

Ukrainian experiences on auction planning

AURES II Case Cooperation

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Ukrainian case cooperation



- Case cooperation between AURES II team and Ukraine
 - Together with Berlin Economics and Dixi Group
 - Guidance from the European Commission and Energy Community
 - Recommendations for the Energy Committee of the Parliament
- Recommendations based on the Draft Law No. 8449-D (Renewable Energy Auctions Law)
- Law has been adopted on 25 April 2019*
- Policy Briefs on...
 - recommendations on Ukrainian auction design (forthcoming)
 - implementation of RES auctions in Ukraine (forthcoming)

Shared expert recommendations on main provisions of the Draft Law No. 8449-D registered on 05/12/2018 (Renewable Energy Auctions Law)

Provision	Provision of the Draft Law	European Commission, Energy Community Secretariat, EBRD, IFC, World Bank (19 October 2018 letter to the Rada)	AURES II, Dixi Group, Low Carbon Ukraine - shared expert position
1) Date of new support scheme introduction	01 January 2020	The new support scheme should come into force as quickly as possible, with auctions introduced immediately following the entry into force of the amendments to the law. The first auction should be awarded no later than 31 December 2019, in order to allow for a transition period to ensure that all projects sufficiently advanced (see below) can still benefit from the tariff they were designed under.	Recommendation: New support scheme should be introduced as early as possible. Reasoning: Since the current system is associated with high support costs, a new support system should be introduced as soon as possible. Given that the implementation of the law will take time, 01.01.2020 seems to be a reasonable compromise to start the auctioning system.
2) 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: - confirmed right of land ownership/use; - concluded grid connection agreement for the facility; - construction permit. Terms and conditions to obtain the "green" tariff commissioning of the SPP facility during 3 years and of facilities of all other RES types during 3 years. The "green" tariff rate is determined by the date of facility commissioning.	A 1 July 2019 cut-off to qualify for launching projects under the existing Green Tariff is reasonable, provided that the requirement to have a pre-PPA in place be complemented by more stringent criteria, such as having a grid connection and land secured in place.	Recommendation: We recommend to set the last date for signing a pre-PPA to the date of the law's adoption plus 6 months. Reasoning: This provision is a way to minimise the number of projects receiving FIT after 2020. This both helps to reduce financial risks for the system and to ensure an appropriate level of competition during the first auctions.
3) Auction design	One-stage static sealed-bid auction. The bidders shall submit closed bids containing the technical bid (capacity for which the bidder intends to obtain the right) and the price bid (electricity price per 1 kilowatt hour). The successful bidders are selected by the results of simultaneous opening of envelopes with and evaluation of technical and price	An auction design relying on pay-as-bid (one-stage static auctions, with simultaneous openings of technical and price bids) appears to be reasonable.	Recommendation: Choose a simple auctioning design at the beginning (until 2025). The following design elements should be stipulated in the Law and sufficient to allow for an efficient auctioning scheme for Ukraine: - One-stage price bidding - Sealed-bid - Pay-as-bid award - Bidders offering the lowest price will be awarded the subsidy (price only) - Fixed support period - PPA for the whole support period with fixed strike price (= auctioned level of support) (see contractual structure)

Ukrainian version: [here](#)

English version: forthcoming on AURES II [website](#)

*Internal English not available yet – presentation based on provisions by IMEPOWER <https://www.imepower.com/wp-content/uploads/2019/04/Auction-Law-Summary-2019-04-26-Eng-v1.pdf>

Auction design elements proposed in the Law – simple design (at least until 2025)

- One-stage bidding procedure ✓
- Sealed-bid ✓
- Pay-as-bid pricing rule ✓
- Bidders offering the lowest price will be awarded the subsidy (price only) ✓
- Fixed support period ✓
- PPA for the whole support period with fixed strike price (= auctioned level of support) ✓
- Technology-specific (✓)
- Location-neutral (except Chernobyl) (✓)/ no wind-offshore auctions yet ✓
- Ceiling prices ✓
- Penalties for delays/ infringements ✓
- Pre-qualification requirements for participation (✓)
- Qualification stage of the projects after bids are opened
- Support should be stated in EUR (✓)

Volume setting procedure

- Technology-specific volumes ✘
 - Solar PV, wind onshore, Chernobyl region, biomass, biogas, small hydro, geothermal
- Cabinet of Ministers prepares Five Year Plan in each December

Main trade-off: Flexibility for government ↔ Investor confidence

- Annual revision with the following provisions ✘
 - 1st year: Fixed auction volume
 - 2nd and 3rd year: Deviation of up to 20%
 - 4th and 5th year: To the discretion of the Cabinet of Ministers
- Public reports on previous auctions results (?)
- Market studies on RES potential (?)

