

Legal framework enabling hybrid power plants has become effective

Hybrid power plants (HPPs) have been a recent popular trend in the electricity generation sector. Usually considered as an environmentally friendly alternative to conventional electricity generation methods, HPPs are an attractive investment option as they provide generators with more flexibility in terms of energy sources.

*In order to be able to keep up with the global trends and increase investment into the renewable energy sector, the government has, under the Regulation Amending the Electricity Market Licensing Regulation, published in the Official Gazette dated 8 March 2020 (the **Regulation**), introduced the legal background enabling the use of hybrid technologies in power plants.*

*In addition to the Regulation, the Energy Market Regulatory Authority (EMRA) has, through its decision dated 18 June 2020 numbered 9392, announced the "Rules and Principles for the Determination of Borders of Power Plant Areas Subject to Licence or Preliminary Licence" (the **Decision**) and set out the principles in relation to the determination of HPP areas.*

Both the Regulation and the Decision became effective on 1 July 2020¹.

HPP method introduced by the Regulation

The HPP method combines two or more modes of electricity generation, usually with generators using renewable technologies such as solar panels and wind turbines. Its main benefit is to ensure maximum supply reliability and security with the optimum use of limited areas of electricity generation facilities.

The use of hybrid technologies and methods vary from country to country and the Turkish government has very recently established the governing rules for the use of the HPP method with the enactment of the Regulation.

The Regulation mainly sets out the following rules in respect of the use of hybrid technologies in the Turkish electricity market starting from 1 July 2020:

- a) Power plants that can generate electricity from more than one energy source are allowed to be installed so long as the different generators in the HPP facility are connected to the grid from the same connection point.
- b) The secondary source unit will be considered as part of the main source unit of the HPP and will be covered under the same licence².

¹ Only Temporary Article 2 of the Decision will be effective as of 1 January 2021.

² For the purposes of this newsletter, the term "licence" refers to both electricity market generation licences and electricity market preliminary licences.

- c) The conversion of the secondary source to the main source will not be allowed under any circumstances.
- d) The HPP's electricity generation activities will be conducted within the same area registered under the original licence and expanding these activities beyond the relevant border will not be allowed.
- e) Any change in the total installed capacity, the current connection type, connection point or voltage level of the HPP will not be allowed.
- f) Floating solar plants (*yüzer güneş enerjisi santrali*) will also be able to be installed.

The Decision

In addition to the main rules listed above, EMRA has announced the Decision setting out the rules and principles in relation to the determination of areas as well as the borders and areas of the HPP facilities.

According to the Decision, power plant fields will be determined according to the energy source and technology type and the expropriation of more areas than the investor's actual need will not be allowed. As a result, those areas within the project site of a renewable energy generation facility, such as wind farms, that remain idle will become part of electricity generation thanks to the hybrid technology method.

The Decision also enables the use of additional areas for HPP facilities or to the facilities, which will be converted to HPPs.

Application for the HPP facilities

On 30 June 2020, EMRA further announced that the applications for both: (i) amending an existing generation licence in order to benefit from the hybrid generation method; or (ii) obtaining a preliminary licence for the installation of a new HPP, can be made to EMRA as of the following dates:

- if made in writing, between 1 July 2020 and 4 August 2020; or
- if made electronically, after 4 August 2020.

Availability of feed-in tariffs

In addition to the above-mentioned changes, another regulation, amending the Regulation on the Certification and Support of Renewable Energy Sources has been published on 8 March 2020. The amendments introduced by the above-mentioned regulation made it possible for the HPPs using only renewable energy sources to benefit from the existing feed-in tariff (*YEKDEM*) mechanism.

In terms of unit prices to be paid to the generator under the feed-in tariff mechanism, the regulation sets out the following principles:

- if the HPP is a "compound renewable energy plant" (*birleşik yenilenebilir elektrik üretim tesisi*), where more than one renewable energy source is used in a single power plant, the lowest unit price applicable to the renewable energy sources in that power plant is paid; and
- if the HPP is a "supporting source energy plant" (*destekleyici kaynaklı elektrik üretim tesisi*), where a secondary renewable source is also used in the process, the unit price applicable to the main renewable energy source is paid.

Conclusion

As the hybrid systems provide both a high level of energy security through the mix of generation methods and ensure maximum supply reliability and security, we believe that these changes will be highly attractive to investors and the existing licence holders.

Considering the possibility of additional investment in the existing facilities, we foresee that, in addition to other benefits, the Turkish renewable energy sector will benefit from a boost in investment and employment opportunities in the near future.

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