

# ENERGY & NATRUAL RESOURCES 2016

## EXPERT GUIDE

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Mónica Carneiro Pacheco

www.cms-rpa.com  
monica.carneir pacheco@cms-rpa.com  
+351 210 958 100



Solar Power in Portugal  
By Mónica Carneiro Pacheco

Portugal has been heavily criticised in the past for lacking significant solar production despite having an enviable solar resource. Due to its geographic location the average annual sunlight exposure varies between 1,700 and 2,500 hours yet installed solar capacity and production is considerably less than other member states – namely Germany, Denmark and Belgium – where the sun doesn’t shine as much.

Apparently, this situation is about to change.

Although the most recent data (DGEG, quick statistics, March 2016) shows an installed capacity of only 474MW, the truth is that solar photovoltaic was the technology which has shown greater growth between 2007 and 2016, relatively speaking (compared to the existing residual power), and some experts believe that the next decade will be the “solar decade”.

The fact is that we are assisting to a growing interest in this sector from both national and foreign investors. The major issues are still grid connection and market conditions.

In fact, according to the changes introduced by Decree-law 215-B/2012, of 8 October 2012, the special regime generation can now also be remunerated through market schemes.

So, currently, the electricity generated under the special regime can benefit from two different remuneration schemes: it can be sold under the general regime, in which special regime generators sell the electricity

generated on the same terms as those generators in the ordinary regime, i.e., in organised markets or through bilateral agreements with final consumers or electricity suppliers, including the market facilitator or it can be sold to the last recourse supplier, currently EDP SU (and benefit from a special tariff and/or guaranteed remuneration set by a number of Decree-Laws. The last recourse supplier is obliged to purchase the electricity generated under the special regime from generators that benefit from the special tariffs and/or guaranteed remuneration.

Under the special regime with guaranteed remuneration, reserve of capacity of injection in the public grid is attributed under public tenders or other procedures still not defined or regulated.

On its turn, production under market-based pricing depends only on obtaining a production license or on acceptance of a prior communication (in the case of grid connection power lower than 1MVA). Meaning that unlike the guaranteed remuneration scheme, the attribution of a license in the general regime does not depend on a prior reserve of grid capacity.

According to the applicable legislation, the request for the attribution of such license – which should be submitted to Direção Geral de Energia e Geologia (DGEG) between day one and day 15 of the months of January, May and September – requires or may require a considerable investment from the promoter, who does not yet have a guaranteed connection to the grid, making this a risk that the promoter needs to undertake.



The issue is that this request must be accompanied by numerous of elements ranging from a project of the power-generating plant (description and drawings identified in annex II of Decree-law 215-B/2012) to a favourable Environmental Impact Statement (EIS) and an opinion concerning compliance of the EIS – otherwise known as Report on Environmental Conformity with the Execution Project, when required. All this in addition to the information on the existence of capacity and the conditions for the connection to the grid that the promoter must obtain from the National Transport Grid operator (REN) or the National Distribution Grid

operator (EDP Distribuição), depending on the power to be installed, and evidence of land permits where the photovoltaic plant is to be installed.

As it is generally known, the Environmental Impact procedure is in itself a complex and slow procedure (although a favourable tacit act can be expected in instances where certain decision deadlines are exceeded) and could entail high costs.

In this context, it seems evident that the promoters will try to avoid areas where an environmental impact pro-



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cedure is not mandatory, since the remaining elements to obtain the license are compulsory. Given the kind of power plants in question, it seems it won't be hard to find a non-sensitive area not subject to an environmental evaluation which means that obtain a license could turn to be not so difficult (still without any guarantee of grid connection).

If this is the case, then we may find ourselves in a similar scenario to that of the past when the, then so called, establishment licenses were often obtained solely for transaction purposes.

On the other hand, there will surely be many requests for the installation of photovoltaic power plants in the same areas.

This will leave the licensing authority Energy and Geology Directorate-General (DGEG) with a difficult role. With all the interest arising in this sector, DGEG will not only have to analyse numerous requests (after each of the periods for the submission of the requests for the

attribution of licenses), but also to select such requests, based on the criteria established by law, when the existing or foreseeable grid reception capacity is not enough to attend to all the requests. As far as we know, more than 1000MW have been requested so far.

This means that this regime, although well-intended, may not only create situations that should be avoided in this “new solar decade”, but also make the procedure too heavy on the licensing entity. There should be room to introduce mechanisms, such as limitations to the transmission of the license for a given period or the introduction of financial capacity criteria that while not closing the market – it should be open to all who wish to have access to this activity – would allow to decrease the negative aspects of the procedure.

Finally on the market-pricing side, there are many uncertainties and we are of the opinion that an exemption (and provisional) regime should be established while the announced European market model is not set out.

