



Questions and Answers on the Draft conditions for pilot tendering procedure for a price premium for electricity generated at solar photovoltaic installations

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This document contains questions asked in relation to the coming Danish pilot tendering procedure for solar PV and answers to these questions from the Danish Energy Agency.

The answers in the present document are based on the draft tender conditions published on 22 February 2016. Later changes to these draft tender conditions can affect the answers given below.

This document will be updated on an ongoing basis to include any new questions and answers.

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General topics

Question

1. How is this pilot tender different from existing support systems for electricity from solar PV in Denmark?

Answer

The existing financial support for electricity from solar PV in Denmark is given as fixed feed-in-tariffs whereas this is a competitive tender, where the lowest bids will win the financial support. It is the first time in Denmark that financial support for electricity from solar PV will be awarded through a competitive tendering procedure.

Furthermore, the current framework for solar PV mainly promotes smaller installations in households and other installations targeted at self-consumption, where the upcoming pilot tendering procedure is expected to attract utility scale installations.

Question

2. Is this the first open tender for solar PV capacity in Denmark?

Answer

This will be the first tendering procedure for solar PV capacity in Denmark and one of the first tenders of RE capacity in the European Economic Area (the EEA) that is partly open to installations located in at least one other EEA member state.

Denmark is working on an agreement with Germany on mutual opening of PV tenders.

Question

3. Can a cooperation agreement allow for different tender design in the participating countries?

Answer

The cooperation agreement is expected to concern separate but mutually open tenders where each country decides the tender conditions in its own tender.

Question

4. Could the tender be open to other countries than Germany?

Answer

According to Act on a Pilot Tender for Price Premiums for Electricity Produced by Solar Photovoltaic Installations, the pilot tender can be open for EEA countries which have direct electrical connection to Denmark and with which Denmark has concluded a cooperation agreement. Currently Denmark has direct electrical connections to Norway, Sweden and Germany which are all members of EEA.

Denmark is working on an agreement with Germany on mutual opening of PV tenders.

Question

5. What does the pilot tender hope to achieve beyond new generating capacity?

Answer

With the pilot tender we hope to measure both industry interest and which price levels are achievable in a Danish context.

The Commission has expressed concerns whether the Danish financing mechanism for renewable electricity production could entail discrimination against imports within the meaning of Articles 30 and 110 TFEU. With the opening for installations located in at least one other EEA member state, Denmark remedies this potential discrimination for the period of 2015 and 2016. This remedy was a condition for approval of Danish state aid schemes in

- the Commission's decision of 24 October 2014 in State aid SA.36204 – Denmark – Aid to photovoltaic installations and other renewable energy installations,
- the Commission's decision of 28 October 2014 in State aid SA.37122 – Denmark - Aid to household wind turbines and offshore wind turbines with an experimental aspect and
- the Commission's decision of 26 February 2015 in State aid case SA.40305 – Denmark - Horns Rev 3 offshore wind farm.

Question

6. Is there a risk, that the PV-tender will not be completed because of delay in negotiating a cooperation agreement?

Answer

The tender must be arranged in 2016. The Danish Energy Agency is confident that Denmark will conclude a cooperation agreement with Germany or another relevant EEA country in due time for the tender to be arranged in 2016.

Question

7. Will the price premiums be financed by the PSO-tariff?

Answer

Price premiums are expected to be financed by the PSO-tariff, but depending on the long term solution to the PSO-problem, this could change. A change in the source of financing will not affect the payment of price premiums.

Price premium

Question

8. How is the price premium calculated?

Answer

The draft conditions for the pilot tendering procedure describe a price premium given as a fixed premium on top of the market price.

It follows from the draft tender conditions that the price premium is described as a fixed payment for each MWh produced, irrespective

of the market price except, that no premium is paid for production in hours where the spot price in the relevant electricity market is zero or negative.

A winner in the tender is responsible for selling the electricity for the duration of the awarded contract resulting from the tender. The income from this sale or costs related hereto does not affect the level of the price premium.

A part of the pilot tender will be open for PV installations located in at least one other EEA country than Denmark which has direct electrical connections to Denmark. As the opening needs to be based on a cooperation agreement between the countries, the final content of the tendering conditions, e.g. the type of price premium and other design elements, will reflect relevant considerations necessary for Denmark to enter into a cooperation agreement with the EEA country in question.

Question

9. Will there be a maximum price?

Answer

The draft tender conditions do not include a maximum price.

Question

10. What happens after the end of the support period?

Answer

The price premium will be paid for 20 years from grid connection of the installation, with a maximum of 23 years from the contract was signed. After the end of the support period no further price premium will be paid.

