

Spain

Tenders for capacity on the transmission grid

Draft of regulations released

The Spanish Ministry of Energy¹ (the Ministry) has released the draft of a Ministerial Order regulating the tender call for existing capacity in 17 nodes of the electric transmission grid up to a total of 5,844 MW.

Capacity on another 167 nodes still remains reserved for future tenders. Therefore, new tenders are expected to be called every six months.

The draft of the Ministerial Order (Draft) is open for public commentary until June 24, 2022. A report from the Spanish regulator must also be issued. The final text must be approved by June 29, 2022.

▪ **What is the tender intended for?**

Up to 5,844 MW of access capacity in 17 different nodes of the transmission grid will be awarded through the tender. Until now, the system operator has not accepted any applications for access and connection permits to the grid. Now, capacity in these nodes is being released for projects to connect directly to selected nodes or to the relevant downstream distribution grid.

A list of the available nodes is included in the Draft. The list also indicates whether the node is available for allowing connection of capacity in the downstream distribution grid.

Capacity will be awarded to each bidder (i) per node and (ii) per transmission or distribution grid.

▪ **Which facilities can obtain capacity?**

New generation facilities, storage facilities, hybrid facilities or repowered facilities using renewable energy as primary source which are intended to connect to either the transmission or the distribution electric grid.

When facilities are to be connected to the distribution grid, bidders must ensure that (i) the listed node admits connection from the downstream distribution grid and that (ii) the facilities have influence in the transmission grid and therefore require an acceptance report (*informe de aceptabilidad*) from the transmission grid operator.

▪ **Which are the most relevant milestones in the tender?**

The Ministerial Order must be approved by June 29, 2022².

Bids for the tender can be submitted over a two-month period, beginning from October 1, 2022.

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¹Ministry for the Ecologic Transition and Demographic Challenge (*Ministerio para la Transición Ecológica y el Reto Demográfico*)

²Otherwise, the currently blocked capacity in all the 184 nodes of the transmission grid will be released to be assigned by grid operators on a first-come, first-served basis.

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The Ministry must review the documents regarding the bidders' identity and capacity to tender by December 1, 2022. If information is missing, the Ministry will request bidders to complete their applications. If bids are not completed, or if essential information is missing, the bid will be excluded from the tender.

After such date, the Ministry will review the technical aspects of each bid. No deadline has been set for this review³.

▪ **Which guarantees are required to participate?**

Bidders must post guarantees to cover the amounts of potential penalties regarding their commitments relating to:

i. the deadline for power injection:

Amount of the guarantee = $\frac{1}{4}$ [Requested capacity x 1-year OMIP futures market price x (equivalent production hours^[4]/12 hours) x (60 months – number of months when the bidder is committed to obtain the final commissioning authorization)],

ii. socioeconomic and environmental criteria:

Amount of the guarantee = €40 x kW of requested installed capacity.

Example: amount of guarantees to be deposited by a bidder

Assumptions:

- PV solar project (i.e. 1,700 equivalent production hours) requesting 50 MW of installed capacity,
- Final commissioning authorization is granted 42 months after obtaining the access permit—i.e. 18 months until commissioning milestone deadline (e.g. 24 months for development + 18 months for construction),
- Price of OMIP futures market: range between 100 and 150 €/MWh.

Amount of guarantees securing:

- i. deadline for power injection: **3.18 MM€ – 4.78 MM€**;
- ii. socioeconomic and environmental commitments: **2 MM€**.

The abovementioned guarantees are different from and in addition to the guarantees that must be deposited in order to apply for grid permits (i.e. those securing connection to the grid—grid bonds—amounting to 40€/kW).

▪ **Which are the criteria to appraise bids?**

A maximum of 100 points can be attributed to each bid. Bidders must provide information and evidence to allow its appraisal according to the following criteria:

- i. Deadline to start delivering power to the grid—13 points.
- ii. Power generation technology which ensures maximum injection of renewable power to the grid contributing to the quality and security of the electric system—25 points.
- iii. Socioeconomic impact and contribution to activation of 'demographic challenge zones—19 points.
- iv. Environmental affection—22 points.

Each criteria above is broken down into several sub-criteria. A summary of each criteria and a brief mention to what they are focusing on are indicated in the next page.

³ We estimate that capacity might be awarded by February / March 2023

⁴ Equivalent production hours are set out in the Draft per each technology: (i) Solar, wind and storage: 1,700 hours each; (ii) thermal: 5,000 hrs.

