

# Conclusion of the first renewable energy auction: no ‘remuneration’ for investment in new wind and biomass facilities

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*Publication of the Decision of the Directorate-General for Energy Policy and Mines, of 18 January 2016, on the auction to confer the specific remuneration [subsidy payment] scheme on new facilities producing electricity from biomass on the mainland grid and to wind-technology facilities.*

The Official Journal of Spain (abbrev. BOE) has published on 21 January the Decision of the Directorate-General for Energy Policy and Mines, of 18 January 2016, on the auction to confer the specific remuneration scheme on new facilities producing electricity from biomass on the mainland grid and to wind-technology facilities, held on 14 January, pursuant to the provisions of Royal Decree 947/2015 of 16 October. Below follows a succinct summary of the outcomes of the auction.

## **1. Successful developers and facilities**

At the auction, 200 MW of power has been awarded to biomass plants on the mainland grid and 500 MW to both mainland and non-mainland wind farms.

Schedule II lists the names of the successful bidders according to the type of technology, as well as the power awarded to each of the facilities.

## **2. 100% reduction in the percentage of remuneration on investment**

After holding the auction, the reported decision approves a 100% reduction in the standard value of the initial investment by

the standard facility (*instalación tipo de referencia*, abbrev. ITR) for both biomass technology (ITR-0101) and wind technology (ITR-0102).

In other words, the *successful developers will not receive any amount as remuneration on initial investment* made by facilities granted the final operating licence between 2015 and 2020 (*vide* Schedule II). They will, however, receive remuneration under the remaining remunerative parameters of the standard facilities holding a final operating licence in a given year, calculated in accordance with art. 5 of Order IET/2212/2015 of 23 October. In the case of wind-technology facilities, owners of the same will only receive market revenue (no feed-in premium), and in the case of biomass-technology facilities, market revenue plus a variable fuel cost subsidy (remuneration on operation).

The remunerative parameters of standard facilities will be revised and updated in accordance with art. 14(4) of Act 24/2013, of 26 December, and Royal Decree 413/2014, of 6 June. Hence, neither the regulatory lifespan nor the standard value of the initial investment by the standard facility can be revised.

### 3. Requirements to qualify for the auctioned remuneration scheme

The decision is effective as of 22 January 2016. To qualify for the remuneration scheme subject matter of the auction, the facilities' developers must apply for registration, under pre-allocation with the Specific Remuneration Scheme Register, within forty-five business days from the date of publication (art. 14(1) of Order IET/2212/2015, of 23 October, and para. 4 of the reported decision). This application must be accompanied by a Central Governmental Depositary (*Caja General de Depósitos*) receipt for deposit of a financial guarantee in the amount of €20 per kW of installed power (art. 44 of Royal Decree 413/2014 and art. 16 of Order IET/2212/2015). In accordance with the provisions of Royal Decree 161/1997, of 7 February, approving the Central Governmental Depositary's Rules, the aforementioned guarantee must be in the form of cash or bond provided by a credit institution or mutual guarantee company.

The decision can only be appealed online with an e-certificate, within one month of its entry into force, at the website of the Ministry of Industry, Energy and Tourism (<https://sedeaplicaciones.minetur.gob.es/recursosWeb/RecursosUI/dlgRecursos.aspx>).

### 4. Reviews

The auction procedure and its outcomes have been severely criticised by industry

associations. The European Wind Energy Association (EWEA) complains that the technical and financial feasibility of projects applying for the remuneration have not been pre-analysed<sup>1</sup>. For its part, the Spanish Renewable Energy Association (abbrev. APPA) censures that the participation of companies belonging to the same group has not been limited, questions the feasibility of some of the projects that have made a desperate application for remuneration given the difficulties faced of late by the industry (essentially, the renewable moratorium and production tax) and contends that the auction mechanism designed by the Ministry was "permeable to speculation and highly exclusionary, especially for small cogeneration plants using biomass and small to medium-sized biomass plants"<sup>2</sup>. Although the Ministry of Industry, Energy and Tourism states that "the awarded 700 MW of renewable energy help to ensure meeting the 20% renewables by 2020 target", the Association believes that the outcome of the auction will hinder the achievement of such targets as it is not certain that all successful projects will be finally carried out and no new auctions will be called until the degree of achievement of the objectives is assessed. Thus, it requests that the Government establish periodic auctions, at least for biomass, in order to attain the 2011-2020 Renewable Energy Plan objective of reaching by the end of this year 1,350 MW of installed biomass power.

<sup>1</sup> <http://www.energias-renovables.com/articulo/la-patronal-eolica-europea-tambien-duda-de-20160121/> ; <http://www.ecoticias.com/energias-renovables/111199/subasta-eolica-olvidarhttp://www.ecoticias.com/energias-renovables/111199/subasta-eolica-olvidar>.

<sup>2</sup> <http://www.energias-renovables.com/articulo/appa-duda-sobre-el-futuro-de-los-20160115>.