

**Abilities for development of renewable energy sources in Kosova
(MEM - Seminar)**

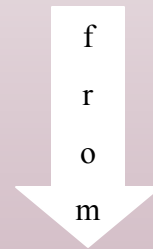
Energy Regulatory Office
**Legal framework & regulatory support to developments
of the renewable energy sources**

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Renewable Energy Sources (RES) Legal Framework

'renewable energy sources' means renewable non-fossil energy sources (wind, solar, geothermal, wave, tidal, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases);



Article 3 Law on Energy -Terms, EU Directive 2003/54/EC and EU Directive 2001/77/EC - Definitions

Legal mandate of Institutions on RES (i-1)

→ **Policy**

→ **Law**

→ **Monitoring**

MEM

Mandate:

- Set indicative targets for consumption of electricity generated from RES
- prepare implementation programs to promote the RES;
- prepare proposals for incentives for use of energy from the renewable energy sources;
- monitor the use of RES and the realization of targets for using renewable resources;
- encourage energy audits and local renewable energy resources development plans;



Legal mandate of Institutions on RES (i-2)

→ **Policy**

MEM

→ **Law**

→ **Monitoring**

Mandate:

- prepare secondary legislation, after consulting the **Energy Regulatory Office**, for which promote the use of renewable energy sources;
- encourage the operation of non-governmental organizations acting in the public interest in the energy sector; and
- promote an increase in the contribution of RES to electricity production in the internal market and regional markets for electricity in conformity with the indicative targets set by **MEM**.

Legal mandate of Institutions on RES (ii-1)

- **Licensing**
- **Promote and stimulate**
- **Monitoring**

ERO

Mandate:

- ▶ Issue **certificate of origin** for the electricity generated from RES
- ▶ ensure that the **transmission and distribution** fees do not **discriminate** against electricity from renewable energy sources;
- ▶ ensure that tariff methodology, tariff system and in setting of tariffs the incentives to improve the development of RES are encouraged;
- ▶ The tariff system (approved by ERO) shall provide **incentives** for the promotion of the use of RES



Legal mandate of Institutions on RES (ii-2)

- **Licensing**
- **Promote and stimulate**
- **Monitoring**

ERO

Mandate:

- ▶ In setting tariffs, the Energy Regulatory office may provide **sources of funding** through tariffs, implemented by third parties selected by competitive bidding, operating under transparent procedures.
- ▶ Monitor that licensees (TSO, DSO, Public Supplier, other Suppliers) are in compliance with obligations (deriving from Laws) to electricity generated from RES.
- ▶ Participate on consultations with MEM on their preparation of secondary legislation related to renewable energy sources.



Legal mandate of Institutions on RES (iii-1)

Public Supplier, other Suppliers, TSO, DSO

- ▶ Public suppliers shall give purchasing priority to electricity for which a certificate of origin has been issued, provided that the cost of such electricity does not increase the price of electricity to an unsustainable level in Kosovo. The public supplier shall be required to purchase at a **regulated price (“Feed-in” tariff)** the entire amount of electricity for which a certificate of origin (for RES) has been issued by ERO. The Energy Regulatory Office may compensate the costs to the public supplier by a **specific charge** on the services of the transmission system operator.
- ▶ In case a system of **tradable certificates of origins** is in place, MEM/ERO may impose penalties to any Supplier including the Public Supplier for failing to meet the required **“quota”**.

Legal mandate of Institutions on RES (iii-2)

Public Supplier, other Suppliers,
TSO, DSO

- TSO, when dispatching generation shall give **priority** to generation using renewable energy sources.
- System Operator shall establish and publish **standard rules** on **who bears the costs of technical adoptions**, such as grid connections and grid reinforcements, necessary to integrate new generators feeding electricity from renewable energy sources into the interconnected system (rules approved by ERO)



EU Legislation and ECSEE Treaty on RES (i)

→ EU Directive 2001/77/EC on promotion of electricity produced from renewable energy sources:

- Electricity produced from RES is a high Community priority and the global indicative target for EU members is to have **12% of gross domestic energy consumption by 2010**
- EU members shall promote the use of RES in an effective way, and be simple and at the same time as efficient as possible, particularly in terms of cost, and include sufficient transitional periods of at least seven years, maintain investors' confidence and avoid stranded costs.
- reducing the regulatory and non-regulatory barriers to the increase in electricity production from renewable energy sources,
- Member States shall take the necessary measures to ensure that TSO and DSO in their territory guarantee the transmission and distribution of electricity produced from renewable energy sources, and when dispatching generating installations, TSO shall give priority to generating installations using RES insofar as the operation of the

EU Legislation and ECSEE Treaty on RES (ii)

- **EU Directive 2003/30/EC on promotion of the use of biofuels or other renewable fuels for transport**
- **ECSEE Treaty:**
 - Acquis on Renewables
 - Each contracting party shall provide to the European Commission within one year of entry into the force of this Treaty **a plan** (MEM) to implement the Directives 2001/77/EC and 2003/30/EC of the European Community on renewable energy sources. The European Commission for adoption by simple majority.