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CRITERIA	Score	Weigh (%)
Timing for injection of power	13	16.5%
Deadline to start delivering power to the grid	12	15.2%
Projects to connect in the distribution grid which have already applied for access and connection permits, but the process was suspended as a result of their influence in a node of the transmission grid reserved for tender	1	1.3%
Technology maximizing renewable power production, quality and security of supply	25	31.6%
Self-consumption (enhances sustainability of the system)	5	6.3%
Storage (enhances security of the system)	5	6.3%
Hybridization (maximizes volume of power injected into the system)	4	5.1%
Repowering (enhances security, regularity and quality to the system)	2	2.5%
Other technical criteria relating to provision of: <ul style="list-style-type: none"> - Kinetic power of synchronous machines - Short-circuit power of synchronous machines - Oscillation damping - Automatic power reduction systems 	9	11.4%
Socioeconomic and demographic	19	24.1%
Minimum expropriation percentage of total required land	4	5.1%
Direct employment created during construction and operation per MW (score is attributed to projects for which employment creation exceeds the average of all the projects appraised)	6	7.6%
Impact in the value chain, considering the total value of goods and services acquired in relation to the project's total investment (this ratio is compared with the total average ratio—considering all the projects)	2	2.5%
Participation of local investors (score is attributed to projects in which the investment exceeds the average of all the projects appraised)	1	1.3%
Reinvestment of annual income in the area where the project lies, provided they exceed 1%	2	2.5%
Reinvestment of annual income over 1% made in demographic challenge areas	2	2.5%
Carbon footprint—Registration on the Registry of CO ₂ footprint, compensation and absorption projects in 2021 or 2022	2	2.5%
Environmental	22	27.8%
Proportion of the land occupied by the generation plant included in an environmental sensitivity area according to the “Environmental zoning for renewable projects” approved by the Ministry	10	12.7%
Proportion of the land occupied by the connection facilities included in an environmental sensitivity area according to the “Environmental zoning for renewable projects” approved by the Ministry	10	12.7%
Use of land already occupied by a project (e.g. repowering)	2	2.5%

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▪ **Who obtains capacity in the tender?**

Once the Ministry has completed its appraisal of all admitted bids, it will rank those bids on a decreasing scale according to the score obtained based on the above criteria and publicly release the ranking. It will indicate, for each bidder, the bidder's facility, the score obtained, the awarded capacity and whether such capacity is awarded in the transmission or in the distribution grid. The ranking of bidders who did not obtain any capacity will also be released.

▪ **What happens if the bidder fails to comply with its commitments?**

For those bidders awarded capacity, failure to comply with the commitments included in their offers and appraised by the Ministry in their awarding of that capacity may lead to the imposition of the following penalties:

i. Failure to comply with committed delivery deadline:

Daily Penalty (€) = $\frac{1}{4}$ [Awarded capacity x Average market price during the period when power is not injected x (equivalent production hours/8,760 hours) x 24]

ii. Failure to comply with socioeconomic, environmental and demographic commitments:

Penalty = $0.9 \times$ Amount of the specific guarantee^[6] x [(Sum of score of the unfulfilled socioeconomic and demographic criteria + Sum of score of the unfulfilled environmental criteria) / (Total score on the socio-economic and demographic criteria + Total score on the environmental criteria)]

The resulting amount of the penalties must be paid by the facility. Otherwise the guarantees can be enforced, totally or partially (i.e. in the proportion the commitments are unfulfilled).

Example: amount of penalties to be paid by a bidder

i. Failure to comply with the deadline for power injection:

Assumptions:

- PV solar project (1,700 equivalent production hours) awarded with 50 MW of access capacity,
- Final commissioning authorization entitling power injection is obtained 30 days after the committed deadline,
- Average power market price for such 30 days: range between 70 and 150 €/MWh.

Penalty: 5,822€/day – 8,733€/day (i.e. **174,657.53€ – 261,986.30€** for 30 days).

ii. Failure to comply with the socioeconomic and environmental commitments:

Assumptions:

- Total score obtained for (i) socioeconomic criteria: 14 points (out of maximum 19 points); and (ii) environmental criteria: 18 points (out of a maximum of 22 points),
- The bidder fails to comply with the equivalent to (i) 20% of score for socioeconomic criteria; and (ii) 15% of score for environmental criteria.

Penalty: **343,750.90€**

Guarantees will be reimbursed if the bidder is not admitted to the tender or does not ultimately obtain any capacity.

If capacity is awarded, guarantees will be reimbursed, respectively, (a) when the commissioning authorization is obtained, if power injection deadline is met; and (b) one year after obtaining the commissioning authorization, if the socioeconomic commitments have been complied with.

⁶ See explanations on guarantees above.