

## **Solar licence applications: testing new licensing and contest regulations**

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Energy & Natural Resources Turkey

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**Introduction**

Taner Yildiz, the minister of energy and natural resources, recently commented that "there cannot be a growing economy without a growing energy sector". This statement reflects estimations that Turkey's electricity demand and supply must double by 2023 if the government's economic goals are to be achieved.

Turkey depends heavily on imported oil and gas to produce electricity. The government has put much effort into increasing the use of local resources in electricity production. Renewable energy resources play an important role in this respect. With the introduction of the new Electricity Market Law,(1) the new Licence Regulation(2) and the new Contest Regulation,(3) which bring in a new licensing and contest system, Turkey hopes to attract greater investment in renewable energy, especially in wind and solar power. These new regulations will be put to the test by the solar licence applications made in June 2013.

This update examines the newly introduced regulations and analyses their impact on existing solar power licence applications.

**Licence Regulation**

The new Electricity Market Law changed the licensing system dramatically by incorporating a pre-licence mechanism into the licensing procedure. Furthermore, the Licensing Regulation introduced more detailed provisions in relation to this new pre-licensing mechanism.

Under the new system, investors are first given a pre-licence that enables them to obtain the necessary approvals and permits required for constructing a power plant. This pre-licensing structure is beneficial for investors, as it saves time during the construction phase. Under the previous system, investors had to wait until they had obtained a licence before obtaining certain approvals, thereby delaying the whole procedure. The pre-licensing structure prevents investors from such delays. A pre-licence is granted for a 24-month period. This period may be extended to 36 months by the Energy Market Regulatory Authority (EMRA), depending on the resource type and installed capacity of the facility.

The Licence Regulation also amended the application dates for wind and solar power plant licences. Previously, as application dates were not specifically set out in the legislation, investors were obliged to wait for EMRA to declare a date on which it would collect licence applications for wind and solar power plants. This prevented potential investors from making projections for their future investments. To solve this problem, the Licence Regulation sets out a specific provision that pre-determines application dates. According to the regulation, the vacant capacity for solar and wind energy facilities will be declared by the Turkish Electricity Transmission Company (TEIAS) by April 1 each year. Based on these vacant capacity figures, investors will be able to make pre-licence applications for wind power plants within the first five days of October and for solar power plants within the last five days of October every year.

Furthermore, the Licence Regulation details the licensing procedure for power plants. The regulation also describes the reviews and inspections to be made by government authorities and regulatory bodies and the approvals to be obtained by applicants.

### **Contest Regulation**

The Contest Regulation sets out the principles to be used in the contests opened by TEIAS when more than one application is made for a solar or wind licence for the same connection point. The new Contest Regulation introduces three important amendments regarding such contests.

The contest principles regarding solar licence applications are now similar to those for wind licence applications. Under the previous regulation, the company that committed to deducting the highest amount from the feed-in-tariff would win the contest. Under the

new regulation, the company that commits to making the highest contribution will be deemed the winner.

Furthermore, under the new regulation, companies in the contest must make their bids per megawatt hour and not per kilowatt hour. The regulation also sets out that the winner of the contest must make the contribution payment to TEIAS in three instalments. Under the former regulation, the payments were to be made in 20 years' time.

All amendments brought by the Contest Regulation aim to determine which investors are serious and give them the chance to obtain solar or wind licences. In the past, the energy sector in Turkey suffered from companies obtaining electricity production licences for the sole purpose of trading them. Purchased licences often did not turn into actual production, which had a negative impact on electricity supply figures. The new principles aim to avoid such problems.

#### **Recent applications for solar licences**

EMRA collected licence applications for power plants using solar power between June 10 and 14 2013. EMRA had previously declared that it would give licences for only a total capacity of 600 megawatts (MW). However, when the five-day application period closed, 496 applications had been made with a total capacity of around 8,900MW. Of these, 103 applications were delayed due to incomplete documentation. The evaluation process for these applications is still being finalised. Once this process has been completed, the application files will be sent to the Renewable Energy General Directorate in accordance with the Licence Regulation.

The directorate will make a technical assessment with regard to licence applications. Those that are found to be technically compliant will be sent to TEIAS, which will examine the connectivity issues related to each application. If an applicant is the only company making a licence application for a connection point, TEIAS will send the application to EMRA for finalisation of the pre-licence process. Where multiple applications have been made for the same connection point, TEIAS will open a contest, in accordance with the Contest Regulation. The winner of each contest will be notified to EMRA, which will examine the winning applications and grant a pre-licence in

accordance with the Licence Regulation. This process is expected to be completed in September 2014 with the grant of pre-licences to the winners of the contests.

### **Comment**

Both the Licence Regulation and the Contest Regulation are important for solar and wind power plant licence applications. The regulations aim to create a well-operated licensing system that ensures that licences are granted only to serious investors that will actually invest in constructing and operating the power plants for which they receive a licence. It is hoped that the licensing process for solar licence applications will help to determine whether these regulations serve their intended purpose.

*For further information on this topic please contact Serra Basoglu Gurkaynak, Ozan Karaduman or Deniz Yeltekin at Mehmet Gün & Partners by telephone (+90 212 354 00 00), fax (+90 212 274 20 95) or email (serra.gurkaynak@gun.av.tr, ozan.karaduman@gun.av.tr or deniz.yeltekin@gun.av.tr). The Mehmet Gün website can be accessed at [www.gun.av.tr](http://www.gun.av.tr).*