOLAR PLANTS

## FOREWORD

Energy production. Consumers have been, until recently, seen as mere recipients of energy policies, that do not take an active role in managing their energy consumption.

However, as of 2014, Portugal began to focus on decentralized energy production solutions which, combined with technological innovation on PV, began to enhance the role of the producer-consumer of electricity.

The energy transition has accelerated since 2019, with the integration of European policies for self-consumption of energy and decarbonization, making it possible for consumers to invest more simply and quickly in the production of electricity through renewable energy.

This transition is part of the goal of achieving a 47% share of energy from renewable sources by 2030, which will only be possible with the development of electricity production by consumers.

Producers-consumers are being placed at the center of energy production, assuming themselves as the main figure in the energy transition process.

Currently, there are two models of decentralized energy production in Portugal, in which the consumer has an active role in energy production.

- Small Production Units (*Unidades de Pequena Produção* - "**UPP**"), which are installations with a maximum connection power of 1 MW, based on a single renewable production technology, with all the electricity produced being sold to the Public Service Electricity Grid (*Rede Elétrica de Serviço Público* - "**RESP**").
- And the Production Units for Self-Consumption (*Unidade de Produção para Auto-Consumo* - "**UPAC**"), which are electricity production installations, based or not on renewable technologies, whose energy is intended predominantly for self-consumption, with the possibility of selling the surplus to the RESP.

## SMALL PRODUCTION UNITS: UPP

The UPP regime may be found in articles 27°-B, 27°-C and 27°-D of [Decree-Law No. 172/2006, of 23 August \(as amended by Decree-Law No. 76/2019, of 3 June\)](#), and it is only accessible to natural or legal persons.

The installation is subject to prior registration on the electronic platform of the General Directorate of Energy and Geology (*Direção Geral de Energia e Geologia* - “**DGEG**”).

If there is available capacity to receive energy at the RESP, it will be allocated by DGEG in on a first come first served basis.

Once the installation and inspection of the UPP is concluded, the producer submits an application at the DGEG’s platform for the attribution of the operating certificate, which must be presented within a maximum period of 2 years, counting from the date of attribution of injection capacity under penalty of expiration of the RESP prior registration.

After the start of operation, producers must take out a civil liability insurance policy for compensation for bodily injury or damage to property caused as a result of the production of electricity.

The electricity produced by the UPP and delivered to the RESP is remunerated, at the producer's option by one of the following mechanisms:

- General: where producers sell the electricity produced: (i) on the market, (ii) through bilateral contracting, or (iii) through the market facilitator at a price previously agreed between the parties.
- Guaranteed: through a tariff assigned based on a bidding model, in which producers offer discounts to the reference tariff set at €45,00.

The second modality cannot be cumulative with another type of incentive to the production of electricity and is in force for 15 years, after which the producer transits to the general remuneration regime. Access to the guaranteed remuneration scheme is carried out through monthly injection power allocation sessions promoted by DGEG, with an annual quota limit of 20 MW. Producers that have failed to obtain injection capacity in a relevant allocation session are carried over to the next one, and so forth.

Until the market facilitator license is granted, it will be the last resort supplier (LRS) who acquires the electricity produced against payment of remuneration that follows market criteria.

## PRODUCTION UNITS FOR SELF-CONSUMPTION: UPAC

The UPAC regime results from [Decree-Law No. 162/2019 of 25 October](#), and it is accessible to (i) individual self-consumers; (ii) collective, organized in condominiums/apartments/houses located in the same geographical area; industrial, commercial or agricultural units, and other infrastructures; and (iii) renewable energy communities (RECs).

The licensing process varies according to the installed power. UPACs with power above 350W are subject to communication to the DGEG, while UPACs with power above 30kW are subject to prior registration on the GDEG's electronic platform and to obtaining an operating certificate, obtained after inspection of the power plant's installation.

From 1 MW, UPACs must obtain a production and operating license, the issue of a production license being dependent on the prior allocation of reserve capacity for injection into the RESP.

Reserve capacity may be obtained through (i) a request of a title to REN; (ii) agreement between the applicant and REN (with the applicant assuming the financial costs arising from the construction or reinforcement of the network necessary for the reception of the energy produced by the UPAC); or (iii) a competitive procedure.

Installations with a power capacity exceeding 30 Kw, require a civil liability insurance policy before starting the operation of the UPAC.