Minimum thresholds

Draft Law

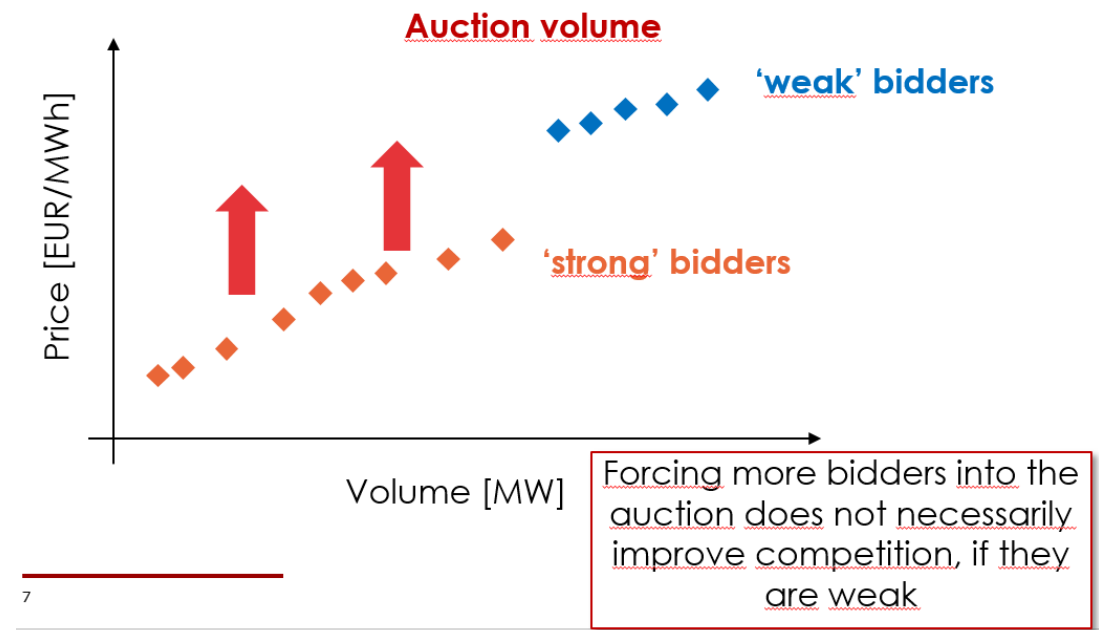
- **in 2020**
 - Solar PV: > 10 MW
 - Wind onshore: > 20 MW
 - Other RES: > 10 MW
- **in 2021 and 2022**
 - Solar PV: > 5 MW
 - Wind onshore: > 20 MW
 - Other RES: > 5 MW
- **from 01 January 2023**
 - Solar PV: > 1 MW
 - Wind onshore: > 3 MW
 - Other RES: > 1 MW

Our recommendations

- Lower thresholds from 01.01.2020 to increase competition
 - Solar PV: 1 MW ✓
 - Wind : 3 MW (or 3 turbines) (✓ - from 5 MW)
 - other RES: 1 MW ✗ (on a voluntary basis)
- No 15% trigger rule for RES technologies → all RES go to auctions ✓
- Clear definition of a single project (?)
 - Distance
 - Split into stages allowed

Medium-sized auctions

- No participation for RES projects under the thresholds (✓ no voluntary participation of small-scale PV and wind)
- Heterogeneous bidding groups → higher cost!
- Introduction of medium-sized auctions to introduce competition in the segments ✗
 - Solar PV: 1-5 MW
 - Wind onshore: 1-20 MW





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