

High-efficiency cogeneration support system takes shape



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On 25 January 2019 the Act on Promoting Electricity from High-Efficiency Cogeneration (14 December 2018) entered into force. It establishes support mechanisms for combined heat and power (CHP) installations connected to district heating networks, which will replace the previous support scheme that expired at the end of 2018 and was based essentially on certificates of origin for energy from CHP installations.

Promoting CHP electricity

The act establishes the following mechanisms for promoting CHP electricity depending on the specific type of CHP unit (ie, the installed capacity of the unit and whether it is new or modernised):

- a cogeneration bonus allocated through an auction conducted by the President of Energy Regulatory Office at least once a year for a maximum period of 15 years;
- a guaranteed bonus allocated on application by the President of Energy Regulatory Office for a maximum of five to seven or 15 years, depending on, among other things, the type of CHP unit;
- an individual guaranteed bonus allocated to applicants following a call for proposals announced at least once a year by the President of Energy Regulatory Office for a maximum of five to seven or 15 years, depending on the type of CHP unit; and
- an individual cogeneration bonus allocated to applicants following a call for proposals announced at least once a year by the President of Energy Regulatory Office for a maximum period of five to seven or 15 years, depending on the type of CHP unit.

Participation in the abovementioned support mechanisms for CHP electricity requires the parties to obtain permission from the President of Energy Regulatory Office.

As indicated in the explanatory material to the draft act, its aim is to limit the negative environmental impact of energy and heat production by increasing the efficiency of energy carriers and improving energy and heat supply security. The European Commission recognised these objectives as being consistent with the European Union's climate and energy policy and the initiatives that the act proposed as being adequate to achieve these objectives. As a result, on 15 April 2019 a press release was issued stating that the European Commission had approved the scheme to support high-efficiency cogeneration with an annual budget of €500 million and a reduced surcharge to finance the scheme for energy-intensive users.

Cogeneration support

Decisions concerning support for cogeneration units (Case SA.51192) and reductions in cogeneration surcharges (Case SA.52530) will be made available in non-confidential versions in the State Aid Register on the Directorate-General for Competition website, although the exact date of publication is not yet known.

The decisions will effectively enable the President of Energy Regulatory Office to:

- announce auctions for the cogeneration bonus;
- announce the call for proposals for the individual cogeneration bonus; and
- issue decisions allowing parties to:
 - participate in auctions;
 - apply for the payment of the guaranteed bonus;
 - allow for participation in the individual guaranteed bonus system; and
 - allow for participation in the call for proposals for the individual cogeneration bonus.

This stems from the fact that the act has suspended the performance of the abovementioned competences of the President of Energy Regulatory Office until the European Commission issues a decision recognising that:

- the public support that the act provides is compatible with the common market; or
- the mechanisms provided by the act do not constitute public support.

The President of Energy Regulatory Office has stated that its announcements regarding cogeneration support will not be made prior to the European Commission's decisions.

Therefore, it is expected that the President of Energy Regulatory Office will announce the auction for a cogeneration bonus and the call for proposals for an individual cogeneration bonus as well as issuing decisions regarding participation in a given support mechanism in the near future as soon as the implementing acts are issued, which is expected to happen in the second half of the year.

The high-efficiency cogeneration system governed by the act will also depend on the implementing acts to be issued by the Minister of Energy. The following draft regulations were published on 25 April 2019:

- the draft regulation of the Minister of Energy regarding the detailed rules for calculating data for the participation in the support system and the detailed scope of the obligation to confirm data on the volume of electricity produced by high-efficiency cogeneration;
- the draft regulation of the Minister of Energy regarding essential data for the calculation of an individual cogeneration bonus and cogeneration bonus with regard to the manner of considering the received amount of public support;
- the draft regulation of the Minister of Energy regarding the maximum amount and value of electricity produced by high-efficiency cogeneration for the support system and guaranteed bonus unitary value in 2019 and 2020;
- the draft regulation of the Minister of Energy regarding the maximum value of investment and operating costs for the construction and operation of new comparable cogeneration units; and
- the draft regulation of the Minister of Energy regarding the reference value for new and significantly modernised cogeneration units in 2019.

Comment

Public consultation on the drafts was open until 10 May 2019. Following the consultation, specific terms and conditions for the high-efficiency cogeneration support system will take their final shape, allowing investors to assess the likelihood of gaining support and the anticipated amount of financial aid granted within the framework of the high-efficiency cogeneration support system.

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