



National
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Development of the legislative framework for renewables: existing incentives, new support mechanisms and identified regulatory issues

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Primary Legislation

- Renewable Energy Law (160-XVI/12.07.2007)
- Energy Efficiency Law (142/02.08.2010)
- Law on Electricity (124/23.12.2009)
- Law on Energy (1525/19.02.1998)

Secondary Legislation: ANRE Regulations

- Regulation on guarantees of origin for electricity produced from renewable energy sources
- Methodology for the calculation of tariffs for electricity and biofuels produced from renewable energy sources

Authorities and Institutions in the RE sector

- **Ministry of Economy (policy and strategy)**
- **National Agency for Energy Regulation (ANRE)**
- **National Agency for Energy Efficiency**

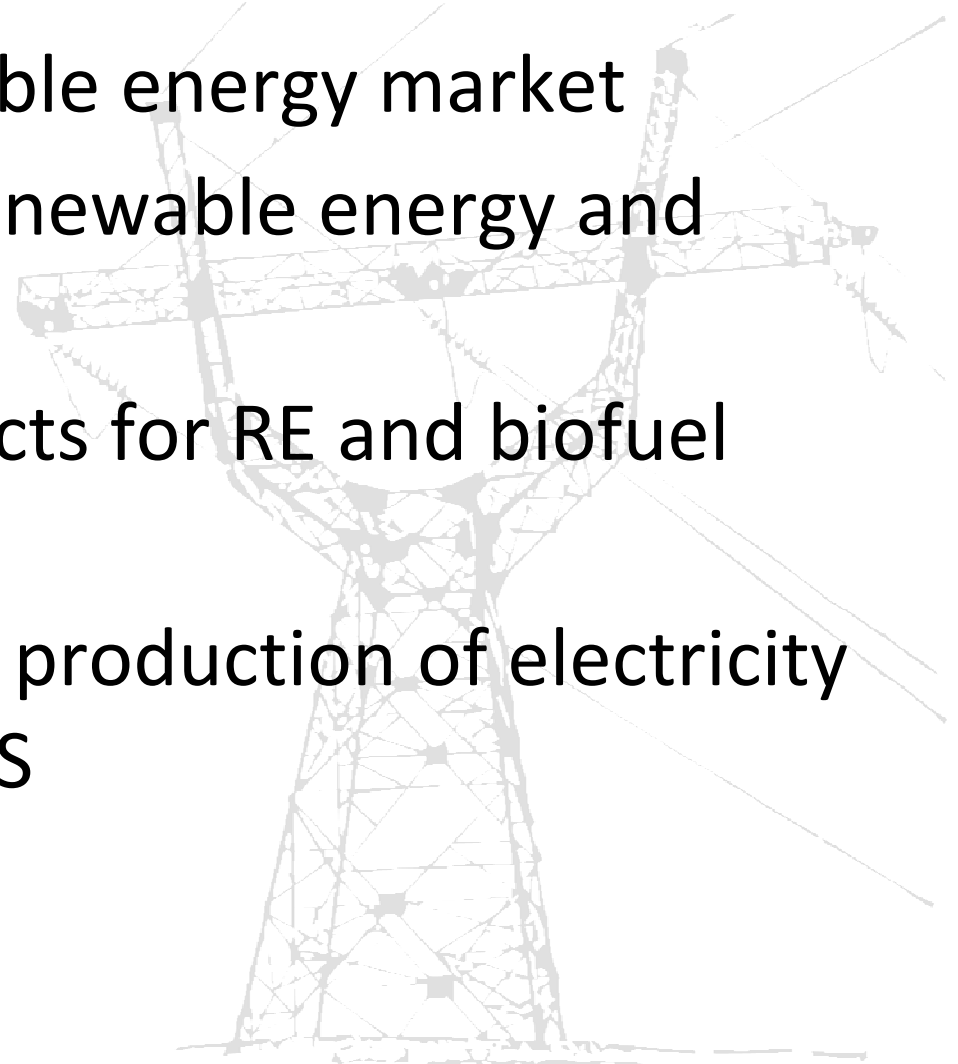
According to the law, the Agency for Energy Efficiency is the public authority in the field of renewable energy and energy efficiency.

- Implement state policy in the field of EE and RES;
- Participate in drafting legislative acts, programs, national action plans and standards in the field of EE and RES;
- Develop pilot projects;
- Consult central and local public authorities and offers technical assistance for developing programs to improve energy efficiency and use of RES;
- Authorize individuals and legal entities to conduct energy audits and keep records of nominated auditors and performed audits;
- Carry out activities for dissemination of information regarding energy efficiency, including energy efficiency mechanisms, financial and legal framework and regarding the use of RES;
- Organize workshops, conferences and exhibits for the promotion of EE and RES utilization.

