

**Main provisions of the Draft Law 8449-D introducing RES auctions based on results of the Parliament Energy Committee meeting on 27/02/2019
(v.3 dated 11/04/2019)**

Issue	Provisions of the Draft Law 8449-D for the second reading
SECTION 1. AUCTIONS	
Date of new support scheme introduction	01 July 2019
Pilot auctions	To conduct a pilot auction during 6 months from the effective date of the Law; on or before 31 December 2019. The Cabinet of Ministers of Ukraine decides on the quota size for the pilot auction.
Annual auctions	Annual auctions from 01 January 2020
Auction frequency	2 times a year with deadlines on or before 01 April and 01 October
Entities obliged to participate in the auctions	WPPs with the installed capacity > 5 MW (or one wind turbine irrespective of the installed capacity) SPPs with the installed capacity > 1 MW
Participation in auctions on a voluntary basis	All other RES types (excluding WPPs, SPPs)
Support for the successful bidder	20 years
Quota size - approving authority, approval procedure	Annual quota size shall be approved by the Cabinet of Ministers of Ukraine. The Ministry of Energy and Coal Mining of Ukraine shall prepare submission on a quota size based on proposals of the transmission system operator and the State Agency on Energy Efficiency and Energy Saving of Ukraine. State Agency on Energy Efficiency and Energy Saving of Ukraine shall agree upon the sizes of quotas

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Allocation of annual quota by RES types	<p>At the transition stage in 2020-2022, annual support quota is allocated by shares per separate RE sources in the following way:</p> <ul style="list-style-type: none"> for solar – not less than 30%; for wind – not less than 30%; for other RES types (biomass, biogas, hydro-, geothermal) – not less than 15%. <p>Thereafter, annual quota is allocated by shares by separate RES types with following minimum level:</p> <ul style="list-style-type: none"> • for wind – not less than 15% • for solar – not less than 15% • for other RES types (biomass, biogas, hydro-, geothermal) – not less than 15% <p>During the auction, RES competition is ensured within these groups.</p>
Quota planning period	<p>Quotas shall be set annually for 5 years.</p> <p>The Cabinet of Ministers of Ukraine is entitled to define separate auctions to offer to investors the land plots with the Technical conditions for grid connection, special requirements for technologies (RES type) to be constructed</p>
Auction platform	Prozorro electronic auction platform
Auction design	<p>One-stage sealed-bid auction. The bidders shall submit closed bids containing the technical bid (capacity) and the price bid (electricity price per 1 kilowatt hour).</p> <p>The successful bidders are selected by the results of simultaneous opening of envelopes with and evaluation of technical and price bids. Price is the only criterion to select a successful bidder.</p>
Auction competition	<p>Competition is a mandatory condition to conduct an auction.</p> <p>Capacity for which the bidders shall obtain the right for the support cannot exceed 80% of the total capacity offered by all bidders</p>
Auction ceiling price	“Green” tariff for corresponding RES technology as of the auction date

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Measures to prevent from high concentration in the RES market	The maximum share of the annual quota to be awarded to one bidder with other related parties at two auctions (per year) shall not exceed 25%
Bidders qualification criteria	Requirements are as follows: <ul style="list-style-type: none"> - confirmation of a right for land ownership/use - concluded grid connection agreement for the facility - disclosure of beneficial owners, information about management and related parties - extract from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations of Ukraine - provision of a bid bond
Bid bond	EUR 5/1 kW to participate in the auction EUR 15/1 kW to be provided in case of auction winning as the guarantee of contractual obligation fulfilment. In addition, the bid bond for participation in the auction will be refunded.
Contractual structure	The Guaranteed Buyer undertakes to buy electricity from the producer at an auction price under the Power Purchase Agreement.
Local content surcharge	Surcharge shall be applied to the auction price. Surcharge rate shall correspond to the current Law (5% and 10%)
Responsibility for imbalances	Full responsibility after recognition of the intra-day market to be liquid (the Regulator shall decide on liquidity); from 2024 by latest.
SECTION 2. "GREEN" TARIFF	
Final date to sign a pre-PPA to complete the launched RES projects using the "green" tariff scheme (regardless of the project size)	By 31 December 2019. Terms and conditions for the pre-PPA conclusion: <ul style="list-style-type: none"> • confirmed right for land ownership/use; • concluded grid connection agreement for the facility;

