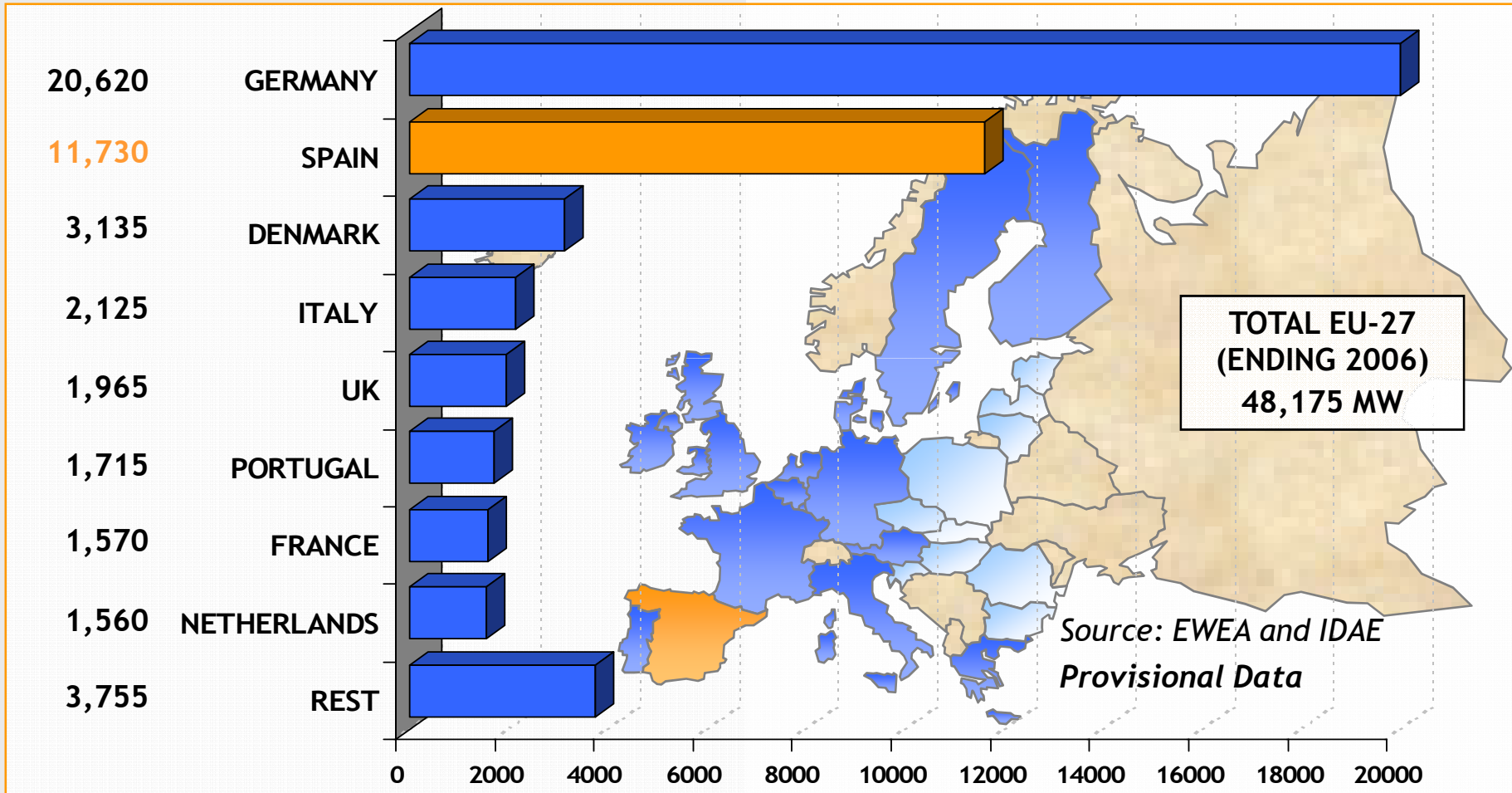


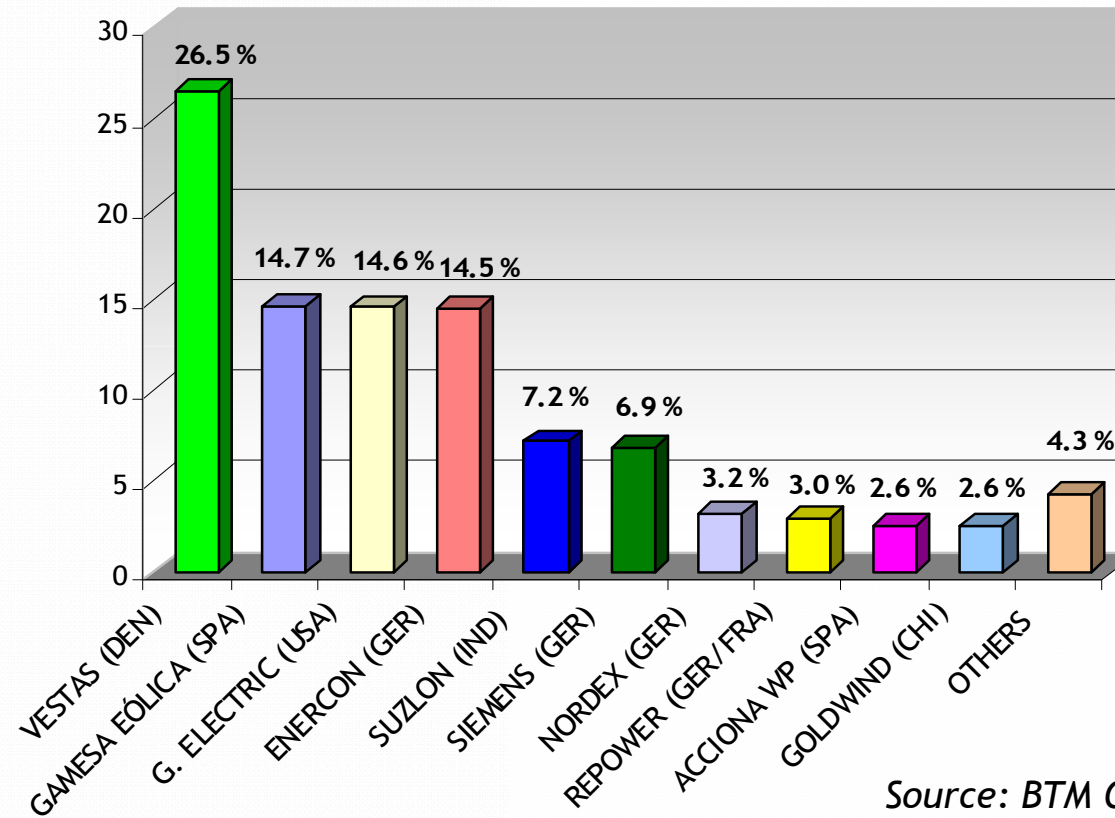
Royal Decree 661/2007 of 25th May, regulating the electricity production under the special scheme

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Wind energy capacity (MW) in the European Union (EU-27) - 31/12/2006



Worldwide market share in 2006 (15,016 MW)



Key elements for wind energy success in Spain

Existence of significant **wind resources**.

Stable **regulatory framework** for electricity generated
(Feed-in tariffs system; reasonable return on investment).

Regional support: planning, simple administrative procedures.

Technological maturity. **Creation of a strong industrial sector.**

Large scale production permits **costs reduction** (construction, operation and maintenance).

LEARNING BY DOING

RD 2366/1994
Feed-In Tariff

Small capacity facilities.

RD 2818/1998
Feed-In Tariff

Revision of the tariffs and technologies.
Increase maximum capacity.

RD 436/2004
Feed-In Tariff
Premium

Revision of the tariffs and technologies.
Windfall profits in the market option. Insufficient
development of biomass and cogeneration.

RD 661/2007
Feed-In Tariff
Premium

Cap & Floor.

RD 661/2007. MOTIVATIONS

The modification of the economic and legal scheme regulating the special scheme in force so far (RD 436/2004) becomes necessary for several reasons:

The growth undergone by the special scheme in the last years **has pointed to the need to regulate some technical aspects** to contribute to the increase of these technologies, safeguarding the system's security and guaranteeing its supply quality, as well as the restrictions to the production of the said generation.

The economic scheme established in Royal Decree 436/2004 of 12th March, because of the behaviour undergone by the market prices where some variables not considered earlier have become more remarkable, makes it necessary to modify the payment system.