ANRE functions according to primary legislation



- Regulate the renewable energy market
- Approve tariffs for renewable energy and biofuels
- Develop draft contracts for RE and biofuel trade
- Issue licenses for the production of electricity and biofuels from RES



Current incentives for Renewable Energy

- **An Energy Efficiency Fund was created in order to support and promote the energy efficiency activities and renewables**
- **The Funds financial resources shall be used exclusively for:**
 - Financing EE and RE projects;
 - Offering guarantees for loans allocated by financing and crediting institutions for projects aimed at increasing EE and use of RES in Moldova
 - Technical assistance, if necessary for the implementation of eligible projects
- **The Regulation of the Energy Efficiency Fund was developed by the Ministry of Economy and was circulated for proposals.**

Current incentives for Renewable Energy

- **Suppliers are obligated to acquire a pre-determined share of electricity and biofuels, produced from these sources;**
 - **These shares are established by ANRE in accordance to their market share.**
- **When purchasing RE and biofuels, if there are similar offers from other countries, priority shall be given to local producers;**
- **When dispatching electricity generating installations, the TSO shall give priority to generating installations using RES.**

Current incentives for Renewable Energy

- Free and nondiscriminatory access to the electricity grid and district heating network;
- No additional payments for license, except license fee (150 Euro);
- Mechanisms and stimulations used to financially support the renewable energy activities (MoSEFF);
- Tariffs for electricity production from RES are calculated and approved according to ANRE Methodology, which provides a higher rate of return for RE projects

Tariff setting principles

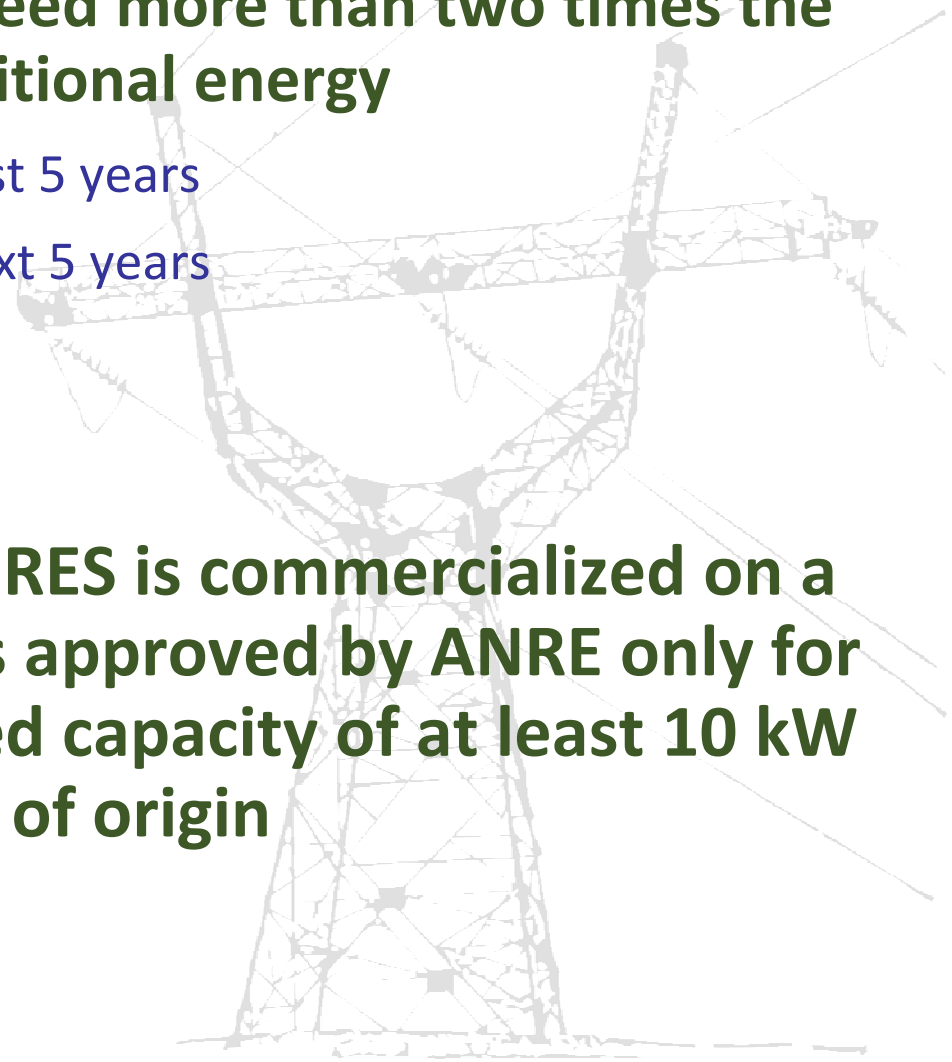
- Producers from RES must calculate new tariffs and submit their calculations and relevant documentation to the Agency for approval
- Tariffs for renewable energy are calculated for a payback period up to 15 years
- When approving tariffs for RE, prices for similar products on international markets shall be taken into consideration
- RE tariffs are revised each year