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	<ul style="list-style-type: none"> • construction permit. <p>Terms and conditions to obtain the “green” tariff: commissioning of the SPP facility during 2 years from the date of pre-PPA signing and of all other RES facilities during 3 years from the date of pre-PPA signing.</p> <p>The “green” tariff rate is conditional on the facility commissioning date.</p>
“Green” tariff term	“Green” tariff is valid until 2030 only
“Green” tariffs for SPPs	Decrease for SPPs in 2020 is 25% with a further decrease by 2.5% annually during 3 years.
“Green” tariffs for WPPs	<p>Decrease for WPPs in 2020</p> <ul style="list-style-type: none"> – for turbines with the installed capacity exceeding 2 MW - decrease by 10% (without further annual decrease) – for turbines up to 600 kW, from 600 kW to 2,000 kW - decrease by 10% (with a further decrease by 1.5% annually during 3 years)
“Green” tariffs for biomass, biogas	Current “green” tariff shall be valid during 2020-2030
“Green” tariffs for micro-, mini-, small HPPs, and geothermal facilities	10% decrease of the “green” tariff in 2020
Simplified procedure for the “green” tariff setting (without obtaining an electricity generation license)	<p>Simplified procedure for the “green” tariff setting (without obtaining a license for solar and wind power generation, without individual setting of the “green” tariff) shall cover the following:</p> <ul style="list-style-type: none"> • Households with up to 50 kW generating facilities (wind, solar, combined wind-solar). It is provided under condition of installation of solar panels on roofs, facades of buildings and other capital structures. Such consumers shall be in contractual relations with the universal service provider • Other consumers with up to 150 kW generating facilities (wind, solar, combined wind-solar, biomass, biogas, micro HPPs, geothermal). It is provided under condition of installation of solar panels on roofs, facades of buildings and other capital structures. Such consumers shall be in contractual relations with the Guaranteed Buyer
Local content surcharge	Rate shall correspond to the current Law (10% maximum at 50+% local content)

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Responsibility for imbalances	Full responsibility after recognition of the intra-day market to be liquid (the Regulator shall decide on liquidity); from 2024 by latest
SECTION 3. NEW PROVISIONS	
Term of Technical Conditions for the grid connection	<p>Term is set for the technical conditions (currently, the technical conditions have no fixed term).</p> <p>Technical Conditions shall be valid for:</p> <p>2 years – for SPPs</p> <p>3 years – for other RES types.</p> <p>Technical Conditions issued to business entities having won the support by auction outcomes shall be valid for the term of fulfilment of such entities’ obligations for the construction and commissioning of the facilities (2 years for the SPPs and 3 years for other RES).</p> <p>Technical conditions issued before the Law effective date shall be valid for:</p> <p>2 years – for SPPs</p> <p>3 years – for other RES types.</p> <p>Technical Conditions issued to business entities having won the support by auction outcomes shall be valid for the term of fulfilment of such entities’ obligations for the construction and commissioning of the facilities (2 years for the SPPs and 3 years for other RES)</p>
Remedy for the foreign investments	<p>The Guaranteed Buyer shall include an arbitration clause in the PPAs at the “green” tariff and within auction support system (upon request of the investor).</p> <p>The condition for an arbitration clause is as follows: RES producers shall make contributions to the account of the Guaranteed Buyer for the latter to establish a special (target) fund to cover its arbitration costs.</p> <p>The amount of contributions is determined by the Regulator as part of the net income of the payer of contributions from its electricity generation activity but not more than 1% of net income</p>