To state the **regulatory changes derived from the European regulation**, which introduces important modifications as regards the legal scheme of the cogeneration activity.

Objectives of reference installed capacity are established in compliance with the objectives in the Renewable Energies Plan 2005-2010 and the Energy Saving and Efficiency Strategy for Spain" (E4), to which the retribution scheme set out in this Royal Decree shall apply.

SCOPE OF APPLICATION

Category a):

Producers using **cogeneration** or other ways of electricity production from waste energy.

Category b):

Installations using any of the non-consumable **renewable energies**, biomass or any kind of biofuel as primary energy, whenever their titleholder do not carry out production activities under the ordinary scheme.

Category c):

Power plants that use **waste** with energy recovery not stated in category b) as primary energy.

REMUNERATION MECHANISMS

The titleholders of the facilities should choose one of the following options:

Transfer electricity to the system through the transport or distribution grid, therefore being paid a **feed-in tariff** for it, unique for all the programming periods.

Sell the electricity on the wholesale electricity market. In this case, the electricity sale price will be the **hour price resulting in the wholesale market supplemented** if any, **with a premium**. In this last case, a new feature is introduced for some technologies, a higher and a lower limit (cap and floor).

The titleholders of the facilities may **choose** the most suitable sale options for **periods no shorter than a year**.

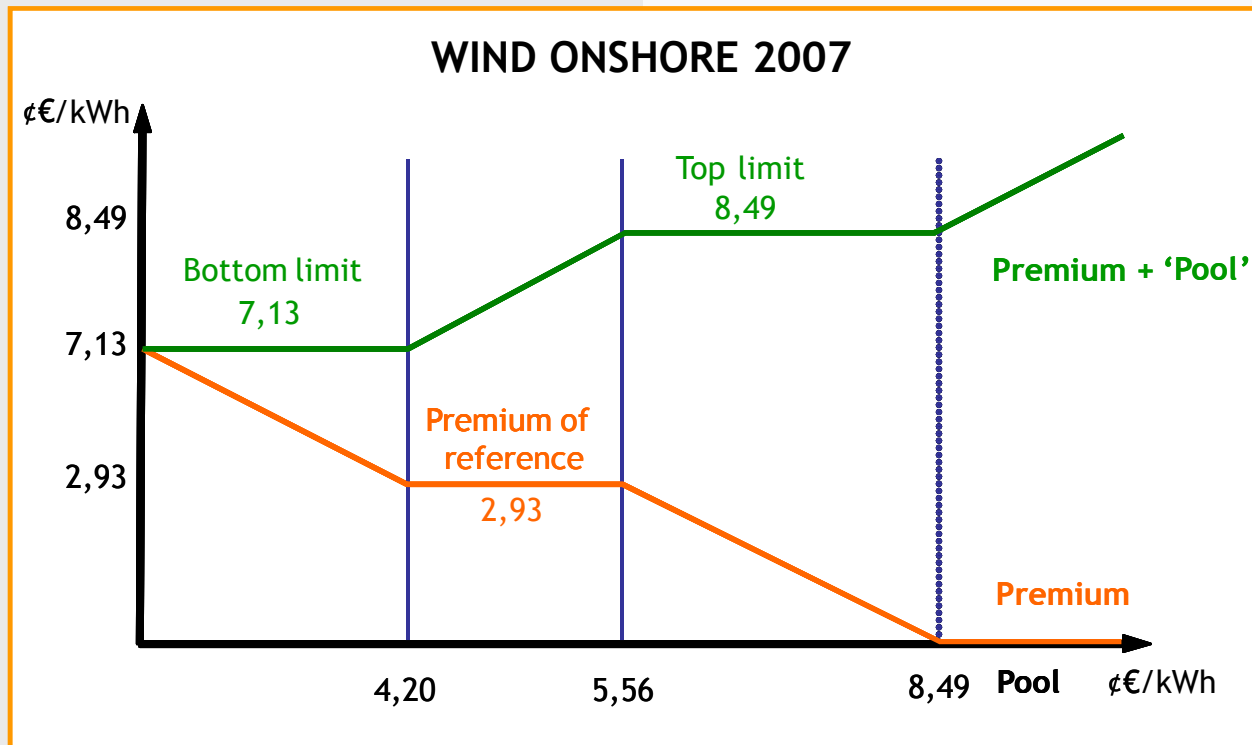
Nevertheless, the **participation in the market is encouraged** as it is deemed that in this way, a lower administrative intervention is achieved as regards the establishment of electricity prices as well as a better, **more efficient allocation of the system's costs**, particularly regarding the **imbalance management cost and the provision of supplementary services**.