Tariff setting principles

Rate of return must not exceed more than two times the similar rate applied for traditional energy

- 1.5 times higher for the first 5 years
- 1.3 times higher for the next 5 years
- 1.1 for the last 5 years

Electricity produced from RES is commercialized on a contractual basis at tariffs approved by ANRE only for producers with an installed capacity of at least 10 kW and having the guarantee of origin



Authorization of RES activities

ANRE issues licenses for (according to law nr. 451):

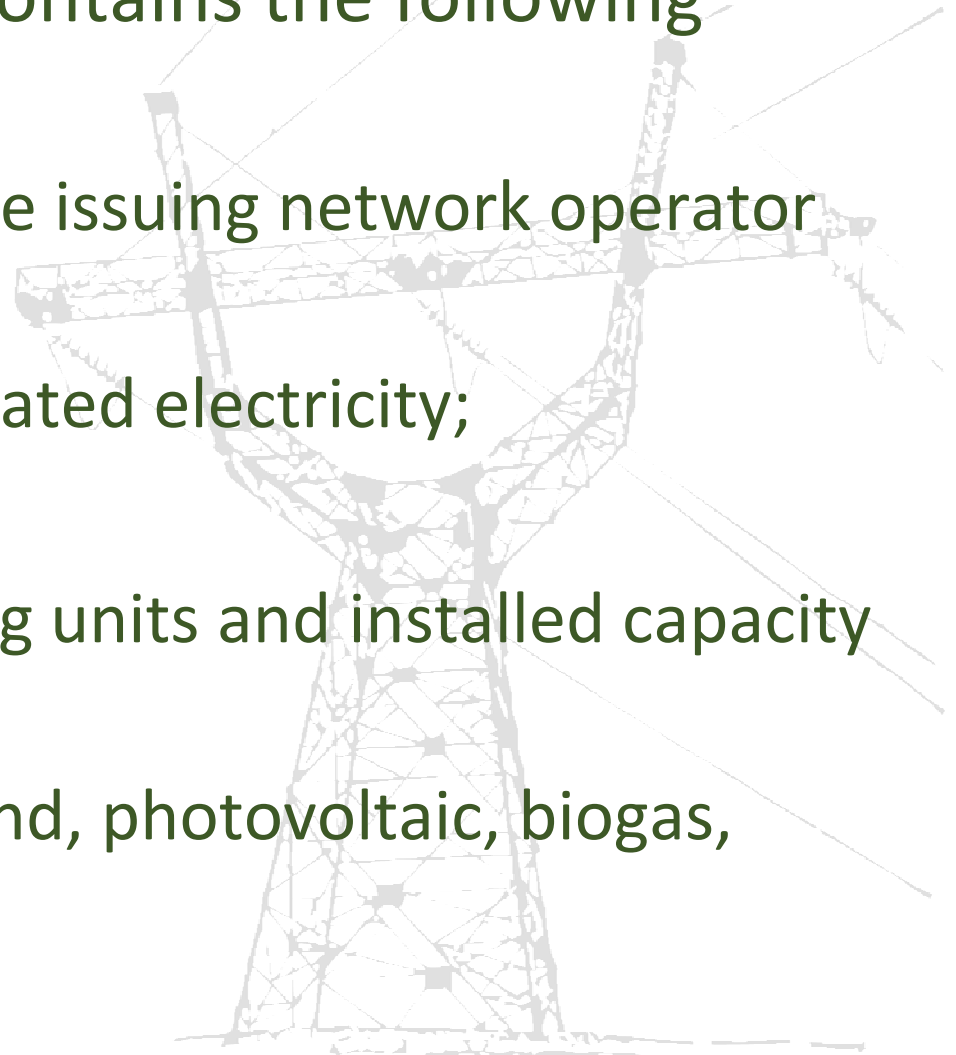
- Electricity production
 - Production of renewable fuel.
- **ANRE issues licenses for electricity producers that:**
 - own a PP with a total capacity of at least 5 MW, if this power is used for public consumption;
 - own a PP with a capacity of 20 MW and more, if the generated electricity is used for internal purposes.
- **ANRE shall issues licenses for the production of biofuels from RES**

