



VICE-PRESIDENCY
FOURTH OF THE SPANISH GOVERNMENT

MINISTRY
FOR THE ECOLOGICAL
TRANSITION AND THE
DEMOGRAPHIC CHALLENGE

Council of Ministers

The Government approves the Royal Decree on auctions to exploit the full potential of renewable energies in the economic recovery

- The new framework allows the savings from renewable production to be directly passed on to all consumers, from the domestic to the industrial consumer
- A ministerial order shall contain a forecast of the timetable for the holding of the auctions, covering a period of at least five years and including indicative timeframes, the frequency of the auctions, the expected capacity and the technologies envisaged, if any
- The new remuneration framework will be aimed at new renewable power, will allow hybridisation between technologies and will be compatible with storage

3 November 2020- The Council of Ministers, at the proposal of the Ministry for Ecological Transition and the Demographic Challenge (MITECO), today approved the Royal Decree regulating the new economic regime for renewable energies for electricity generation facilities. The text establishes a new framework for future renewable installations that will be developed through auctions. In any case, participants will bid the price they are willing to charge for the energy generated by the facility.

The new remuneration framework, which the Royal Decree calls the Economic Regime for Renewable Energies (REER), will be aimed at new renewable power and

Nota de prensa



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will allow hybridisation between technologies, the extension and modification of existing facilities and will be compatible with storage.

The text implements Royal Decree-Law 23/2020 on energy measures for economic recovery, approved by the Council of Ministers on 23 June. It responds to the need to provide a stable framework to attract investment and promote economic activity throughout the country's renewable energy value chain in a scenario of recovery from the health crisis, while allowing consumers to benefit directly from reductions in the cost of generating these technologies.

The new ERR is also essential to fulfil the commitments to decarbonisation that Spain has made in the Paris Agreement and as a Member State of the European Union. These commitments have been planned in the Integrated Energy-Climate Plan (PNIEC) 2021-2030, which provides for the installation of around 60 GW of renewable energy in the next decade and includes, among its measures, the development of this type of auction.

Renewable energies are not only the cleanest energy alternative, and therefore key to achieving climate neutrality by 2050, but are also the lowest cost form of electricity generation. Spain has great renewable potential, both in terms of wind and sunshine, and a consolidated business fabric that has mature technologies and others in very advanced stages of development.

Thus, it is estimated that up to 90% of the components of wind turbines, 60% of photovoltaic projects or 80% of thermosolar projects are manufactured domestically, so the standard will have a very positive impact on the industrial value chain and national employment.

AUCTIONED PRODUCT

The development of the new remuneration framework will be carried out by means of auctions that will comply with the principles of transparency, effectiveness, proportionality, objectivity and efficiency. Before an auction is held, the quota of energy and/or maximum power to be auctioned will be established. Each auction will be held in a closed envelope and



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will award the auctioned product to the lowest bids until the established quota is reached.

The price for each successful bidder will be the same as the price for which they bid ("pay-as-bid") and will not be updated.

In addition, a distinction may be made in the auctions between production technologies on the basis of their technical characteristics, levels of manageability, geographical location criteria, technological maturity, size or innovative component, among other factors.

The draft Royal Decree also allows for additional criteria to be established in the call for tenders so that certain projects with specific characteristics, such as small-scale projects, demonstration projects and those of energy communities, can compete on equal terms. It will also be possible to enable a process of adherence to the outcome of the auction, with an award price calculated on the basis of the results, for small-scale installations and demonstration projects.

The order regulating the auction mechanism may establish intermediate control milestones to verify compliance with the energy generation commitment assumed by the facilities awarded the tender.

A PREDICTABLE AUCTION CALENDAR

The Royal Decree also establishes the system for convening auctions. Firstly, and by means of a ministerial order, the auction mechanism will be regulated, and may include, among other aspects, the technologies, conditions and guarantees for participating in the auction, the product to be auctioned, as well as the parameters and other elements that make up and specify the Economic Regime for Renewable Energies.

In addition, in order to enhance the predictability of the auctions, and also by means of a ministerial order, a forecast of the auction calendar will be included, covering a minimum period of five years and including



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indicative timeframes, frequency of auctions, expected capacity and expected technologies, if any. This timetable will be updated at least annually and will be geared towards achieving the renewable production targets set in the Integrated National Energy and Climate Plan (PNIEC) 2021-2030.

The auctions carried out under each ministerial order shall be called by Resolution of the Secretary of State for Energy, which shall be published in the Official State Gazette (BOE).

AUCTION PRICE AND MARKET SHARE

Installations benefiting from the Economic Regime for Renewable Energies will participate in the daily and intraday market and will receive, for the energy sold on those markets, the price set in the auction, corrected, where appropriate, for the market exposure that is applicable, up to a certain volume of energy and for a maximum period of time.

The order may adapt the remuneration mechanism for application in the storage facilities.

Alternatively, it can be established that the price resulting from the auction will be corrected with incentives for the successful bidder to participate in the market, introducing a certain exposure of the installations to the electricity market. In this way, it can be encouraged, for example, to offer its energy at the most expensive times of the market, which allows it to displace other forms of generation with higher prices. This measure can also encourage the installation of plants capable of shifting their production to certain hours, such as those with storage. If appropriate, this percentage of correction on the price set in the auction will be defined in each call, with a value that will always be between 0 and 0.5.

Finally, the awarded facilities may participate in the balancing and adjustment services, where they will be charged the market price for these services.



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REGISTRATION

The rule also regulates the procedure for the registration of the awarded installations in the Electronic Register of the Economic Regime for Renewable Energies, as well as the financial guarantee that they must present, the specific amount of which will be specified in the order regulating the auction procedure. Initially, the successful bidders will be registered "in a state of pre-allocation" and, once they have begun to sell energy on the market, they will be listed "in a state of operation".

The power recorded in the register in the operating state shall correspond to the power actually installed, and may be greater than the power recorded in the pre-allocation state.

The auction rules may establish mechanisms by which the maturity of the facilities can be demonstrated prior to registration in the electronic register in either state.

Withdrawal from the construction of the installation or failure to comply with the requirements laid down in the auction will result in the forfeiture of the guarantee and the loss of the right to the remuneration system.

This royal decree has been processed under the urgency procedure, in accordance with the Council of Ministers' agreement of 7 July.

E-MAIL

bnz-prensa@miteco.es

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