

# Tender process guidelines published for solar energy production tariffs

After two years of stagnation in the Israeli solar industry, a new quota of over 1,000 Megawatts is expected to be released by the government in order for it to meet its electricity production target of 10% produced through renewable energy by 2020.

For the first time in Israel, the tariff for achieving the quota will not be determined in advance but instead through a competitive tender process in accordance with the tariffs proposed by bidders to the Electricity Authority.

The guideline for bidders applying for licenses was set out by the Electricity Authority on 10 October 2016 (the "Hearing"), which has changed the requirements under the current regulations.

The key points under the Hearing are as follows:

- 1. Quotas and timetables.** During the years 2017-2018, the Electricity Authority will hold at least six competitive tenders for the production of over 1,000 megawatts, as well as for distribution network (low and high voltage) and for transmission network. According to the Hearing proposals, the first tender is expected to take place in January 2017.
- 2. Tender method.** The tariffs will be determined according to the "clearing price" method: the winning bids will be all those that meet the minimum production capacity at the lowest cost per Kilowatt. The tariff that is to be paid to every winning offer shall be equal to the amount of the first best offer that did not win the tender.
- 3. Concentrations.** The total cumulative capacity of offers made by an offeror for each tender may not exceed 100 Megawatts to the distribution network and 70 Megawatts to the transmission network. An offeror is defined as someone who holds, directly or indirectly, at least 10% of the controlling stake in the offeror.
- 4. Rate.** The tariff which will be determined in

each tender will apply for a period of 23 years for the distribution network and for a period of 22 years for the transmission network.

- 5. The realisation / execution of the winning offers.** Winners are not required to commit in advance to specific sites where facilities are to be built. However, all offers submitted are binding, and the offeror will be required to fulfill all winning offers. In addition, successful bidders will be entitled to exercise the winning capacity through the expansion of existing facilities. The facilities will be built within 18 months for low and high voltage, and within 36 months for upper level voltage, without having to meet milestones during the said period.
- 6. Licenses.** The Electricity Authority will provide a supplier license to the winners who comply with the terms set out in the Electricity Sector law.
- 7. Guarantee and conditions precedent.** Offerors in a competitive process will be obliged to deposit a guarantee of USD 20 per Kilowatt



at the submission stage and a guarantee of USD 70 per Kilowatt upon winning. High voltage facilities will provide, in addition to the guarantee, a favorable feasibility survey for connection to the network (it is possible to re-submit a feasibility survey that was already submitted under the previous regulations). The deadline for requests to conduct a survey, which should be submitted to the Israel Electric Corporation (IEC), is 30 November 2016.

8. **Cancelling conditional licenses.** Conditional licenses previously granted and which did not receive a tariff approval in the framework of previous regulations, will expire.

The deadline for submitting a response to the hearing is 10 November 2016.

For the Hebrew version of the Authority's decision, please contact us.

For more details, please contact.

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