

High-efficiency cogeneration – individual cogeneration bonuses announced

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Implementing regulations Application procedure for individual cogeneration bonus Comment

The first implementing regulations of the Act of 14 December 2018 on the Promotion of Electricity from High-Efficiency Cogeneration were published on 21 August 2019. The President of the Energy Regulatory Office recently announced an individual cogeneration bonus, applications for which will be open from 8:15am on 18 December 2019 to 4:15pm on 20 December 2019.

Implementing regulations

To date, four implementing regulations have been published. The Regulation of the Minister of Energy of 21 August 2019 on Reference Values for New and Significantly Modernised Cogeneration Units in 2019 entered into force on 17 September 2019 and expires on 31 December 2019. It sets out the reference values for (depending on the investment costs incurred for the modernisation of comparable new cogeneration units):

- new cogeneration units, including with regard to:
 - ◊ gaseous fuels;
 - ◊ solid fuels;
 - ◊ biomass; and
 - ◊ other fuels; and
- significantly upgraded cogeneration units, including:
 - ◊ gaseous fuels;
 - ◊ solid fuels;
 - ◊ biomass; and
 - ◊ other fuels.

The Regulation of the Minister of Energy of 21 August 2019 on the Maximum Amount and Value of Electricity Produced by High-Efficiency Cogeneration Covered by Support and Unit Amounts of Guaranteed Bonuses in 2019 and 2020 entered into force on 17 September 2019 and expires on 31 December 2020. The regulation sets out:

- the maximum amount of electricity from high-efficiency cogeneration that can be sold under the cogeneration bonus in the following calendar year and the maximum value of the cogeneration bonus resulting therefrom;
- the maximum installed electrical capacity of new small cogeneration units or significantly upgraded small cogeneration units for which the premium guaranteed in a given calendar year can be obtained;
- the unit amount of the guaranteed bonus for a new small cogeneration unit, a modernised small cogeneration unit and a significantly modernised small cogeneration unit in the following calendar year;
- the maximum amount of electricity from high-efficiency cogeneration that can be sold under an individual cogeneration bonus in the following calendar year and the maximum value of the individual cogeneration bonus resulting therefrom;
- the maximum amount of an individual cogeneration bonus in the following calendar year; and
- the unit amount of the guaranteed premium for specific cogeneration units in the following calendar year.

The Regulation of the Minister of Energy of 21 August 2019 on the Maximum Value of Investment and Operating Costs for the Construction and Operation of New Comparable Cogeneration Units came into force on 17 September 2019. It sets out:

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- the relevant technical and economic parameters of cogeneration units;
- the investment costs that can be incurred during a project's preparation and construction together with the necessary technical infrastructure;
- the operating costs that can be incurred during the maximum support period of a cogeneration unit; and
- assumptions concerning the technical working conditions of cogeneration units, including with regard to electricity efficiency and heat generation.

The Regulation of the Minister of Energy of 6 September 2019 on Application Methods for the Individual Cogeneration Bonus and the Value of Coefficients to be Taken into Account came into force on 1 October 2019 and specifies, apart from the parameters for individual cogeneration bonus applications, the value of coefficients to be taken into account regarding the location of cogeneration units and the types of fuel used to generate electricity in cogeneration units.

Application procedure for individual cogeneration bonus

The publication of the Regulation of the Minister of Energy of 6 September 2019 allowed the President of the Energy Regulatory Office to announce its call for applications for the individual cogeneration bonus. The European Commission approved the individual cogeneration bonus on 15 April 2019 (Case SA.51192 (2019/N) – Poland – CHP support).

Pursuant to the Act of 14 December 2018 on the Promotion of Electricity from High-Efficiency Cogeneration, the individual cogeneration bonus is an additional payment for electricity produced by:

- a new cogeneration unit with an installed electrical capacity of no less than 50MW; and
- a significantly modernised cogeneration unit with an installed electrical capacity of no less than 50MW.

This electricity must be generated, introduced to the grid and sold by a producer of electricity from a high-efficiency cogeneration system which had a successful bid under the application procedure. The conditions to take part in the call for applications, the size of the bonus, the period of support and the producer's obligations after winning an intake are specified in the act and its executive regulations.

On 17 September 2019 the President of the Energy Regulatory Office announced a call for applications for the individual cogeneration bonus. Applicants must request permission to take part from the President of the Energy Regulatory Office, who will notify applicants thereof within 30 days of receipt of a completed application. According to the call for applications the maximum amount of electricity permitted from high-efficiency cogeneration (the sale of which may be covered by the individual cogeneration bonus), is 36 million MWh (the maximum value of the cogeneration bonus in such cases will be Zł4,297,230,000), including the maximum amount of electricity from high-efficiency cogeneration units located outside Poland (the sale of which may be covered by the individual cogeneration bonus), which is 1.8 million MWh (the maximum value of the cogeneration bonus in such cases will be Zł214,861,500).

Comment

The Act of 14 December 2018 on the Promotion of Electricity from High-Efficiency Cogeneration aims to exploit the potential of cogeneration to improve air quality in Poland and increase the efficiency of heating and cooling systems. The individual cogeneration bonus for units with an installed electrical capacity of not less than 50MW aims to protect auctions conducted for smaller units, as due to the economies of scale achieved, units with a capacity exceeding 50MW could submit bids in auctions significantly below those of units with smaller capacities.

Further, it was found to be impossible to construct a separate competitive process for these types of unit due to the fact that an insufficient number of projects of this scale was expected to be realised. For this reason, the legislature decided to exclude larger units from auctions and create an individual bonus for each installation depending on their capacity and market situation in order to not exceed the needs of each unit.

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