



RES auctions in the EU state aid guidelines

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What do EU texts say about RES auctions?

Renewables Directive (2009)

N/a

→ State aid guidelines (2014)

2015/2016 = transition
2017 = all
Exemptions apply

RED II

?

EEAG 2021-

?

DG Competition / DG Energy
Transition period: little experience to date

Why auctions?

1. Market based *price discovery*

= avoid over- or under-compensation

2. *Budget capping / planning*

= avoid uncontrolled open-ended support

3. = no need to define mature vs non-mature

Self-regulating phase-out mechanism



Definition of "competitive bidding process"

EEAG (43):

*"**Non-discriminatory** bidding process that provides for the participation of a **sufficient number of undertakings** and where the aid is granted on the basis of either the **initial bid** submitted by the bidder or a **clearing price**. In addition, the **budget or volume** related to the bidding process is a binding constraint leading to a situation where not all bidders can receive aid."*



Two general principles in the 2014 EEAG, fully applicable since 1 January 2017

- A) All aid should be granted in a competitive bidding process;
- B) the competitive bidding process should be open to all generators and not limited to certain technologies.
- But there are exceptions to those 2 rules (some flexibility)
 - Exceptions to auctions and;
 - Exceptions to tech neutrality:

Exemptions to auctioning (1/4)

Small-scale installations

*"installations with an installed capacity of less than **1 MW** [...] except for the electricity from wind energy, for installations with an installed electricity capacity of up to **6 MW** or **6 generation units**."*

Demonstration projects

*"means a project demonstrating a technology as a first of its kind in the Union **and** representing a **significant innovation that goes well beyond** the state of the art"*

Exemptions to auctioning (2/4)

"only one or a very limited number of projects or sites could be eligible"

Possible cases:

- Will not attract sufficient number of bidders for effective price formation
- Disproportionate administrative costs

examples

- Small country?
- Spatial planning / environmental constraints?
- Limited RES resources?
- Link with technology-neutrality!

Exemptions to auctioning (3/4)

"competitive bidding process would lead to higher support levels"

Examples:

- Strategic bidding / collusion
- High development risks translating into high bids

examples

- Concentrated market?
- High development costs?

DESIGN OPTIONS to tackle those risks

- Cap price
- Maximum awarded capacity per participant
- Auction earlier in development process
- Development costs partially socialised

Exemptions to auctioning (4/4)

"competitive bidding process would result in low project realisation rates"

RISKS

- Underbidding => underdelivering

ARGUMENTS

- Past evidence of low realisation rates?

DESIGN OPTIONS to tackle those risks:

- Floor price
- Prequalification requirements (material and financial)
- Delivery penalties
- Pay as bid (instead of uniform pricing)

Exemptions from tech-neutrality

- A) "longer term potential of a given new and innovative technology"
- B) "need to achieve diversification"
- C) "network constraints and grid stability" and/or "system (integration) costs"
- D) "need to avoid distortions on the raw material markets from biomass support"

Alternatives to auctioning

RO / Certificates

Technology neutrality still required, with same exemptions

Investment aid

General compatibility provisions (cumulative):

- well-defined objective of common interest*
- need for State intervention*
- appropriateness*
- incentive effect*
- proportionality*
- avoidance of undue negative effects on competition and trade*
- transparency*

Support at EU-level

No state aid

Conclusion

*Auctioning as **default option***

*Some **flexibility in the design** of the auctions*

*Limited **exemptions to auctioning**, but too early to draw general conclusions*

***Case-by-case, evidence-based assessment** by DG COMP*



Thank you for your attention!