



The solar race begins in Portugal!

The Portuguese solar auctions, the first set for this month, to book grid capacity will allow promoters to obtain a grid connection and in some cases apply for a guaranteed tariff.

After several announcements, the Portuguese Government delivered at last Decree-Law n.º 76/2019, of 3 June (the “New Electricity Law”) changing, with immediate effect, the licensing methodology and regulating the auctions for solar projects. From now on, the licensing process starts with promoters acquiring a grid connection title granting them capacity for the electricity they will generate. This title may be granted:

- i) Directly by EDP Distribuição, S.A or REN, SA (“Grid Operator”), in case the requested capacity is available and all the technical conditions are met;
- ii) By entering into an agreement with the Grid Operator, whereby the promoter pays for the works in the grid to allow the required connection capacity; and
- iii) Through an auction organized by Geology and Energy General Direction (DGEG-*Direção Geral de Energia e Geologia*), in an electronic platform (still to regulate) where promoters will deliver the relevant documentation and will have access to the auction process. For each auction the Energy Secretary of State will published a regulation (*Despacho*) establishing the participation requirements, the remuneration method, capacity at play and the deadlines for the award of projects. The first auction is expected to occur until the end of June of 2019, for a total of 1350 Mw, and the second in January of 2020.

With the grid connection title in hand, promoters must request a production license (*licença de produção*) to DGEG and comply with environmental and other specific obligations. The production license shall set the timings for the promoter to request an operation license (*licença de exploração*) which will allow the injection of electricity into the grid.

As to the tariffs, the New Electricity Law establishes two possibilities: a general remuneration method, where promoters shall sell the output electricity to the market at market price; or a guaranteed remuneration method. The guaranteed remuneration shall apply to i) capacity awarded by auction; ii) to 1 Mw or inferior projects (awarded in specific auctions or specific regulation), and iii) to over-powering output or from project expansion to a different source of energy.

The licensing processes that were pending as of 4 June 2019 are suspended as they must wait for the acquisition of the grid connection title. A significant number of promoters that have invested heavily in the licensing of their projects are now subject of a legal framework that apparently makes uncertain their connection to the grid.

© Macedo Vitorino & Associados

Contacts

João de Macedo Vitorino
jvitorino@macedovitorino.com

Frederico Vidigal
fvidigal@macedovitorino.com

This information is provided for general purposes only and does not constitute professional advice