



REVIEW OF THE AMENDMENTS AND SUPPLEMENTS TO THE LAW ON USE OF RENEWABLE ENERGY RESOURCES

After the Law on Use of Renewable Energy Sources (RES Law) came into force, certain challenges have emerged in its implementation by the key stakeholders. The Ministry of Mining and Energy proposed amendments and supplements to the RES Law. Amendments and Supplements of the Law on Use of Renewable Energy Resources (Amendments to the RES Law) were enacted by Serbian Parliament in April 2023.

Key amendments to the RES Law concern the following objectives:

- (i) regulating the balancing responsibility to incentivize RES investments while protecting the guaranteed supplier and end costumers;
- (ii) establishing a safeguarding mechanism to protect the security of system operation in light of expected high RES penetration;
- (iii) establishing competences for determining maximum offered price at auctions;
- (iv) limiting installed capacity for prosumers; and
- (v) limitations on connection to distribution system.

BALANCING RESPONSIBILITY

According to the previous solution by RES Law, all RES producers were entitled to transfer balancing responsibility to the guaranteed supplier, i.e. Joint stock company Elektroprivreda Srbije Belgrade (JP EPS). The said right was guaranteed regardless of whether the producers are part of the incentive system or not. Transmission system operator (TSP) and JP EPS took the position that this would result in excessive RES capacity development which would pose a significant risk to system operation.

In order to overcome this, the Amendments to the RES Law stipulate that the transfer of balancing responsibility to the guaranteed supplier will solely be reserved for producers within the incentive system (Privileged Producers).

Additionally, Amendments to the RES Law introduce a new method for calculating balancing deviations payments for Privileged Producers who are in the incentive system. Instead of paying for deviations that exceed the fixed percentage of allowed deviations, a fee in fixed percentage of the maximum offered price at the auction for MWh of realized production is introduced to be paid to the guaranteed supplier.

Amendments to the RES law also introduce an explicit obligation of Privileged Producers to make accurate forecasts of electricity production, along with the guaranteed supplier having the authority to impose an additional fee if the privileged producer fails to fulfil its obligation.

Such balancing support to Privileged Producers shall be available until (i) expiry of 6 month period as of the day of market coupling of the organized intraday market of Republic of Serbia with the unified European organized intraday market or (ii) expiry of 30 months from the day of the establishment of the organized intraday market in the Republic of Serbia, whichever period expires first.

SAFEGUARD MECHANISMS FOR SECURITY OF OPERATION OF THE POWER SYSTEM

In order to address concerns concerning system stability, the Amendments to the RES Law further stipulate obligation of the transmission system operator to perform analysis of the adequacy of electricity production and transmission system in the development of system's plan. In the event that the analysis indicates the inability to ensure balancing reserve for the system, the transmission system operator and distribution system operator shall defer the connection of power plants utilizing RES to the transmission system as long as such conditions persist.

However, to avoid the deferral of connection to the transmission system, RES producers would need to provide additional capacity for the provision of ancillary services, including frequency regulation and power exchange (such as batteries and other storage facilities, as well as controllable energy sources).

COMPETENCE FOR DETERMINING MAXIMUM OFFERED PRICE AT AUCTIONS

Under RES Law, Energy Agency of the Republic of Serbia (Agency) determines the maximum offered price at auctions, while the Ministry conducts auctions. This could have potential lead to inefficiencies in the process as the responsibility for the implementation and success of the auctions lies with the Ministry.

Amendments to the RES Law addresses the competence for determining the maximum offered price at auctions by stipulating that the Ministry shall be competent for determining the maximum offered price.

PROSUMERS

RES Law allowed the prosumers to connect to the power system without restrictions, whereby their responsibility towards the system is entirely excluded, since prosumers have no balancing responsibility, enjoy priority access rights and are not obliged to participate in providing ancillary services.

This led to significant interest of consumers and resulted in submission of a large number of requests for connection.

The Amendments to the RES Law limit the installed capacity of prosumer to 6.9 kW for households and up to 150 kW for prosumers not falling under the household category.

By limiting the installed capacity of prosumer to 150 kW, all facilities with higher capacity become obligated to participate in ancillary services, thereby contributing to the overall flexibility of the power system and increasing the level of technical feasible integration of RES.

On the other hand, limiting the installed capacity of household consumer to 6.9 kW aims to optimize the household's investment in line with its real annual consumption.

However, it should be noted that limitation of the installed capacity of prosumers does not apply in the following cases: (i) for prosumers which initiated the connection procedure prior to the adoption of Amendments to the RES Law; (ii) for prosumers not falling into the household category, which initiate the connection procedure from the day the Amendments to the RES Law came into force until the July 1, 2024, if the installed capacity of the production facility does not exceed 5 MW; and (iii) for prosumers which acquired their status before Amendments to the RES Law came into force.

LIMITATIONS ON CONNECTION TO DISTRIBUTION SYSTEM

Amendments of the RES Law aim to prevent investors abuse by circumventing connection to the transmission system and artificially dividing project into smaller ones, using connection to distribution system to feed electricity into the system, which due to the lack of consumption at the distribution level, would be redirected to the transmission system.

In this regard, Amendments of the RES Law stipulate that the total installed capacity of all RES power plants cannot exceed 80% of the installed capacity of the transformer station through which the electricity is transferred from the distribution to transmission system, and the transfer value from the distribution to the transmission system cannot exceed 16 MW.

This measure shall motivate investors to build power plants near high electricity consumption areas, while also imposing a limit on the transfer of electricity from remote power plants with low demand. The restriction ensures that the total electricity transferred from the distribution to the transmission system, derived from RES, does not exceed 16 MW, preventing the fragmentation of projects based on their combined capacity.

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