Excess energy from production for self-consumption may be sold and remunerated in the following ways:

- In an organized market or through bilateral contracting, at a price previously agreed between the parties;
- Through the market participant against payment of a price freely agreed upon between the parties;
- Through the market facilitator, who is subject to the obligation to purchase the energy produced by the producers; and
- Through the LRS until the market facilitator license is granted against payment of a market-based fee.

The LRS is only bound to acquire the electricity produced by producers whose authorized injection capacity does not exceed 1 MW.

## TABLE OF DIFFERENCES

	UPP	UPAC
Production activity and source	Installations with a maximum connection power of 1 MW, based on a single renewable production technology, with all the electricity produced being sold to the RESP.	Production of energy from renewable or non-renewable sources, whose energy is intended predominantly for self-consumption, with the possibility of selling the surplus to the RESP.
Injection capacity	Power for connection to the grid must be equal to or less than 250 kW, and all the energy produced is for sale to the grid.	Without limit. However, above 1 MW the UPACs must obtain a production and operation license, the issue of the production license being dependent on the prior allocation of reserve capacity for injection into the RESP.
Energy to be self consumed	N/A	Only the excess energy produced can be sold to the RESP.
Pay and compensation	<ul style="list-style-type: none"> <li>(i) At the market;</li> <li>(ii) Through the market facilitator against payment of an agreed price,</li> <li>(iii) Through the LRS against payment of a market-based fee</li> <li>(iv) A tariff attributed based on a bidding model in which bidders offer a discount to the reference tariff in the amount of €45</li> </ul>	<ul style="list-style-type: none"> <li>(i) At the market;</li> <li>(ii) Through the market participant against payment of an agreed price;</li> <li>(iii) Through the market facilitator against payment of an agreed price, or</li> <li>(iv) Through the LRS against payment of a market-based fee.</li> </ul>
Counting	Mandatory for all powers.	Mandatory in case of collective self-consumption or in case of individual self-consumption, when the installed power is higher than 4 kW.

## TABLE OF DIFFERENCES (LICENSING)

	Exemption from administrative control	Prior Notice	Prior registration	Operating certificate	Production license	Operating licence
UPP			X	X		
UPAC: installed capacity below 350W	X					
UPAC: installed capacity over 350W		X				
UPAC: installed capacity over 30kW			X	X		
UPAC: installed capacity over 30kW					X	X

## WHAT IS THE FUTURE OF SMALL PRODUCTION?

Pursuant to the Paris Agreement, Portugal intends to promote solar energy produced until in the country reaches 1 GW by the end of 2030.

To achieve this goal, it will be important for Portugal to reinforce its measures to promote energy transition and to reinforce its grid infrastructure, so that over the next few years a greater capacity for injecting electricity into the grid can be achieved.

These measures are part of the Government's strategic plans, which include meeting 80% of the country's energy demand from renewable energies by 2030 and electrifying 65% of the economy by 2050.

Regarding decentralized solar photovoltaic energy, the objectives outlined in the National Energy and Climate Plan are for Portugal to have 0.8 GW of installed capacity by 2025 and 2 GW by 2030.

With the price of electricity consumed through the grid being higher compared to that sold through a UPP, this type of technology is beginning to lose ground to the UPACs, where self-consumption itself proves to be a more efficient solution for reducing the electricity bill.

Currently the market presents installation solutions for UPACs in which the receiver of this technology does not assume any financial burden, committing only to self-consume the energy produced and sharing the costs reduction and all or part of the surplus energy being handed over to the installer as compensation for the installation, operation and maintenance of the UPAC.

In 2019, Portugal had 376,241 kW of small production units installed, of which 204,878 kW in photovoltaic UPACs and 171,363 kW in photovoltaic UPPs. In 2020, the installed power of photovoltaic UPACs increased to 245,601 kW, an increase of 120% compared to the previous year, while the installed power for photovoltaic UPPs slightly reduced to 170,547 kW, an indicator in how UPACs begin to manifest preponderance before UPPs.

The Portuguese Government has announced a new law to reinforce renewable energy communities, opening the possibility of managing communities on dynamic management digital platforms and giving differentiated treatment for self-consumption to industrial communities involving electro-intensive consumers. The so-called heavy industry will be allowed to produce offsite energy for self-consumption.

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