Guarantees of origin

- Guarantees of origin are issued each month by the transmission or distribution network operator
- Guarantees are issued for producers with an installed capacity of at least 10 kW
- A guarantee covers all the electricity produced from RES
- ANRE keeps records and supervises the issuance and usage of guarantees of origin
- **The origin of the liquid biofuel shall be confirmed by a compliance certificate**

Guarantees of origin

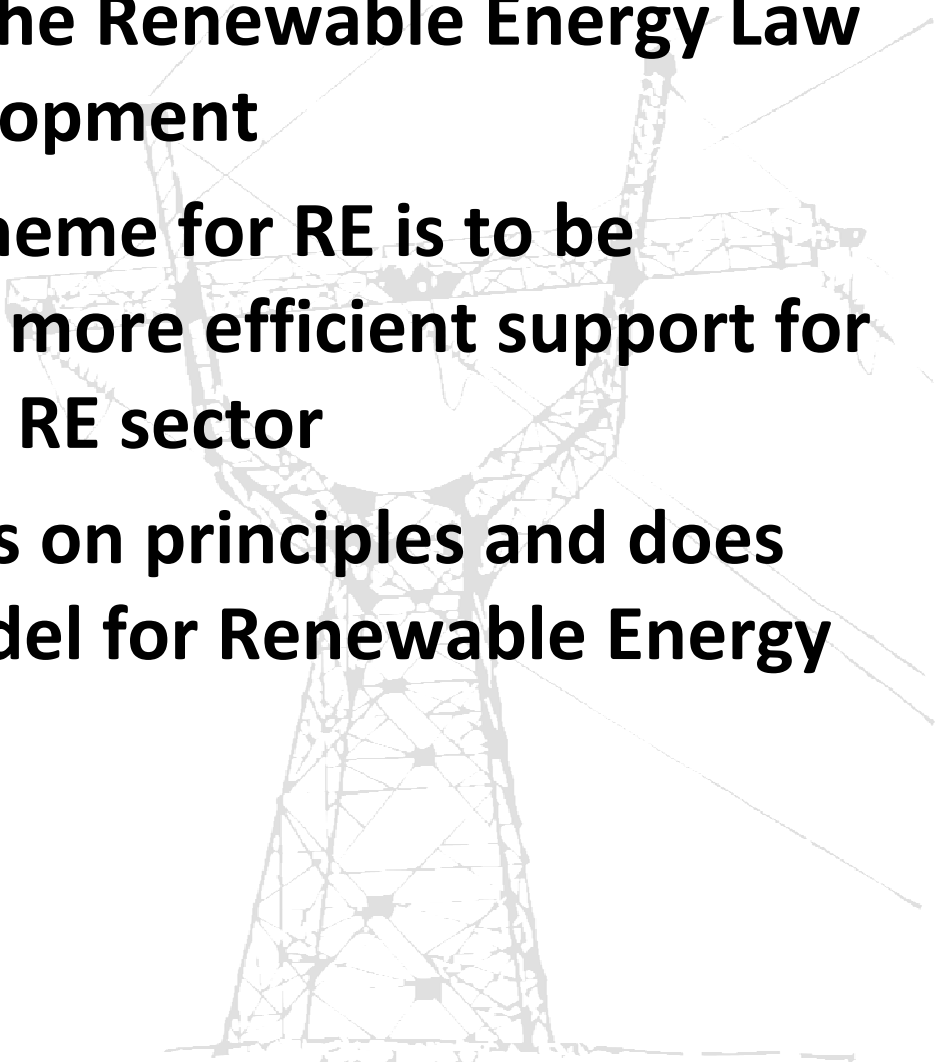
- A guarantee of origin contains the following information:
 - Information about the issuing network operator and producer;
 - The amount of generated electricity;
 - The level of voltage;
 - Number of generating units and installed capacity of each unit;
 - Type of RES used (wind, photovoltaic, biogas, landfill gas, etc.)



