

Recent Developments in Solar Power in Turkey

6 June 2012

The Regulation Concerning the Competition of License Applications for Solar Power Plants (the “**Competition Regulation**”) has been issued by the Turkish public electricity transmission company (“**TEİAŞ**”) on 29 May 2012. With the issuance of the Competition Regulation, the statutory framework permitting the licensing of solar power projects in Turkey has been completed.

Background Information

- On 8 January 2011, the long awaited amendments to Turkey’s Renewable Energy Law No. 5346 were enacted (the “**New Law**”). The New Law increased the amount of the guaranteed price for the sale of electrical energy generated by renewable energy companies. Prior to the New Law, the minimum guaranteed price was in the range of 5-5.5 Euro cents/kWh for all types of renewable energy resources. The new minimum guaranteed price for solar energy is 13.3 USD cents/kWh for the first 10 years of operation.
- On 19 June 2011, the Ministry of Energy and Natural Resources (“**MENR**”) issued the Regulation on Solar Power Plants.³ This Regulation specifies the required standards and test methods applicable to solar power plants and the MENR procedures for their audits.
- On 8 July 2011, following the New Law and the Regulation on Solar Power Plants, the Board of the Energy Market Regulatory Authority (“**EMRA**”) adopted the general principles of a competition regulation to regulate the conditions and procedures for solar power plant license applications.
- On 12 August 2011, MENR announced, on the website of EMRA, the transformer centers and the capacities for connection to the grid by solar power plants by 31 December 2013.
- On 22 February 2012, EMRA issued the Communiqué on Standards for Measurements for Wind and Solar Power License Applications⁴ according to which license applicants shall make solar measurements of the regions on the basis of the capacity of the transformer centers they are interested in and shall then make application to EMRA with such measurement results.

The Competition Regulation

The recent Competition Regulation aims to regulate the competition process for the determination of the eligible bidder to be connected to the grid in the event of multiple applications for the same region and/or same transformer center for a solar power plant project. An outline of the Competition Regulation is provided below:

Deduction Fee: Though the Competition Regulation is very similar to the competition regulation issued for multiple wind power applications, an outstanding difference is that bidding under the Competition Regulation for solar power is conducted by giving a **deduction fee** instead of payment of a contribution fee to TEİAŞ. The deduction fee is

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1 Published in the Official Gazette No. 28307 dated 29 May 2012.

2 Published in the Official Gazette No. 25819 dated 10 May 2005.

3 Published in the Official Gazette No. 27969 dated 19 June 2011.

4 Published in the Official Gazette No. 28212 dated 22 February 2012.

defined as the amount to be deducted from the new minimum guaranteed price under the New Law, in USD cents/kWh, per unit kWh of the net electricity generated by the power project, starting from the temporary acceptance of the first unit of the generation facility, until the expiration of the guarantee period under the New Law.

Procedure: The applicants for the same region and/or same transformer center shall be notified by EMRA to TEİAŞ, which applicants will then be considered eligible bidders for the competition. TEİAŞ will announce these eligible bidders through its website and will send an invitation letter to the applicants to submit an offer. The bids will be submitted in a sealed envelope, along with the other required documents prescribed under the Competition Regulation as well as a letter of guarantee, corresponding to TL 10,000 per MW of the installed capacity of the solar power project (rounded up to the nearest MW).

Selection Procedure/Criteria:

- a) The bids will be ranked starting from the highest bid, first on a regional basis, then on a transformer center basis.
- b) If there are overlapping projects, the highest bid shall eliminate the remaining bids.
- c) If there are intersecting projects, the higher bidder shall have the right to use the intersecting area. The remaining bids shall be taken into account with their bids corresponding to the installed capacity for areas which are not subject to intersection. This implementation is subject to the consent of the relevant bidder.
- d) In the event the applicants for the overlapping or intersecting projects are not connecting from the same transformer center, then:
 - i. if an applicant has given the highest bid for a transformer center, but failed to give the highest bid on a regional basis, such bidder shall be given priority over others;
 - ii. if more than one applicant, who gave the highest bids for different transformer centers, applied for overlapping or intersecting projects, then the highest bid among these applicants shall become successful for the overlapping/intersecting area.

Subsequent to the above, along with the successful bids, the bids shall all be ranked in terms of the same transformer center to determine the bidder(s) for the solar power generation plant connectivity capacity of the relevant transformer center. As a result of the assessment, the bidder who submitted the highest bid for the deduction fee will acquire the right to be connected to the system.

Expected Next Steps

Although EMRA has not made an official announcement, Hasan Köktaş, president of EMRA, has stated in a recent press statement that EMRA may start accepting license applications for solar power between 10 – 14 June 2013 until when potential applicants would need to complete solar measurements and other pre-licensing works. EMRA is expected to announce its decision regarding the required documentation and pre-licensing works for solar power license applications shortly. The competition process shall follow the submission of license applications to EMRA.

Subsequent to the competition process, TEİAŞ will notify EMRA of the results of such competition; and EMRA shall grant the successful bidders generation licenses subject to the provisions of the Electricity Market Law No. 4628. The successful bidders shall also be required to enter into Solar Power Generation Deduction Fee Agreements with TEİAŞ.