In the support period and thus for the duration of the contract awarded to a winner in the tender, the entire production must be delivered to the grid. After the end of the support period, the tender material including the contract will not exclude that electricity from the installation can be used by the producer for self-consumption.

Provided that all relevant regulations are respected, it will be up to the owner of the installation for how long the installation is kept operational.

Selling electricity in the market

Question

11. Can electricity from installations covered by a contract be used for self-consumption?

Answer

No. The entire production from installations covered by a contract as result of the pilot tender must be sold in the electricity market.

Question

12. Is the owner of an installation covered by a contract responsible for selling the electricity in the market?

Answer

Yes. The owner of an installation covered by a contract as result of the pilot tender is responsible for selling the electricity at market terms.

Question

13. Who will be responsible for balancing the production

Answer

The owner of an installation covered by a contract as result of the pilot tender has standard balancing responsibility.

Production from an installation in Denmark must be handled by a balancing responsible party approved by Energinet.dk.

Question

14. Do participants in the pilot tender need to handle trading and balancing themselves?

Answer

Production, consumption and trade activities in the Danish electricity market must be assigned to a balance responsible party who must enter an agreement with Energinet.dk to assume responsibility for the specific activities, ie. production, consumption or trade.

If the producer is not a balance responsible party, arrangements must be made for the production and trade to be handled by a balance responsible party.

A list of balance responsible parties in Denmark is published at <http://www.energinet.dk/EN/EI/Engrosmarked/Aktoerer/Sider/Balancansvarlige-aktoerer.aspx> (in English)
<http://www.energinet.dk/DA/EI/Engrosmarked/Aktoerer/Sider/Balancansvarlige-aktoerer.aspx> (in Danish)

Question

15. Will winners in the tender be free to deliver balancing services and explore other business opportunities?

Answer

The winners in the tender will be free to trade in the market and e.g. deliver balancing services as specified in the general regulation of these services.

Question

16. How is the owner of an installation compensated if the TSO orders a reduction in production (curtailment)?

Answer

Compensation in case of curtailment is not regulated as part of the draft tender design. Any compensation will follow from other regulation.

The owner of an installation covered by a contract as result of the pilot tender will be compensated according to the regulation in force for the relevant market at the time of curtailment.

Question

17. Will the owner of an installation need to pay energy taxes or PSO/EEG-tariffs for electricity generated at installations covered by a contract?

Answer

Energy taxes, the Danish PSO-tariff and the German EEG-tariff are all paid by the consumer and not by the producer.

Installations in Denmark must pay a production tariff of 0,3 øre/kWh. The tariff is settled with the party that holds balance responsibility for the relevant production.

Total tender volume, size of opening and size of bids

Question

18. What is the motivation behind the tender volume of 20 MW?

Answer

The 20 MW correspond to 5 % of expected new capacity for renewable electricity in 2015 and 2016, thereby fulfilling the requirement of pilot tenders in point 126 of the European Commission's Guidelines on State aid for environmental protection and energy (EEAG 2014).

Question

19. Are the capacity limits based on DC or AC capacity?

Answer

In the draft tender conditions the term capacity always relates to AC capacity. Usually the nominal capacity of the inverter will define the capacity of a solar PV installation.

This definition of installed capacity will be used in relation to the size of individual bids, the size of the opening and the total tender volume.

Question

20. Why is the size of an individual bid limited to 2.4 MW?

Answer

As the opening for projects located outside of Denmark is limited to 2.4 MW, bids for larger projects than 2.4 MW located outside of Denmark cannot win contracts in the pilot tendering procedure. To treat tenderers for projects located respectively in- and outside of

Denmark equally, the same limitation is applied to projects located in Denmark.

Question

21. Is the opening of 2.4 MW reserved for projects outside of Denmark?

Answer

No. Projects located outside of Denmark will only win contracts in the tendering procedure up to a maximum of 2.4 MW if their bids are cheaper than bids from projects located in Denmark.

Question

22. How does the possibility of exceeding the 20 MW work?

Answer

It follows from the draft tender conditions that the tenderers can decide on the size of their bids within a maximum capacity of 2.4 MW. With this uncertainty about bid sizes, it is unlikely, that the cheapest bids will add up to 20 MW exactly. It is more likely, that a number of bids sum up to nearly 20 MW, while the next cheapest bid fits partly in the 20 MW, but cannot be included in the 20 MW with its full capacity.

The Danish Energy Agency will award contracts based on the full capacity of each bid, beginning with the cheapest bids until accept of a bid causes the sum of accepted bids to reach or exceed 20 MW.

With a maximum limit on individual bids of 2.4 MW, the acceptance of the bid which causes the sum of accepted bids to reach or exceed 20 MW, can increase the sum of all winning bids to a maximum of 22.399 MW.