Development and amendment of the legal framework for Renewable Energy



- A draft law, amending the Renewable Energy Law is currently under development
- The existing support scheme for RE is to be redesigned, to ensure a more efficient support for the development of the RE sector
- The existing Law defines on principles and does not shape a market model for Renewable Energy



Development and amendment of the legal framework for Renewable Energy



- A “single buyer” model was considered as the most appropriate option
 - One single supplier will have the obligation to buy all the electricity produced from RES-E plants and from CHPs (RE Supplier)
 - The RE Supplier will carry out this activity on the basis of a license for electricity supply at regulated tariffs
 - The RE Supplier shall be assigned by the Agency following a tendering procedure, organized under Power Market Rules
 - All electricity suppliers (at regulated and non-regulated tariffs) and big customers that buy electricity generated from traditional sources, will have the obligation to buy RES-E from the RE Supplier proportional to their market/consumption share at tariffs approved by the Agency.

Development and amendment of the legal framework for Renewable Energy



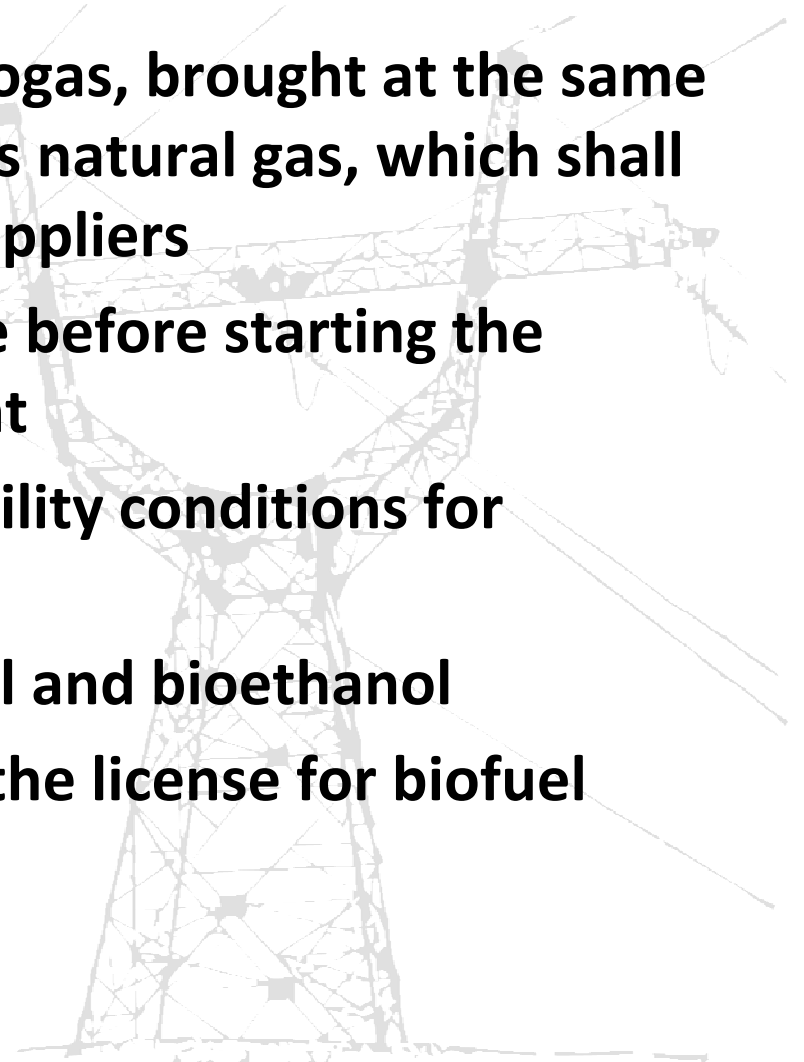
- **A Feed-in Tariff scheme is to be established in the Law**
 - **FiTs differentiated by technology and size of the plant**
 - **FiTs shall be offered for a period of 15 years**
 - **Capacity caps for different technologies will be established in the Law**
 - **FiTs shall be revised each 2-3 years**
 - **Recalculated FiTs will be applied to new projects and not to existing or ongoing projects that had been granted the FiT**
 - **FiTs will be adjusted to inflation and/or exchange rate**

Development and amendment of the legal framework for Renewable Energy



- **Other provisions**

- Incentives for production of biogas, brought at the same parameters and composition as natural gas, which shall be purchased by natural gas suppliers
- Possibility to obtain the license before starting the construction of the power plant
- Queue management and eligibility conditions for beneficiaries of the FiT
- Definition of biofuels: biodiesel and bioethanol
- Clear conditions for obtaining the license for biofuel production



