

GEDİK & ERAKSOY

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The New Capacity Payment Scheme in the Turkish Electricity Market

*On 20 January 2018, the Turkish Government published the Regulation on Electricity Market Capacity Mechanism (the **Regulation**) in order to maintain the security of the supply and the system. The main beneficiaries of the scheme introduced by this Regulation are gas-fired and coal-fired generators, which have a significant share in the Turkish energy market but cannot benefit from the feed-in tariffs available to renewable energy power plants.*

General

The Regulation appoints TEIAS, the state owned electricity transmission company, as the "System Operator" responsible for determining the annual capacity payment budget and making the necessary payments to eligible generators.

TEIAS is required to calculate the capacity payment amounts within 15 days and then pay these amounts to the participants within 30 days of each invoice period. The payment amounts are calculated according to a formula set out under the Regulation by taking into account the unit-based generation costs, the costs necessary for the generators to stay within the system and the hourly power sale and purchase rates.

Calculation and payment principles

If there is a shortfall between the overall payment budget estimated for an invoice period and the actual payment amount calculated in accordance with the Regulation for that period, those participants generating electricity by utilising domestic resources are paid first and, if any, the remaining amount is distributed to the other participants.

In order to be able to receive capacity payments, the participants are required to prove that certain thresholds have been satisfied; these are calculated by taking into account the weighted average capacity utilisation rates in the last four quarters. For the power plants utilising domestic resources, the threshold is 10% and for others, it is 15%.

If an imported coal fired power plant utilises domestic coal in an invoice period, the capacity payment amount for that invoice period is determined in accordance with the parameters set out for domestic coal power plants.

TEIAS is required to prepare the annual capacity payment budget for each calendar year and submit this for approval to the Energy Market Regulatory Authority (**EMRA**) by the end of October of the previous year. In order to be effective, the budget needs to be approved by EMRA in November.

Eligibility criteria

In order to be eligible to participate in the capacity payment scheme, the generation company should not fall under any of the following categories:

- (a) power plants in which the ownership of public entities exceeds 50%;
- (b) power plants operated under a build-operate or build-operate-transfer scheme, even after the termination of the underlying project agreement;
- (c) power plants operated under a privatisation scheme;
- (d) nuclear power plants operated under an international treaty;
- (e) power plants benefiting from or eligible for feed-in tariffs or those which, in the past, have benefitted from the feed-in mechanism;
- (f) power plants for which privatisation tenders were launched after the effective date of the Regulation;
- (g) power plants for which installed capacity is below 50 MWe (if utilising domestic resources) or 100 MWe (if utilising other resources);
- (h) power plants other than those utilising domestic resources, more than 10 years old (calculated as starting from the provisional acceptance of the first units);
- (i) power plants other than those utilising domestic resources, failing to pass the 50% efficiency test at the provisional acceptance; and
- (j) hydroelectric power plants and wind and solar power plants which cannot generate electricity continuously.

Application

Any eligible generation company can apply to TEIAS by 15 October each year. The applicants must provide the standard application forms together with other documents evidencing their eligibility to participate in the capacity payment scheme. TEIAS is required to assess the applications and announce the eligible participants by the last day of October.

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