

Turkish Electricity Market Review 2023

2023 has proven to be a dynamic year for the electricity sector in Türkiye. The total installed capacity, which stood at 103,809 megawatts ("MW") at the end of 2022, surged to 106,008 MW by the end of November 2023.¹ Renewable energy plants provided approximately 40% of the annual production. Simultaneously with these developments, the sector underwent several legislative changes and pivotal decisions. In this article, we compile the key developments of this year.

1. Electricity Storage Power Plants Leave Their Mark in 2023

The impact of the 2022 amendments, allowing the revision of the existing licenses for capacity increase and issuance of preliminary licenses without competition for the establishment of wind power plants ("WPP") and solar power plants ("SPP") with the requirement to establish an electricity storage facility, continued through the year. A record number of applications were submitted to the Electricity Market Regulatory Authority ("EMRA"). EMRA reported to have granted preliminary licenses to 428 applications, exceeding a cumulative capacity of 23,000 MW. 176 applications were for WPPs with a total capacity of 12,000 MW, and 252 applications were for SPPs with a total capacity of 11,000 MW. This means an expected investment of roughly USD 35 billion in the electricity market.²

Supply license holders who previously obtained the right to have a stand-alone storage plant in their licenses have also been granted the right to establish electricity storage power plants using the same connection opinion. This prioritization of the supply license holders was criticized by other investors applying for preliminary license. Additionally, although the legislation provided for "first come first served" principle, there have been allegations that certain applications were rejected an affirmative connection opinion.

As of 14 October 2023, EMRA has suspended accepting applications for electricity storage power plants until a further decision, to safeguard supply and system security against the high demand for establishing electricity storage power plants.

2. Offshore YEKA Tenders

On 19 January 2023, the Ministry of Energy and Natural Resources ("MENR") announced the National Energy Plan and declared the target to increase the installed capacity of offshore WPPs to 5 GW by 2035.³ On 4 August 2023, MENR announced four regions, three off the Marmara Sea (Karabiga, Bandırma, Gelibolu) and one off the North Aegean (Bozcada), as candidate Renewable Energy Resource Areas ("YEKA") to host Türkiye's first offshore WPPs.⁴

¹ <https://enerjiajansi.com.tr/teias-2023-kasim-ayi-kurulu-guc-raporunu-yayinladi/>

² <https://www.epdk.gov.tr/Detay/Icerik/2-13183/12-turkiye-ruzgar-enerjisi-kongresi>

³ <https://enerji.gov.tr/duyuru-detay?id=20317>

⁴ <https://enerji.gov.tr/duyuru-detay?id=20382>

The first of the offshore WPP YEKA tenders had been held back in 2018 and canceled due to lack of participation.

3. SPP Installation Permitted in Certain Forestry Areas

In accordance with the amendments made in the forestry regulations⁵, the installation of licensed SPPs is now permitted in stony, rocky, and unproductive forest areas devoid of tree and shrub communities, where the technical feasibility of forest establishment and forestry activities is unattainable. No amendments have been made to the regulation prohibiting the establishment of license-exempt electricity power plants in forested areas.

4. Impact of 6 February Earthquakes on the Electricity Sector

The earthquakes of 6 February, epicenter at Kahramanmaraş, had a profound impact on the electricity sector. The 2023 Kahramanmaraş and Hatay Earthquakes Report⁶, prepared by the Presidential Strategy and Budget Directorate reveals the extensive consequences for the energy sector in 11 provinces affected by the earthquake, constituting 23.6 percent of Türkiye's total installed capacity as of the end of 2022. The report estimates a substantial damage of TRY 11,243.4 million, with TRY 2.3 billion attributed to the public sector and TRY 8.9 billion to the private sector.

In the aftermath of the earthquake, EMRA took a series of decisions to extend the terms for several obligations of the license holders in the electricity market. Furthermore, the earthquakes that occurred on February 6 has been declared as force majeure in terms of the periodical obligations of preliminary license or generation license holders.⁷ EMRA has decided to grant an additional period equal to the duration of the state of emergency to the validity periods of the letters of invitation to connection agreements issued by relevant network operators across the country, valid as of 6 February, and to the existing duration of the connection agreements themselves.⁸

5. Developments regarding License-Exempt Electricity Generation and YEKDEM

In the first quarter of 2023, amendments have been made regarding license-exempt power plants to be installed within the same facility area and to be connected to the grid from the same measurement point as licensed generation facilities.⁹ Accordingly, in case of an energy flow from these license-exempt generation facilities to the grid, this energy will be considered as a free contribution to Renewable Energy Support Mechanism ("YEKDEM").

Subsequently, with the amendments made in the middle of the year, license-exempt electricity generation facilities have been allowed to carry out the set-off procedures of the generation and consumption facilities, which are located within the regional borders of different distribution and authorized supply companies, by creating one or more groups and the principles to be applied to these groups have been determined.¹⁰

Lastly, it has been determined that, if energy is supplied to the grid from the generation facilities installed under Article 5/1-h of the Regulation on License-Exempt Electricity Generation in the Electricity Market ("License-Exempt Regulation") and the ones installed under Article 5/1-h of the License-Exempt Regulation, this energy will be considered within the scope of YEKDEM.¹¹

⁵ Regulation on Amending the Regulation on the Implementation of the Third Paragraph of Article 17 of the Forestry Law, published in the Official Gazette No. 32105 dated 15 February 2023

⁶ <https://www.sbb.gov.tr/wp-content/uploads/2023/03/2023-Kahramanmaras-ve-Hatay-DepremLeri-Raporu.pdf>

⁷ EMRA Board Decision No. 11650, published in the Official Gazette No. 32108 dated 18 February 2023

⁸ EMRA Board Decision No. 11651, published in the Official Gazette No. 32108 dated 18 February 2023