Development and amendment of the legal framework for Renewable Energy

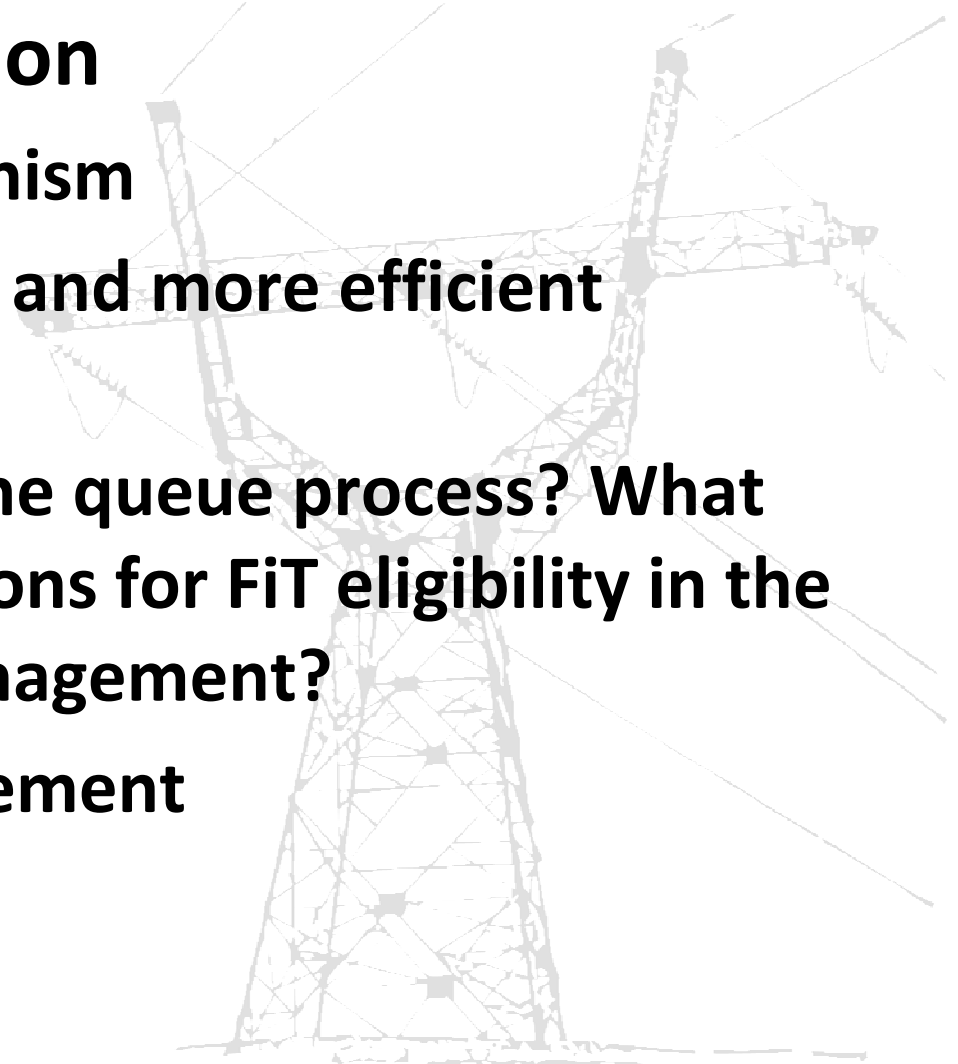


- **Issues under discussion**
 - What should be the balancing mechanism in case of imbalances produced by RES-E generators?
 - Who should buy electricity to cover the imbalances?
 - Who should be responsible for the forecast of produced RES-E?
 - How to incentivize more accurate forecast?

Development and amendment of the legal framework for Renewable Energy



- **Issues under discussion**
 - **FiT regression mechanism**
 - **How to promote new and more efficient technologies?**
 - **Who should handle the queue process? What should be the conditions for FiT eligibility in the context of queue management?**
 - **Interconnection agreement**



Development and amendment of the legal framework for Renewable Energy



- **Issues under discussion**

- Network access for renewable energy projects. RES-E plant connection to the grid.
- Who should be responsible for grid expansion? How connection cost should be allocated?
- The impact of RES-E plants on power grids operation
- How curtailment of RES-E generation is done? Should the generators be compensated for curtailment?
- How to estimate the impact of large scale implementation of renewables on tariffs (rates) for final customers