PREMIUM (1)

The premium to be paid every hour is calculated as follows:

- a) For values of the reference market price plus the reference premium lower or equal to the lower limit, the premium value to be paid shall be the difference between the lower limit and the daily market hourly price at that hour.
- b) For the reference market price values plus the reference premium included between the higher and the lower limits, established for a given group or subgroup, the value to be paid shall be the reference premium for this group or subgroup, at that hour.
- c) For the reference market price values included between the higher limit and minus the reference premium and the higher limit, the value of the premium to be paid shall be the difference between the higher limit and the reference market price at that hour.
- d) For the reference market price values higher or equal to the higher limit, the price of the premium to be paid shall be zero at that time.

PREMIUM (2)



This new system protects the promoter when the income derived from the market price is too low, and removes the premium when the income is high enough to ensure breaking even, leaving out the irrationalities in the payment of technologies whose costs are not directly linked to oil prices on international markets.

FEED-IN TARIFFS AND PREMIUMS

	Two options to selling power:			Option a)	Option b) Free sale on the organized		
				Fixed price = Regulated tariff c€/kWh	Reference premium c€/kWh	Maximum limit c€/kWh	Minimum limit c€/kWh
b.2 Wind	b.2.1 Onshore		First 20 years	7,3228	2,9291	8,4944	7,1275
			Afterwards	6,1200			
b.1 Solar	b.1.1 Photovoltaic	Q ≤ 100 kW	First 25 years	44,0381			
			Afterwards	35,2305			
		100 kW < Q ≤ 10 MW	First 25 years	41,7500			
			Afterwards	33,4000			
		10 < Q ≤ 50 MW	First 25 years	22,9375			
			Afterwards	18,3811			
	b.1.1 Thermoelectric		First 25 years	26,9375	25,4000	34,3976	25,4038
			Afterwards	21,5498	20,3200		

UPDATING AND REVISION OF TARIFFS, PREMIUMS AND SUPPLEMENTS

The amounts of tariffs, premiums, supplements and cap & floor limits will be annually updated having the consumer price index (CPI) as a reference minus 0.25 until the 31st of December 2012 and minus 0.5 since then.

During 2010, in view of the result of the follow-up reports on the extent of fulfilment of the Renewable Energies Plan (PER) 2005-2010 and of the Spanish Energy Saving and Efficiency Strategy, as well as the new objectives that may be included in the following Renewable Energies Plan for the 2011-2020 period, the review of tariffs, premiums, supplements and cap & floor limits will take place, bearing in mind the costs associated with each of these technologies, the extent of participation in the special scheme in the meeting of the demand and its effect on the technical and economical system, always guaranteeing reasonable profitability rates with reference to the price of money on the capital market.

Every four years and from then on, a new revision will be done maintaining the criteria above.

OTHER ASPECTS (1)

Facilities included in special scheme have **priority in the access and connection** to the electricity grid, if there is not any technical restriction.

All the installations with capacity over 10 MW under the special scheme must be connected to a **generation control centre**, which will act as an interlocutor with the system operator, sending information about the installations in real time and having their instructions executed so as to guarantee the reliability of the electricity system at all times.

The installation and maintenance costs of the generation control centres, inclusive of the installation and maintenance of communication lines with the system operator, will be at the expense of the generators under the special scheme attached to the said centres.

OTHER ASPECTS (2)

Wind facilities are subject to the compliance of the operational procedure P.O. 12.3 “Response requirements against voltage dips in wind installations”.

The wind facilities already operating and whose technology is considered technologically adaptable, have until 1 January 2010. These facilities will have the right to receive a specific complement, once they have implemented the necessary technical equipment to commit with the P.O. 12.3. This complement will have the value of 0.38 cent€/kWh for a maximum period of five years, and which may be extended at most to 31 December 2013.

Wind facilities operating before 31 December 2001, when re-powering, may have the right to an additional premium, specific to each facility, be determined with a maximum of 0.7 c€/kWh, to be received until 31 December 2017.

Thank you for your attention

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