

THE HONEYMOON IS OVER: TURKEY LIMITS THE ELECTRICAL CAPACITY INCREASE CAPABILITIES AND FEED-IN BENEFITS IN RENEWABLE PROJECTS

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2019 witnessed two important changes in the renewable projects in Turkey. First, the legislation provided that the new electrical capacities after 28 February 2019 cannot benefit from Turkey's renewable energy feed-in tariff; i.e., YEKDEM¹. Further, TEİAŞ, the state-owned transmission system operator, provided limits to the maximum additional electrical capacities that can be allocated to each region in respect of the wind and solar projects. No additional capacities will be permitted in certain regions, such as the renewably rich Aegean region.

First Change: No feed-in for the new capacities after 28 February 2019.

The amendment introduced to Article 6(c) of the Renewable Energy Law² on 28 February 2019 provided that the increased capacities, for which a license amendment is made after 28 February 2019, shall not benefit from YEKDEM. In other words, the existing capacity may benefit from YEKDEM, but the electricity output generated from such increased capacity can be sold on a merchant basis without the support of the feed-in tariff.

On 23 August 2019, amendments were introduced to the Electricity Market Licensing Regulation³ and YEKDEM Regulation⁴. These clarified that only electrical capacity increases (but not the mechanical capacity increases) qualify as "capacity increase" for the purposes of Article 6(c) of the Renewable Energy Law. Therefore, the electrical capacities increased after 28 February 2019 will not benefit from YEKDEM.

Second Change: Limitations on the Electrical Increase Capabilities

Based on the Electricity Market Regulatory Authority's ("EMRA") decision No. 8704 and dated 11 July 2018, TEİAŞ provided limits to the electrical capacity increases in wind and solar projects⁵. Accordingly, EMRA may accept the electrical capacity increase demands up to the capacities permitted by TEİAŞ for each region (as set out in the annexed map).

¹ Renewable energy power plants can participate in the YEKDEM mechanism that mainly provides a guaranteed purchase price for the first 10 years of the operation, provided that such power plants are commissioned by 31 December 2020.

² The Law No. 5346 on the Use of Renewable Energy Resources for the Energy Generation Activities, published in the Official Gazette No. 25819, dated 18 May 2005.

³ Published in the Official Gazette No. 28809, dated 2 November 2013.

⁴ The Regulation on Documentation and Support for Renewable Energy Resources, published in the Official Gazette No. 28782, dated 1 October 2013.

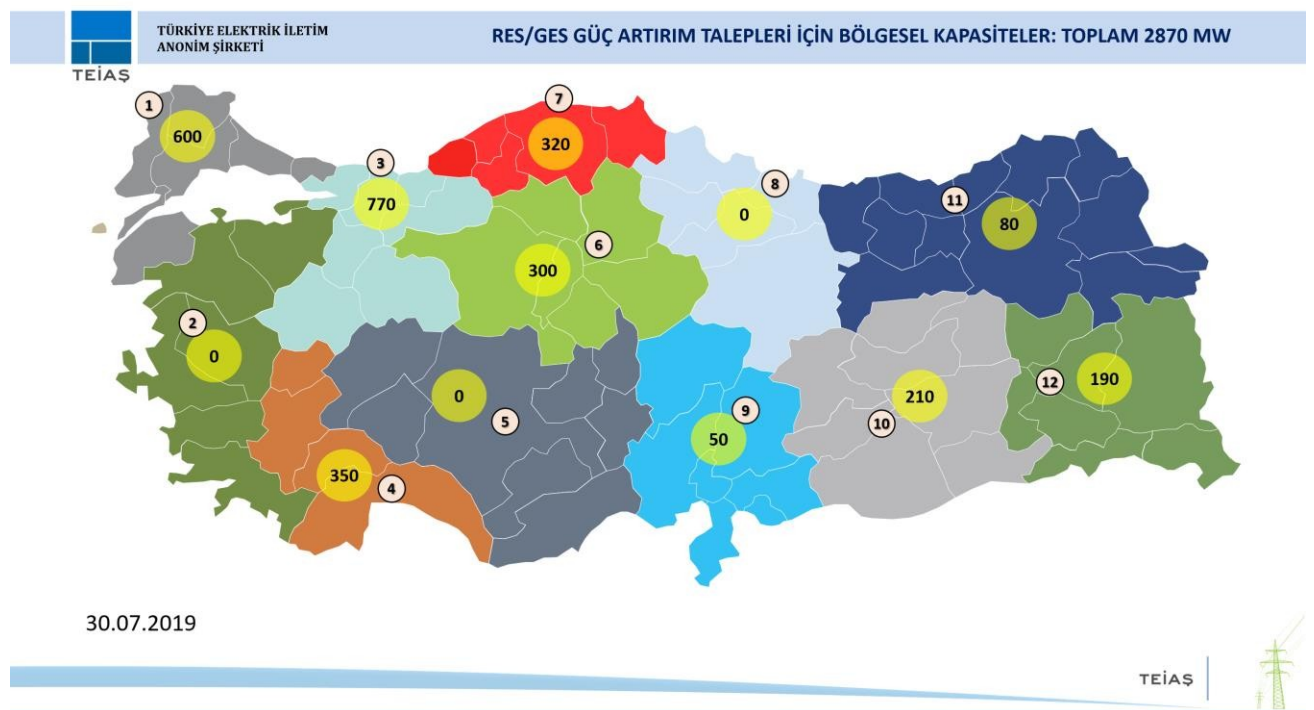
⁵ The announcement of TEİAŞ dated 31 July 2019 was published on <https://www.teias.gov.tr/tr/duyuru/resges-guc-artirim-taleplerine-iliskin-bolgesel-kapasiteler>

No additional capacities are allowed in certain regions with the exception of the projects which have already completed their mechanical capacity installation. Such projects might be granted with an electrical capacity increase up to the half of the delta between their licensed mechanical and electrical capacities.

Underlying Reasons.

- **First change:** The legislator reasoned⁶ that there is a need to limit the increasing YEKDEM costs (which are based in US Dollars) to protect the customers that ultimately shoulder these costs as a result of the YEKDEM cost components in the tariffs.
- **Second Change:** TEİAŞ seems to have considered the actual need for new wind and solar capacities on a region by region basis. Regions 2 and 5, where most of the wind and solar power plants are currently located, are not granted with any additional capacity. On the other hand, the biggest capacities are allocated to the Marmara region (regions 1 and 3) presumably on the account of the fact that the regional supply of electricity is lower than the demand in these industrially most developed regions.

Annex: The map setting out TEİAŞ's regional limits to the electrical capacity increases.



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⁶ https://www.tbmm.gov.tr/develop/owa/tasari_teklif_sd.sorgu_yonlendirme?d_yy=999&taksim_no=2&y_d_d_k=7&esas_no=&genel_evrak_tarihi_basla=&genel_evrak_tarihi_bitis=&metin_arama=maden+kanunu&icerik_arama=