

# THE NEW PORTUGUESE ELECTRICAL SYSTEM RULES

*The licensing of producers, new market agents, different deadlines for obtaining licenses, hybridization, the new electro intensive customer rules, and the Technological Free Zones are just some of the changes made to the National Electrical System.*

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The new framework applicable to the National Electrical System ("SEN") finally came into force, brought by [Decree-Law 15/2022, of 14 January](#) (the "New SEN Framework Law"). The main novelties are the following:

### 1. Electricity generation and storage

- Instead of an ordinary and a special regime, generation, self-consumption, and storage will be covered by a single framework of prior control, which could be either a prior notification, prior registration, operating certificate, or production and operating license.
- The feed-in tariff scheme is eliminated, and electricity generation and storage activities are now subject to prices freely established in the market, with two exceptions: (i) feed-in tariffs already granted will keep going until the end of the respective term; (ii) renewable production can benefit from specific traffic granted in new capacity auctions by the Portuguese Government.

### 2. Grid capacity titles and production licenses

- The New SEN Framework Law sets a new timetable: (i) applications for production licenses from the National Department of Energy and Geology (*Direção Geral de Energia e Geologia* - "DGEG"), must be submitted until a year after the issue of the grid capacity title when an environmental impact assessment is required; if not, within 6 months; (ii) the production license must be issued until a year after the application submission; (iii) the operating license must be issued within 1 year after the date of the production license, with the possibility of extension.
- Obtaining a grid injection capacity title is now subject to the payment of a EUR 1,500/MVA compensation to SEN.
- The limits on transferability of production licenses and capacity titles are narrowed: they can be transferred before the production license is issued through a 50% increase of the bond.
- Ongoing grid capacity titles requests, submitted to DGEG under the scheme of agreement with the grid operators, that have already obtained a final classification in

the terms of reference's lists (published at DGEG website) shall remain in place and will be governed by the rules of the New SEN Framework Law. Those not included in the lists are expired.

### **3. Hybridization**

- There is a new framework for hybridization and hybridized units, defined as the new generation units using different primary renewable energy sources to an existing power plant or self-consumption unit ("UPAC"), without changing the injection capacity of the pre-existing power plant or UPAC.
- Hybridization, like over-equipment and re-equipment, is exempt from grid capacity title allocation despite being subject to the prior control scheme.
- It will be possible for a legal entity other than the owner to hybridize a generating facility or a UPAC.

### **4. Storage**

- When electricity production includes storage, the prior control for production comprises the storage activity.
- Autonomous electricity storage is subject to a production and operation license (i) when the installed capacity is above 1 MW or (ii) when an environmental impact assessment or environmental impact assessment procedure is required. When the installed capacity is equal to or less than 1 MW, the autonomous storage of electricity is subject to prior registration and operating certificate.

### **5. Decentralized production**

- The maximum distances between UPAC and User Facility ("IU") allowed for self-consumption production range now from 2km to 10 km.
- Consumer installations of Electro-Intensive Customers are not subject to any maximum distance requirements.
- No municipal construction permits will be required for the installation of solar photovoltaic panels on (i) pre-existing-built structures not defined as buildings, (ii) installed on delimited areas of the ground, such as commercial complexes, large commercial surfaces, industrial parks, industrial plots, logistics platforms, camping parks, and parking lots.
- Renewable Energy Communities (CER) can share energy through dynamic management systems but also trade energy among their members.
- UPAC may be owned and developed by CER or by third parties if at CER's service.
- The New SEN Framework Law establishes rules for Citizens Communities for Energy.

### **6. New Market Agents**

- The awarding of (i) Last Resort Supplier, (ii) Last Resort Aggregator, (iii) Guarantees of Origin Issuing Authority, and (iv) Logistics Operator for Switching Suppliers and Aggregators licenses are subject to a public tender procedure.
- The same applies to the concession for the new Integrated Operator of the High Voltage, Medium Voltage, and Low Voltage distribution networks.

#### **7. Intensive consumers**

- The intensive electricity consumers will benefit from a new Electro-Intensive Customer Statute established by the New SEN Framework Law.
- This new statute will include support measures, such as (i) reduction of electricity consumption charges or (ii) risk coverage mechanisms in the purchase of electricity from renewable energy sources through long-term agreements.

#### **8. Technological Free Zones**

- The New SEN Framework Law created three Technological Free Zones (“ZLT”) for renewable energies: (i) an offshore zone for the generation of electricity through renewable energy from an oceanic source or location; (ii) a second one as part of the decommissioning of the Pego coal-fired thermoelectric plant and, (iii) a third in the Rega do Mira perimeter, for innovation and development land use for agriculture and electricity production projects.
- ZLT are to be managed directly by DGEG or by third parties through concession awarded by a competitive tender.
- The installation of research and development projects in ZLT are subject to prior communication and registration procedure rules.

#### **9. Electricity transportation and distribution networks**

- Annexes II and III of the New SEN Framework Law set the bases for concessions the national electricity transportation network (RNT) and the concession bases for the national medium and high-voltage electricity distribution network (RND).
- The concessions cover mainland Portugal and have a term of 50 years in the case of RNT and 35 years in the case of RND and may be extended if justified by public interest.
- According to the new bases (in Annex IV to the New SEN Framework Law) for low-voltage electricity distribution network concession, these concessions will have a municipal geographic range and a maximum duration of 20 years.
- The unification of the technical management of the high-voltage, medium-voltage, and low-voltage distribution networks in the new Integrated Operator of the distribution networks means that the concession agreements in force will have to be renegotiated and amended.

#### **10. Other Relevant Changes**

- Holders of generating or storage facilities with a connection power exceeding 50 MVh are obliged to install (i) UPAC with an installed power equivalent to 0.3% of the connection power, or (ii) electric vehicle charging stations for collective use in public spaces with equivalent capacity in municipal buildings. Alternatively, Municipalities may opt for one-off cash compensation of 1,500 EUR/MVh of connection power allocated.
- For unlawful appropriation of energy, new penalties that range from the interruption of energy injection or energy supply to the payment of compensation are established.
- If a supplier has more than 200,000 clients, it must subject its electricity contracts to dynamic prices.

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