

In line with the “A-3” and “A-4” energy auctions for new generation ventures, the Brazilian government will be releasing ordinances with important information and updates on the specific requirements for all projects entering the bid process.

Mangifera Analytics will be exploring all the ordinances and highlighting the key information from each to ensure our investment community is up-to-date and prepared for all the requirements and complexities of these highly competitive auctions.

NORMATIVE ORDINANCE No.1 — JANUARY 7th 2021

- The auctions shall be conducted sequentially on June 25th 2021; with the “A-3” auction being held first, and the “A-4” auction following directly after.
- Developers who intend to propose the inclusion of generation venture projects in the “A-3” and “A-4” New Energy Auctions in 2021 must request **Registration** and **Technical Qualification** of their respective projects to the Energy Research Company (*Empresa de Pesquisa Energética*, or EPE).
- This is done by sending their **Data File** included in the **Tracking System for Energy Generation Ventures** (*Sistema de Acompanhamento de Empreendimentos de Geração de Energia*, or AEGE), which is individualized for each Auction, in addition to the other required documents, including the documentation indicated on [Ordinance no. 102 of March 22 2016](#), as per instructions available on-line at www.epe.gov.br
- The deadline for completing the registration and delivering the documents will be midday on February 26th 2021
- Developers whose projects were registered with the EPE for participation in the “A-4” New Energy Auction of 2020, may request re-registration of their respective ventures and not required to resubmit documents, as long as the parameters, the technical characteristics, and other information in the referred projects remain unaltered.

The registration of this option is mandatory in the AEGE when registering the venture, in which occasion the validity of each and every document presented for the purpose of registration in the “A-3” or “A-4” New Energy Auctions, of 2021, shall be declared.

- For those developers who choose to re-register according to the point above, it is forbidden to present any documents to replace the ones protocolled on the EPE when registering for the “A-4” New Energy Auction of 2020, except when:
 - a) Awarding requirement dispatch, issued by ANEEL;
 - b) Environmental license deadlines have expired;
 - c) Access report or equivalent documents, defined on article 4, § 3, item VI on [Ordinance no. 102 of 2016](#); and
 - d) Any other documents when required by the EPE.

- The registration of a venture in a connection point that is distinct from the one registered in the "A-4" New Energy Auction of 2020, is allowed.
- The following generation ventures will not be technically qualified by the EPE:
 - a) Non-thermoelectric ventures whose **Unitary Variable Cost** (*Custo Variável Unitário*, or CVU) is over zero;
 - b) Thermoelectric ventures whose CVU is different from zero, and whose annual generation inflexibility is higher than fifty per cent;¹
 - c) Thermoelectric ventures whose CVU, calculated in the terms of article 5 of [Ordinance no. 46, of March 9 2007](#), is higher than R\$ 300.00/MWh;
 - d) Hydropower ventures with an installed capacity lower than 1 MW (one megawatt);
 - e) Non-hydropower ventures with an installed capacity lower than 5 MW (five megawatts);
 - f) Ventures whose eligible busbar, contemplated on article 2, item VI, of [Ordinance no. 444, of 2016](#), has a remaining capacity for generation dispatch lower than their respective injected power;
 - g) Ventures that do not meet the conditions for Registration and Technical Qualification established in [Ordinance no. 102, of 2016](#), observing the exceptions disposed in this Ordinance.
- For wind generation projects, in the hypothesis of wind turbine importation, the equipment shall have a nominal power equal to or higher than 2,500 KW (two thousand five hundred kilowatts).
- The non-compliance with what has been stated above implies declassification of the ventures and termination of the Agreements of Electrical Energy Trading in the Regulated Market (*Contratos de Comercialização de Energia Elétrica no Ambiente Regulado*, or CCEARs) that have been signed as result of the "A-3" and "A-4" New Energy Auctions, of 2021, subject to ANEEL's inspection.
- It is up to the ANEEL to elaborate the public notice and its annexes, including the CCEAR's minutes, as well as adopting the necessary measures to conduct the "A-3" and "A-4" New Energy Auctions of 2021.
- The electric power contractual supply shall begin on:
 - a) January 1, 2024, for the "A-3" New Energy Auction, of 2021;
 - b) January 1, 2025, for the "A-4" New Energy Auction, of 2021.
- The public notice shall predict that generation ventures that begin their commercial operation on date its publication date may not participate in the "A-3" and "A-4" New Energy Auctions of 2021.
- In the "A-3" and "A-4" New Energy Auctions of 2021, the following CCEARs will be negotiated:
 - a) In the modality of electricity quantity, with a thirty-year supply deadline, for the following hydropower ventures:
 - Hydropower Generating Unit (*Central Geradora Hidrelétrica*, or CGH);
 - Small Hydropower Generating Unit (*Pequena Central Hidrelétrica*, or PCH);
 - Hydropower Plant (*Usina Hidrelétrica*, or UHE), with an installed power equal to or lower than 50 MW;
 - Expansion of already existing CGH, PCH, or UHE.

