

Energy auctions are market mechanisms that aim to increase the efficiency of energy contracting. In Brazil, they are the most important method for contracting energy. Through this mechanism, concessionaires, permissionnaires, and authorized companies in the electricity distribution public service who take part in the National Interconnected System (*Sistema Interligado Nacional*, or SIN) ensure that the entire Unregulated Market (*Ambiente de Contratação Regulada*, or ACR) is serviced.

Energy auctions are conducted by the Electrical Energy Trading Chamber (*Câmara de Comercialização de Energia Elétrica*, or CCEE), by delegation of the National Agency of Electric Energy (*Agência Nacional de Energia Elétrica*, or ANEEL).

After publication of the auction's opening, ANEEL publishes an order with the basic guidelines for the parties who are interested in participating as sellers or buyers, presenting the information about registration and technical qualification, the auction's public notice (which will be published afterwards), the agreements, and the systematics – the set of rules that define the auction's mechanism – through which the auction shall happen.

The rules below bring the first order regarding the auctions scheduled for June/2021, where some technical and contractual issues for a venture's qualification are presented.

Order 459/2020 that promotes alterations on Order 389/2019 and others

- Auctions "A-4" and "A-5" of 2021 shall be conducted sequentially on 11 June 2021;
- Developers who intend to propose the inclusion of ventures must request registration and technical qualification of their respective projects to the Energy Research Company (*Empresa de Pesquisa Energética*, or EPE) and send the Data File in the Tracking System for Energy Generation Ventures (*Sistema de Acompanhamento de Empreendimentos de Geração de Energia*, or AEGE), individualized for each Auction (as per instructions available on the website www.epe.gov.br and [Order no. 102/2016](#));
- The deadline for delivering the necessary documents will be midday on February 1 2021;
- Parameters and prices that form the share of the Unitary Variable Cost (*Custo Variável Unitário*, or CVU), the fixed revenue attached to the fuel cost (RFComb), and the operative inflexibility must be informed by midday on March 18 2021, through the AEGE system;
- For the purpose of technical qualification, there will be no demand regarding the limit for annual operative inflexibility;
- The plants' calculated and revised guaranteed power output will come into force only in the case of effective energy trading in the "A-4" and "A-5" Existing Energy Auctions, of 2021, losing efficacy if the selling proponent does not win the auctions;
- The Operation Monthly Program (*Programa Mensal de Operação*, or PMO) of January 2021 shall be adopted as reference for applying the guaranteed power output calculation methodology;

*Supply periods:

- beginning on January 1 2025 and ending on December 31 2039, for the "A-4" Existing Energy Auction, of 2021;
- beginning on January 1 2026 and ending on December 31 2040, for the "A-5" Existing Energy Auction, of 2021;
- The CCEARs to be negotiated in the "A-4" and "A-5" existing energy auctions, of 2021, shall predict that the reference base for the prices, in R\$/MWh, and for the fixed revenue, in R\$/year, will be the month when the auctions are conducted;
- The reference base for the share of the fixed revenue attached to other items (RFDEmais), predicted on article 2, item II, of [Order 42, of March 1 2007](#), will be the month of December 2020, and will be calculated from the fixed revenue taking into account the Wide Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA) verified between the months of December 2020 and the month when the auctions are conducted;
- Generation ventures whose commercial operation is predicted to begin after the day the supply is supposed to start may not participate in the auctions;
- Ventures that are in commercial operation or have their commercial operation predicted to start until December 31 2024 may participate in the "A-4" Auction;
- Ventures that are in commercial operation or have their commercial operation predicted to start until December 31 2025 may participate in the "A-5" Auction;
- The CCEARs of the "A-4" and "A-5" existing energy auctions, of 2021, shall predict that the seller will be exempt from the obligation of delivering energy up to the limit of the Plant's Programed Unavailability (IP), according to what has been presented in the programmed maintenance annual schedule;
- The CCEARs of the "A-4" and "A-5" existing energy auctions, of 2021, shall predict that the seller will be exempt from the obligation of delivering energy up to the annual balance corresponding to the Forced Unavailability Equivalence Rate (*Taxa Equivalente de Indisponibilidade Forçada*, or TEIF) used in the guaranteed power output calculation addressed on [Order no. 101, of 2016](#);
- For the purpose of classifying the bids in the "A-4" and "A-5" existing energy auctions, of 2021, it will be considered the SIN's remaining capacity for generation drainage, in the terms of the general guidelines established on [Order 444, of 2016](#);
- For the purpose of Technical Qualification, alterations in the generation venture's connection point to the SIN indicated when registering for the A-4" and "A-5" existing energy auctions, of 2021, will not be permitted, observing what is presented on article 3, § 6, of this Order;

- The plants shall be considered for the purpose of serving the Unregulated Market (*Ambiente de Contratação Livre*, or ACL), as long as the generation entrepreneur presents, until the end of the registration, one of the following documents:
 - a) Agreement for Using the Transmission System (*Contrato de Uso do Sistema de Transmissão*, or CUST), for accessing the basic network; or
 - b) Agreement for Using the Distribution System (*Contrato de Uso do Sistema de Distribuição*, or CUSD), for accessing the distribution systems; or
 - c) Decision of Valid Access, emitted by the ONS or by the distribution permissionnaire or concessionaire responsible for the area where the intended Connection Point is located.

* for the cases defined on item C, the CUST or the CUSD must be signed before the publishing date of the Technical Note of Bill of Quantities of the SIN's Remaining Capacity for Generation Drainage.

- In the "A-4" and "A-5" existing energy auctions, of 2021, contemplated in this Order, what is disposed on article 9 of [Order 514, of 2011](#)*, does not apply, and what is disposed on its article 7 is maintained, even in the cases of unavailability, on the date when the contractual supply of electricity begins, of usage installations in the transmission scope, needed for draining the energy produced by generation venture apt to begin its commercial operation;
- * The CCEARs must predict the obligation to reconstitute the sale coverage by means of:
 - I – cession of guaranteed power output coming from a generation venture in the name of the selling agent, who will also assume the risks of price differences between submarkets; or
 - II – bilateral power purchase agreements in the electricity quantity modality, accepted under exclusive responsibility of the selling agent, who will also assume the risks of price differences between submarkets.

Single paragraph. In the event that the generating units' commercial operation begins, as defined in the granting act, after CCEAR's supply period starts, the selling agent's sale revenue will be equal to the product:

- I – of the unitary fixed revenue, expressed in R\$/MWh, by the amount of electricity associated to the reconstituted sale coverage, in the CCEARs signed in the electricity availability modality; and
- II – of the unitary selling price, expressed in R\$/MWh, by the amount of electricity associated to the reconstituted sale coverage, in the CCEARs signed in the electricity quantity modality;

- The performance of the "A-4" existing energy auction, of 2021, shall antecede the performance of the "A-5" existing energy auction, of 2021;
- The eventual frustrated purchase in the "A-4" Existing Energy Auction, of 2021, shall not be contracted in the "A-5" existing energy auction, of 2021;
- Exclusively in the "A-5" existing energy auction, of 2021, the SIN'S REMAINING CAPACITY FOR GENERATION DRAINAGE of the INITIAL STAGE will discount the amounts that were contracted in the "A-4" existing energy auction, of 2021.