

Renewable capacity auction to be held on 17 May

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Finally, the process that began with the Royal Decree of 31 March and continued with Order ETU/315/2017 of 6 April has concluded with the publication in the Official Journal of Spain on 12 April 2017 of two decisions issued by the State Secretariat of Energy on 10 April 2017 which: (a) provide the auction procedure and rules for allocation of the specific remuneration scheme (subsidy payment) in the call for applications open to new facilities that produce electricity from renewable energy sources (the "**Framework Decision**"); and (b) announce the date of the auction for allocation of the specific remuneration scheme for such facilities (the "**Auction Announcement Decision**").

The Framework Decision provides the procedure and rules to govern the auction, which will determine both the percentage reductions in the standard facility's standard initial investment value (reductions that make up the bids) as well as the power capacity allocated to the successful bidders.

As explained below, the Auction Announcement Decision refers only to a maximum of 2000 MW of power capacity, and so the scope of application of the Framework Decision will extend to successive auctions announced under Order ETU/315/2017 until the maximum value of 3000 MW set in Royal Decree 359/2017 is reached.

As occurred with the wind power and biomass facility auction in January 2016, this auction follows a sealed bid procedure under a marginal reduction scheme, although it is technologically neutral, i.e., there are no specific quotas or percentages reserved for the different technologies the auction addresses (the three categories are wind power technology, photovoltaic technology and remaining renewable technologies). The auction is based on the standard facility's standard initial investment value, with bidders offering percentage reductions against such value. The result of the auction will give the power allocated to each bidder for each technology.

In order to bid in the auction, interested parties must pre-qualify and qualify prior to the date of the same. "Pre-qualified bidders" must satisfy the requirements in section 10 and in the pre-qualification guide set out in annex II of the Framework Decision and "qualified bidders" must satisfy the requirements in section 11 and in the qualification guide set out in annex III of such decision.

Qualified bidders must abide by the auction rules provided in the annex of the relevant decision, among them the giving of security. The amount of security required to bid in the auction is sixty euros per kilowatt of qualifying volume.

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The Auction Announcement Decision, on the other hand, provides both the maximum power to be allocated financial rights under this competitive bidding process (which, as stated above, is 2000 MW)¹ and the timing of the auction, which is as follows:

The auction will take place from 9 am to 11 am on 17 May 2017 and will have the following timetable:

- Deadline for submitting the documentation for pre-qualification and qualification: 11 May 2017 at 1 pm.
- Trial auction with the qualified bidders: 12 May 2017 at 9 am.
- Trial access to the auction and electronic signature system: 16 May 2017 at 9 am.
- Date of the auction: 17 May 2017 at 9 am.
- Opening time for receipt of bids: 17 May 2017 at 9 am.
- Closing time for receipt of bids: 17 May 2017 at 11 am.
- Matching process and publication of the provisional results: Within two hours following the closing time for receipt of bids.
- Deadline for bidders to file complaints about the provisional results: Within two hours following the publication of the provisional results.

As opposed to the previous auction,² the Auction Announcement Decision sets a cap on percentage reductions that bidders can offer against the reference price (the standard facility's standard initial investment value). This cap is 63.43% for wind power technology, 51.22% for photovoltaic technology and 99.99% for remaining technologies. The minimum cost overrun per unit will be 9.462 €/MWh.

Lastly, bidders are required to bear the cost of organising the auction, which can reach 0.08 €/kW, depending on the amount of capacity awarded.

¹ Although in certain cases - classified as confidential - such power may be increased to a maximum of 3000 MW.

² The successful bidders at that auction were those who offered a 100% discount against the standard value of the initial investment.

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