Regulatory Support to Developments of RES (i)

The challenge is to identify a price that encourages renewable generators but does not represent too high a premium over the cost of conventional generators

In EU countries are used different types of direct financial support options, as:

- Feed-in tariff
- Competitive tender
- Production credit
- Renewable obligation (quotas) with tradable renewable credits (certificates)
- Tax Incentives

It should be noted that feed-in tariffs have been broadly adopted as a major tool to support renewable energy (Germany, Denmark, Spain, Greece...).

Table gives a broad summary of the type of support by technology currently in place in various European countries.

	Generic	Wind	Hydro	Biomass	PV	Geothermal	Solar Thermal
Austria	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff
Belgium	Feed-in tariff Quota system		Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff
Denmark	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff
Finland	Tax incentives	Tax incentives	Tax incentives	Tax incentives	Tax incentives	Tax incentives	Tax incentives
France	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff Investment Support	Feed-in tariff	Feed-in tariff
Germany	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff
Greece	Feed-in tariff Investment Support	Feed-in tariff Investment Support	Feed-in tariff Investment Support	Feed-in tariff Investment Support	Feed-in tariff Investment Support	Feed-in tariff Investment Support	Feed-in tariff Investment Support
Ireland	Investment support Tax incentives	Tax incentives Bidding Scheme	Tax incentives Bidding Scheme	Tax incentives Bidding Scheme	Tax incentives	DNA	Tax incentives
Italy	Quota System	Quota System	Quota System	Quota System	Quota System	Quota System	Quota System
Luxembourg							
Netherlands*	Tax incentives Feed-in tariff	Tax incentives Feed-in tariff	Tax support Feed-in tariff	Tax incentives Feed-in tariff	Tax incentives Feed-in tariff	Investment support Feed-in tariff	Tax incentives Feed-in tariff
Portugal	Investment support Feed-in tariff	Investment support Feed-in tariff	Investment support Feed-in tariff	Investment support Feed-in tariff	Investment support Feed-in tariff	DNA	Investment support Feed-in tariff
Spain	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff	Feed-in tariff
Sweden**	Quota System	Quota System	Quota System	Quota System	Quota System	Quota System	Quota System
United Kingdom	Quota system Climate Change Levy (CCL)	Quota system	None	Quota system Investment Support	Quota system Investment Support	DNA	Quota system
EU							



Regulatory Support to Developments of RES (ii)

- The law on Electricity (Article 10) requires that ERO issue certificates of origin for electricity generated from RES and that the public supplier is obliged to purchase this electricity at a regulated price. This is equivalent to the use of **“feed-in tariff”**, as applied in a number of EU countries. Under this system electricity generated from renewable sources is purchased at premium to prices in the competitive wholesale market. This system is also simpler and more suitable to the random nature of RES however fails to capture the realities of a **competitive spot market**.
- The premium price to be paid for purchases from renewable generators can be recovered through TUOS charges (**Specific charges**) approved by ERO (Law on Electricity)
- Experience from EU countries with feed-in tariff has generally been that this is successful in promoting investments in renewable generators, but has tended to lead to ‘excessive’ investments and **large increases in cost to customers**.
- Competitive Tender; setting a ceiling price and requiring renewable generators to compete to qualify for sales under set ceiling price. The competition means that the premium will be bid down to the level where it is just sufficient to recover the additional costs of renewable generators.

Conclusions (1)

*Having regard to the Kosovo legal framework, and in particular Law on Energy, Law on Electricity, and Law on Energy Regulatory Office, and having regard to the EC Directives and ECSEE Treaty concerning the RES, ERO will support the developments of RES through various tools under its competences in order to **implement a RES policy decided and issued by MEM:***

- Monitoring the licensees (Public Suppliers/other Suppliers, TSO, DSO) on their obligations to purchase electricity from generators using RES;
- Set the **criteria** for Certificates of Origin;
- **Issuing** Certificates of Origin;
- Establishing **level** of Feed-in tariff;
- Approve the tariffs and feed-in tariff to recover the price paid for purchases from renewable generators;

Conclusions (2)

- Reducing regulatory barriers to allow increase in electricity production from RES;
- Prepare the competitive tender; and
- Participate in consultation with MEM and other stakeholders on setting the targets and policies of developments of RES.