

17/02/2021

Serbia: Draft Law on Renewables

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Energy

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Publisher: Bojović Drašković Popović & Partners

The Draft Law on Renewables (hereinafter: the “Draft Law”) was published on 21 January 2021 on the website of the Ministry of Mining and Energy (hereinafter: the “Ministry”). The public discussion was held in the time period between 21 January 2021 and 9 February 2021.

The Draft Law regulates, inter alia, the matters concerning the status of privileged producer of electrical energy from renewables (privileged producer), temporary privileged producer of electrical energy from renewables (temporary privileged producer), system of incentive measures, procedure for obtaining the privileged status and introduces the status of prosumers.

Incentive measures

The Draft Law envisages market premiums and feed-in tariff system as incentive measures. Energy objects for which the incentive measures may be used are newly built or reconstructed hydro, biomass, biogas, wind, solar, geothermal power plants and power plants that use biodegradable waste, landfill gas, gas from facilities for treatment of communal waste waters and production from other renewables. It is envisaged that, every three years (by the end of the February), the Ministry publishes a review of the incentive system in use, containing timeframe for planned auctions, the frequency of auctions, expected new capacities, budget for incentive measures and types of technologies that will be supported with incentive measures.

The premium system

The premium system is envisaged as a type of state aid which represents an addition to the market price of the electrical energy that the users of the premium deliver to the market and it is determined in the auction process as eurocent per kWh. The maximum amount of the premium is predetermined and the participants in the auction bid for the lower price.

The Agency for Energy of the Republic of Serbia (hereinafter: the “AERS”) publishes the beginning amount of the premium i.e. maximum amount of the premium and reference market prices required for conducting the auction, while the auctions are organized based on available quotas that are prescribed by the Government.

The auction process begins with public invitation issued by the Ministry and is organized by a commission that is appointed by the Ministry (hereinafter: the “Commission”).

There are three parts of the auction process – qualifications, bidding and selection of the best offers. The qualification is the first, eliminatory phase where the selection of the participants is conducted based on whether they fulfil the prescribed conditions. The conditions are prescribed by the Draft Law, however it is envisaged that an appropriate bylaw can determine further conditions. One of the basic conditions is owning a power plant or possessing a building permit for the construction of the power plant.

The participants that fulfil the prescribed conditions enter into the next phase of the auction – bidding. The participants bid their offers for the premium and then they are ranked from the lowest to the highest amount of premium i.e. the maximum amount of premium and in that order the quotas are filled. Once the total amount of installed power of the power plants reaches the amount of the prescribed quota, there is no more quota available.

The final phase of the auction is the selection of the best offers. The Commission drafts a rank list which is delivered to the Minister of the Ministry (hereinafter: the “Minister”) with the report and proposed decision. Based on the received documentation the Minister issues a decision on the best offers. Based on that decision, the Minister issues the decision on awarding the right on premium i.e. on denying the right on premium to the auction participants.

The participants that gain the right on premium in the previously described manner obtain the status of the temporary privileged producer. After obtaining the status, the temporary privileged producer has 30 days from the day of obtaining that status to deliver the financial security (bank guarantee that is without any conditions, irrevocable, paid on first call and without right to object or monetary deposit which serves as a guarantee) to the Ministry and 15 days from the day the financial security was delivered to the Ministry to submit the request for conclusion of the agreement on the premium. If either deadline is not

met, the temporary privileged producer loses the right of the premium and their quota is not distributed (it can be distributed in the next auction).

The status of the temporary privileged producer lasts three years, i.e. one year for the solar power plants. The temporary privileged producer may request that their status is prolonged for one more year, at the latest 30 days before their status expires.

The Ministry decides on the request for obtaining the status of the privileged producer if all the conditions envisaged in the Draft Law have been fulfilled. The mentioned conditions mainly refer to the power plant and possession of all necessary licenses for performing these business activities.

The incentive period last until the period of amortization of the power plant expires, but no longer than 12 years from the date of the first payment of the premium.

One of the important incentive measures refers to the balance responsibility. Namely, the Draft Law envisages that an entity later on determined by the Government will have the balance responsibility until the organized internal daily market of the electrical energy is established. Further, it is envisaged that the operator of the transmission i.e. distribution system is obliged to take the energy produced from renewables as a priority.

Feed-in tariffs system

Besides the premium system, the Draft Law envisages the feed-in tariffs system which represents a form of state aid which is rewarded as the incentive purchase price that is guaranteed per kWh for the delivered electrical energy in the energy system during the incentive period.

The feed-in tariff system is envisaged for small facilities and demonstrational projects. Small facilities are power plants with installed power less than 500 kW, i.e. wind power plants with installed power less than 3 MW.

All mentioned previously concerning the auction system, the status of temporary privileged producer, agreement on the premium (in this case feed-in tariff), incentive period etc. applies to the feed-in tariff system as well.

“Prosumer”

One of the most important novelties that the Draft Law introduces is the status of prosumer, a person who is both producer and consumer of electrical energy at the same time. For the first time, a law will regulate such status and the Draft Law envisages that the prosumers will be able not only to produce energy for their own needs, but also to deliver (sell) the excess energy to the network and are entitled to reduction of the bill in the next calculation period or a fee paid by the supplier.

To sum up, the Draft Law, as a completely new law concerning the renewables, deals with many important matters while placing the focus on a new system of incentive measures. Further, it is important to note that the Draft Law envisages issuance of the set of bylaws that would regulate each of the mentioned matters in more detail.

At this time, the public discussion is over, however, there are no announcements concerning the date of publication of the final proposal of the Draft Law and when it will be submitted to the National Assembly for discussion and adoption.