⁹ Regulation on Amending the Regulation on License-Exempt Electricity Production in the Electricity Market published in the Official Gazette No. 32120 dated 2 March 2023

¹⁰ EMRA Board Decision No. 11917 published in the Official Gazette No. 32231 dated 24 June 2023 and entered into force on 1 July 2023

¹¹ Regulation on Amending the Regulation on License-Exempt Electricity Production in the Electricity Market, published in the Official Gazette No. 32307 dated 12 September 2023 and entered into force on 1 October 2023

6. Charging Network Licenses and YEK-G Integration

Charging network operator license holders have been included in the scope of the Regulation on Renewable Energy Resource Guarantee Certificate in the Electricity Market and green charging stations have been defined in the regulation.¹² Charging network operators, who are Renewable Energy Guarantee of Origin System (“YEK-G”) users and/or market participants, are now obliged to redeem and disclose YEK-G documents to users receiving charging services from green charging stations.

7. Comprehensive Amendments in the Licensing Regulation

The Electricity Market Licensing Regulation (“Licensing Regulation”) has undergone significant amendments.¹³ Notably, certain obligations required to be completed during the preliminary license period have been abolished. These obligations related to (i) obtainment of expropriation decisions for water retention areas in hydroelectric power plants, (ii) obtainment of expropriation decisions and preliminary forestry permits for ash areas in domestic mines and imported coal-based thermal power plant projects, and (iii) completion of allocation procedures concerning the installation area for generation facilities in nuclear power plants. After obtaining a generation license for WPPs, the owner of the usufruct rights in licensed project site, other than the owner, now has the opportunity to establish a license-exempt plant on the site.

In addition, Turkish Electricity Transmission Company (“TEİAŞ”) will notify MENR and EMRA of its report on the capacities of regional generation facilities that can be connected for the following five and ten years each year by 1 October. EMRA will allocate capacities from the total connectable capacity reported by TEİAŞ. These capacity allocations will be related to the preliminary license applications for the installation of WPPs and SPPs, requests for electrical capacity increases, applications for hybrid facilities, and applications for generation facilities to be connected at the transmission level within the scope of Article 5/1-h of the License-Exempt Regulation. Additionally, EMRA will allocate, from the remaining connectable capacity, the preliminary license and generation license amendment applications of electricity storage power plants.

8. Draft Regulation on the Operation of Carbon Markets Open for Public Views

As part of the European Union’s (“EU”) commitment to achieving complete carbon neutrality by 2050 under the European Green Deal, companies exporting to the EU are expected to align with reduced emission standards. Corresponding initiatives are underway in Türkiye. On 13 November 2023, the Draft Regulation on the Operation of Carbon Markets was made available for public views on EMRA’s website. This regulation aims to incentivize the economically efficient reduction of carbon emissions by establishing procedures and principles for the creation and operation of carbon markets. These markets will facilitate the distribution, purchase and sale of allowances within the scope of the emission trading system. The Regulation establishes an Emission Trading System, which sets an upper limit on emissions while allowing the buying and selling of allowances. The Emission Trading System is anticipated to be operated by Energy Markets Operator Company of Türkiye (EPIAŞ).

9. Resource-Based Price Cap and Maximum Settlement Price Mechanism Have Ended

EMRA had implemented the Resource-Based Price Cap (“RBPC”) and the Maximum Settlement Price (“MSP”) mechanism in response to the Russia-Ukraine war in 2022, to ensure supply security given that the war had led to extraordinary price increases in global energy raw material prices. Under these mechanisms, EMRA used to set a price cap for each type of energy resource, by taking into account production costs. Every month, this price cap was adjusted in accordance with changing market conditions. Producers with low production costs were required by the MSP to pay a support fee and provide security as an indication

¹² Regulation on Amendments to the Renewable Energy Resource Guarantee Certificate Regulation in the Electricity Market published in the Official Gazette No. 32282 dated 17 August 2023

¹³ Regulation on Amendments to the Electricity Market Licensing Regulation, published in the Official Gazette No. 32339 dated 14 October 2023

of their financial stability. This support fee was reflected as a “support fee receivable amount” to market participants who ultimately purchased energy from low-cost facilities. This practice, which had been extended twice, on 29 September 2022 and 30 March 2023 and which, according to, EMRA chairman, prevented an increase of 130% in end consumers’ bills, ended on 30 September 2023.

10. Recent Developments in Imports: New Decisions Regarding Solar Panels

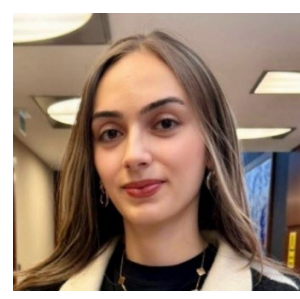
Several changes have been implemented concerning the import of panels used in SPPs. Firstly, the glass used in the production of solar panels will be exempt from the ongoing surveillance practice, and if a capacity report on solar panel production is submitted, the 2B-Exporter-Manufacturer Information Form will not be required for glass products containing the HS code 7007.19.80.00.15 used in solar panel production.¹⁴ Furthermore, procedures and principles regarding the prospective surveillance practice for photovoltaic cells have been determined. Accordingly, "photovoltaic cells that are not assembled into a module or arranged in panels" with a unit value below the customs value of USD 60/Kg can only be imported with a surveillance certificate.¹⁵



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¹⁴ Communiqué on Amendments to the Communiqué on the Implementation of Surveillance in Imports (Communiqué No: 2020/1) published in the Official Gazette No. 32083 dated 24 January 2023

¹⁵ Communiqué No. 2023/2 on the Implementation of Surveillance in Imports, published in the Official Gazette No. 32086 dated 27 January 2023