

The Government concludes the renewable energy reform with Order IET/1045/2014, of 16 June, approving the remuneration parameters for the existing standard installations

On 21 June 2014, Order IET/1045/2014, approved by the Ministry of Industry, Energy and Tourism, entered into force, approving the remuneration parameters for standard installations applicable to certain installations that produce electricity using renewable energy sources (the "**Parameters Order**"). This finalises the renewable energy reform, aimed at reducing premiums and avoiding the tariff deficit.

The Parameters Order has introduced some changes with regard to the Draft Order, which include an increase in standard installations ("**ITs**"), rising from 1276 to 1517, and the useful life recognised for cogeneration installations, up from 20 to 25 years.

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I. Object and scope of the Parameters Order

The aim of the Parameters Order is to establish the specific parameters that apply when calculating the remuneration to which the existing renewables installations will be entitled during the first regulatory half-period (i.e., from 14 July 2013 to 31 December 2016).

The Order establishes the equivalence between the categories, groups and sub-groups defined prior to the entry into force of Royal Decree 413/2014, of 6 June ("**RD 413/2014**") and the new categories, groups and sub-groups established in said RD, stipulating, in relation to each of the latter, the different ITs and their corresponding codes for the purpose of determining the remuneration regime applicable to each one.

The following fall within the scope of the Parameters Order:

- (i) Installations whose incentivised remuneration status was recognised prior to 14 July 2013 (the date of entry into force of Royal Decree-law 9/2013, of 12 July).
- (II) Solar thermoelectric installations that qualified for the regime envisaged in the third additional provision of Royal Decree 1565/2010, of 19 November.
- (III) Those installations that qualify for the remuneration regime established in RD 413/2014 by virtue of the Fourth Additional Provision thereof (up to 120 MW of technology other than wind, solar thermoelectric and photovoltaic, falling within the cases envisaged in said Provision and who file their application within one month of the fifteen-day period following the entry into force of the Order).

II. Remuneration aspects applicable to the installations included within the scope of the Parameters Order

The Annexes to the Parameters Order establish the equivalence between the categories, groups and sub-groups defined prior to the entry into force of RD 413/2014 and the new categories, groups and sub-groups established in said RD, as well as the IT that corresponds to each one, depending on a variety of characteristics, such as capacity, start-up year, technology and other technical characteristics.

Moreover, the Annexes contain the remuneration parameters for the ITs during the first regulatory half-year (regulated useful life, hours of operation, return on investment and on operation, standard value of the initial investment, etc.).

The hypotheses for calculation of the foregoing parameters will be those contained in Annex III and the parameters considered for the calculation of the remuneration parameters, are those that appear in Annex VIII of the Parameters Order.

III. Regulated useful life

The regulated useful life of the installations subject to the Parameters Order is the following:

CATEGORY	GROUP	SUB-GROUP	Regulated useful life (years)
a) COGENERATION	a.1	a.1.1, a.1.2, a.1.3	25
	a.2		25

b) NON-FOSSIL RENEWABLE	b.1 SOLAR	b.1.1 PHOTOVOLTAIC	30
		b.1.2 THERMOSOLAR	25
	b.2 WIND	b.2.1	20
	b.3 GEOTHERMIC		20
	b.4, b.5, b.6, b.7, b.8 HYDROELECTRIC AND BIOMASS AND BIOGAS		25
c)	c.1, c.2 and c.3 WASTE		25

IV. Assignment of IT by default

In those cases in which, in view of the information available, it is not possible to determine the IT corresponding to a certain renewable installation, the following assignment by default is established:

- (i) Group b.4 installations (hydroelectric) < 10 MW will be assigned sub-group b.4.2 by default [hydroelectric stations constructed on existing infrastructures (dams, canals or pipelines) or devoted to uses other than hydroelectric].
- (ii) Group b.5 (hydroelectric) > 10 MW will be assigned sub-group b.5.2 by default [hydroelectric stations constructed on existing infrastructures (dams, canals or pipelines) or devoted to uses other than hydroelectric].
- (iii) Those technologies in which there is a different IT depending on whether the main equipment is a motor or a turbine, will be assigned the IT corresponding to turbines.
- (iv) Group c.1 installations will be assigned the IT corresponding to grate-firing boiler technology by default.
- (v) Group c.2 installations will be assigned the IT corresponding to industrial waste fuel by default.

Those renewables installations whose default assignment does not coincide with what would correspond to them taking into account the main characteristics of the same, can submit an application for modification of the IT together with the documentation that justifies said

modification¹ to the Directorate General for Energy Policy and Mines of the Ministry of Industry, Energy and Tourism within three months as of the entry into force of the Parameters Order (21 September 2014) and exclusively via electronic means.

V. Impact by technology

The Report of the National Markets and Competition Commission ("**CNMC**") of 3 April 2014, on the Draft Parameters Order, made the following considerations (which have not been reviewed considering the Parameters Order as it has been approved):

- (i) It acknowledged that the application of the remuneration parameters will entail a reduction of 1.7 billion euros in the specific remuneration of renewables installations, considering that the wind generation installations will suffer the greatest reduction of the share of remuneration (600 million euros), followed by the photovoltaic installations (400 million euros) with the majority of the rest being distributed among technologies such as thermosolar and hydroelectric (and cogeneration and waste).
- (ii) The renewables installations hardest hit in comparison with the remuneration they received prior to the publication of RD 413/2014 will be the hydroelectric ones (their remuneration falling by between 50% and 90%), followed by the cogeneration installations (reductions of between 70% and 90%), and finally the wind, thermosolar and photovoltaic ones.

Also, the CNMC considered that the system of remuneration parameters is affected by anomalous situations in relation to the ITs assigned, pointing out that in some cases the same ITs will be facing radically different situations and that, as a result, the effects as regard remuneration will differ (also highlighting the one-off nature of such cases).

VI. Appeals against the Parameters Order

An appeal for judicial review may be filed against the Order before the Contentious-Administrative Chamber of the Supreme Court within a term of two months as of its publication, i.e., until 20 September 2014.

¹ For installations assigned by default to the IT corresponding to sub-group b.4.2 or b.5.2, water use right and certificate of recording at the Water Registry; for installations assigned by default to the IT corresponding to turbine main equipment, certificate issued by a recognised entity or equivalent electricity performance compliance certificate.

VII. Financial situation of the companies affected by the Parameters Order

The approval of the Parameters Order allows the companies affected by the energy reform to make the calculations necessary to assess the impact of the reform on the financial situation of significant projects and implement their desired legal strategy, as can be seen in detail in our [Client Briefing "The Spanish Government prepares to finalize the renewable energy reform with the approval of Royal Decree 413/2014"](#), dated 6 June 2014.

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