

Annex to the ex-ante impact assessment report (abstract)

Assessment of the conformity of Cabinet regulation “Amendments to Cabinet Regulation No. 262 “Regulations Regarding the Production of Electricity Using Renewable Energy Resources and the Procedures for the Determination of the Price” adopted on 10 March 2009” with the EC communication “Guidelines on State aid for environmental protection”¹

Specific item of the “Guidelines on State aid for environmental protection”	Assessment of the conformity
Paragraph 101	<p>Conform.</p> <p>Merchants have been granted the right to mandatory procurement or guaranteed payment for the installed electric capacity in accordance with competition procedures stipulated in Cabinet Regulation², including with regard to procedures for the determination of the price using renewable energy sources.</p> <p>Having regard to the fact that some of the merchants that have been granted the right to mandatory procurement or guaranteed payment for the installed electric capacity have also received investment aid from state budget, to ensure proportionate support intensity and comply with eligible costs paragraph 28 and 35 of the regulation prescribe procedures for determination of total capital investment internal rate of return using benchmarks for various technology.</p>
Paragraph 107	<p>Conform.</p> <p>To ensure the aid for production of electricity from renewable resources or in high-efficiency cogeneration, merchants are granted with the right to mandatory procurement or guaranteed payment for the installed electric capacity. Having regard to the particular merchants that have received investment aid from state budget in addition to the operation aid, a mechanism for preventing overcompensation is produced by calculating total capital investment internal rate of return, which in accordance paragraph 28 of the regulation is set at the level of 9%. In order to ensure proportionate support, upon establishing that IRR of</p>

¹ Official Journal C/82, 01.04.2008

² Cabinet regulation “Amendments to Cabinet Regulation No. 221 “Regulations Regarding Electricity Production and Price Determination upon Production of Electricity in Cogeneration” adopted on 10 March 2009, paragraph 3-20

	merchant exceeds 9%, a price differentiation coefficient will be applied with an aim to ensure the level or internal rate of return at 9%.
Paragraph 109	<p>Conform.</p> <p>The previous support in form of right to mandatory procurement or guaranteed payment for the installed electric capacity is given to merchants for production of electricity from renewable resources or in high-efficiency cogeneration. In accordance to Cabinet Regulation No. 262 “Regulations Regarding the Production of Electricity Using Renewable Energy Resources and the Procedures for the Determination of the Price” adopted on 16 March 2010 this aid is available to merchants for 20 years (first 10 years the aid is provided in full amount, the other 10 years the aid is reduced in accordance with price differentiation coefficient).</p> <p>The mandatory procurement or guaranteed payment for the installed electric capacity is an operational aid. Particular power plants in their turn have received investment aid for construction or renovation of the power plant, too. In order to ensure proportionate support, paragraph 28 of the regulation prescribes implementation of mechanism for the determination and prevention of overcompensation to those power plants whose calculation of total capital investment internal rate of return would reveal internal rate of return exceeding 9%.</p>
Paragraph 119	<p>Conform.</p> <p>Support to high-efficiency cogeneration power plants is provided in accordance to regulation which establishes both requirements to efficiency of heat utilization³ and existing framework on provision of district heating service^{4 5} and public utilities⁶ and the framework to their regulation and tariff establishment⁷⁸. Thermal energy supply service tariff of or cogeneration tariffs to high-efficiency cogeneration power plants that provide district heating service in accordance to</p>

³ Cabinet Regulation No. 262 “Regulations Regarding the Production of Electricity Using Renewable Energy Resources and the Procedures for the Determination of the Price” adopted on 16 March 2010.

⁴ Law On Local Governments

⁵ Electricity Market Law

⁶ Cabinet Regulation No. 1227 “Regulations Regarding Types of Regulated Public Utilities” adopted on 27 October 2009.

⁷ Decision No.1/7 of the Board of the Public Utilities Commission “Methodology for the Calculation of Thermal Energy Supply Service Tariffs” adopted on 14 April 2010.

⁸ Decision No.1/10 of the Board of the Public Utilities Commission “Methodology for the Calculation of Cogeneration Tariffs” adopted on 11 June 2010

	<p>Board of the Public Utilities Commission methodologies. These methodologies take into account analysis of revenue and costs, including heat energy and electricity production and selling costs.</p> <p>The total capital investment internal rate of return for these power plants is established at the level of 9%, thus ensuring these power plants with sensible level amount of aid.</p>
Paragraph 189	<p>Conform.</p> <p>The support to merchants for production of electricity from renewable resources or in high-efficiency cogeneration is granted in form of mandatory procurement or guaranteed payment for the installed electric capacity. In addition, particular projects received an investment aid from European Union budget instruments of state budget instruments (for instance, Climate Change Financial Instrument). To ensure that merchants receive maximum aid intensity that may occur in cumulation of operation and investment aid, paragraph 28 of the regulation prescribes implementation of mechanism for the determination and prevention of overcompensation. The regulation establishes total capital investment internal rate of return at 9% for the entire period of receiving aid. Should it be established that some merchant's IRR exceeds 9%, a price differentiation coefficient will be applied with an aim to ensure the level or internal rate of return at 9%.</p>
Paragraph 190	<p>Conform.</p> <p>Taking into account the allowed cumulation of various support, including from EU budget instruments (EU structural funds and cohesion fund and European agricultural policy instruments), a specific mechanism for preventing overcompensation is developed. It aims to ensure that for those merchants whose total capital investment internal rate of return for the entire period of receiving aid will be found to exceed 9%, a price differentiation coefficient will be applied with an aim to ensure the most beneficial support rate possible under the respective terms and state support regulation.</p>