When the limit of 20 MW has been reached or exceeded, no further bids can be accepted.

Question

23. How does the possibility of exceeding the 2.4 MW for projects located outside of Denmark work?

Answer

The Danish Energy Agency will award contracts based on the full capacity of each bid, beginning with the cheapest bids until accept of

a bid causes the sum of all accepted bids to reach or exceed 20 MW.

The limitation on projects located outside of Denmark will come into effect if bids regarding more than 2.4 MW located outside Denmark are among the cheapest 20 MW. In this case only the cheapest bids regarding projects located outside of Denmark will be accepted until the accept of a bid causes the sum of all accepted bids regarding projects outside of Denmark to reach or exceed 2.4 MW.

With a limit on individual bids to a maximum of 2.4 MW, the acceptance of the bid which causes the sum of all accepted bids regarding projects located outside of Denmark to reach or exceed 2.4 MW, can increase the sum of all winning bids regarding projects located outside of Denmark to a maximum of 4.399 MW.

Grid connection

Question

24. Which regulation on grid connection applies?

Answer

The draft conditions for the pilot tendering procedure do not include any separate rules concerning grid connection.

Winners of contracts in the pilot tender must connect their installations to the grid in accordance with the relevant existing regulations which are in force at the time when the installation is connected to the grid.

Question

25. What happens if regulations on grid connection are changed before the installation has been connected?

Answer

The draft conditions for the pilot tendering procedure do not include any separate rules concerning grid connection.

Winners of contracts in the pilot tendering procedure must connect their installations to the grid in accordance with the relevant

existing regulations which are in force at the time when the installation is connected to the grid.

Question

26. Where do I find the technical regulations for grid connection of solar PV installations in Denmark?

Answer

The technical regulations for grid connection of solar PV installations in Denmark are published at:

<http://www.energinet.dk/EN/EI/Forskrifter/Technical-regulations/Sider/Forskrifter-for-nettilslutning.aspx#3.2.2> (in English)
<http://www.energinet.dk/DA/EI/Forskrifter/Tekniske-forskrifter/Sider/Forskrifter-for-nettilslutning.aspx> (in Danish)

Question

27. How will it be ensured that installations follow the applicable regulations for grid connection in Denmark?

Answer

Larger PV installations cannot be connected to the Danish electricity grid before the local DSO (grid company) has approved that the installation complies with the relevant technical regulations.

Question

28. Is it a real limitation that installations in Germany need to be connected to a grid which is connected to the Danish grid?

Answer

This is not expected to be a limitation. The German grid in general is connected to the Danish grid. The requirement of delivering to the grid means, that self-consumption is not allowed.

Other topics

Question

29. Will projects approved for the general Danish support scheme guaranteeing 60/40 øre/kWh be allowed in the tender?

Answer

A project can participate in the tender as long as the work on a project has not started. The intention in the draft tender conditions is to avoid double aid to the same project.

Question

30. Will it be possible to apply for 60/40 øre/kWh if a project participates in the tender but do not win a contract?

Answer

From May 3, 2016 it is no longer possible to apply for aid under the 60/40 øre/kWh scheme.

Question

31. When is the work on a project considered to have started?

Answer

The definition of start of works is taken from the Guidelines on State aid for environmental protection and energy 2014-2020 published by the European Commission.

Start of works means either the start of construction works on the investment or the first firm commitment to order equipment or other commitment that makes the investment irreversible, whichever is the first in time. Buying of land and preparatory works such as obtaining permits and conducting preliminary feasibility studies are not considered as start of works. For take-overs, 'start of works' means the moment of acquiring the assets directly linked to the acquired establishment.

Investments will usually only become irreversible, when a contract has been entered, which the owner of a project can only leave by canceling the contract.

This implies that work on a project will not be considered to have started due to the entering into a contract for purchase of equipment, if this contract is conditional upon the project winning a contract for price premium.

The same will apply to contracts for lease of land, where work on a project will not be considered to have started due to the entering into a contract for lease of land, if this contract is conditional upon the project winning a contract for price premium.

Question

32. Will there be exemptions for small projects or small companies?

Answer

The draft tender conditions do not contain any special treatment of any type of bid.

Question

33. Will there be local ownership schemes in the tender?

Answer

The draft tender conditions do not contain any special treatment of any type of bid.

Question

34. Will the bidding process be electronic?

Answer

The bidding process is expected to be electronic. Further details will be published later.

Question

35. Will there be a dialogue on the contract template?

Answer

The Danish Energy Agency aims for a dialogue on the contract template prior to the call for bids.