¹ The Inflexibility Declaration can be presented considering Seasonal Inflexibility monthly values.

- b) In the modality of electricity quantity, with a twenty-year supply deadline, for wind and solar photovoltaic ventures.
- c) In the modality of electricity availability, with a twenty-year supply deadline, for biomass thermoelectric ventures.

* The CCEAR for thermoelectric ventures from biomass will be differentiated according to the CVU value (equal to zero or different from zero).

* Generation ventures that use, as main fuel, biomass comprised of urban solid waste, biomass derived from landfills, biodigesters of vegetable or animal waste, or sewage treatment plants, will be classified as biomass thermoelectric ventures.

- At least thirty per cent of the qualified energy from the generation ventures previously mentioned shall be negotiated.
- The CCEARs to be negotiated in the “A-3” and “A-4” New 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 (*Receita Fixa Vinculada aos Demais Itens*, or RFD*Emais*), predicted on article 2, item II, of [Ordinance no. 42, of March 1 2007](#), will be the month of November 2020, and will be calculated from the Fixed Revenue defined on § 6 taking into account the Wide Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA) verified between the months of November 2020 and the month when the auction is conducted.
- In the case of CGH, the CCEAR will contain a clause establishing a termination hypothesis, in case the venture is affected by optimum utilization of the watercourse that compromises meeting the energy lots contracted during the auction.
- For the purpose of classifying the bids from the “A-3” and “A-4” New Energy Auctions of 2021, the Remaining Capacity of the National Interconnected System (*Sistema Interligado Nacional*, or SIN) will be considered for generation dispatch, in the terms of the general guidelines established in [Ordinance no. 444, of 2016](#).
- Exclusively for the auctions contemplated in this ordinance, the plants whose purpose is to serve the Unregulated Market (*Ambiente de Contratação Livre*, or ACL) shall be considered, as long as the generator presents, until the end of the Registration period, 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.
 - b) Agreement for Using the Distribution System (*Contrato de Uso do Sistema de Distribuição*, or CUSD), for accessing the Distribution Systems.
 - c) Valid Access Report, emitted by the ONS or by the Distributor.²

² In these cases, 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 Dispatch.

- For the “A-3” and “A-4” New energy Auctions of 2021, for the purpose of configuring the generation used in defining the SIN’s Remaining Capacity for Generation Dispatch for the generation ventures that win preceding New Energy, Renewable Sources, or Reserve Energy Auctions, and those that begin their commercial operations up to six months from the onset of the Auction’s supply, monitored by the Energy Sector Monitoring Committee (*Comitê de Monitoramento do Setor Elétrico*, or CMSE), the tendency dates certified by the CMSE in the Regular Meeting to be held in February 2021 will be considered.
- In the “A-3” and “A-4” New Energy Auctions of 2021, contemplated in this ordinance, what is disposed on article 9 of [Ordinance no. 514 of 2011](#), does not apply, and what is disposed on its article 7 is maintained, even in cases of unavailability on the date when the contractual supply of electricity begins. Usage installations in the transmission scope are necessary for dispatching the energy produced by generation venture apt to begin its commercial operation.
- Developers may modify the venture’s technical characteristics after they are awarded, while observing the guidelines defined by [Ordinance no. 481 of November 26 2018](#).
- Public notices of the “A-3” and “A-4” New Energy Auctions of 2021, shall predict the acceptance of proposals for four products, in the following terms:
 - a) For the “A-3” New Energy Auction, of 2021:
 - In the quantity modality, for wind power ventures, with a supply period between January 1 2024 and December 31 2043;
 - In the quantity modality, for hydropower ventures, with a supply period between January 1 2024 and December 31 2053;
 - In the quantity modality, for solar photovoltaic ventures, with a supply period between January 1 2024 and December 31 2043; and
 - In the availability modality, for biomass thermoelectric ventures, with a supply period between January 1 2024 and December 31 2043;
 - b) For the “A-4” New Energy Auction, of 2021:
 - In the quantity modality, for wind power ventures, with a supply period between January 1 2025 and December 31 2044;
 - In the quantity modality, for hydropower ventures, with a supply period between January 1 2025 and December 31 2054;
 - In the quantity modality, for solar photovoltaic ventures, with a supply period between January 1 2025 and December 31 2044; and
 - In the availability modality, for biomass thermoelectric ventures, with a supply period between January 1 2024 and December 31 2044;
- When defining bids, the selling proponents must consider the electrical losses of the reference point of the venture’s guaranteed power output up to the Submarket’s Center of Gravity and, when appropriate, the venture’s internal usage and internal losses.

For further explanation, consultation, and support applying and adhering to the points covered in this ordinance, or others, please [contact Mangifera Analytics](#)