

## CMS | Romania shifts towards auction-based mechanism for grid access



**On 2 August 2024, Romania's National Energy Regulatory Authority (ANRE) published an order stating that access to Romania's power grid will change to an auction-based mechanism in 2026. The order replaces the current mechanism for allocating grid capacity based on auctions, which has obliged grid connection applicants to participate in general reinforcement works for the electricity grid upstream of the connection point. Through the proposed auction-based capacity allocation mechanism, grid operators will use the amounts collected for electricity-grid development.**

The new mechanism, which will be applicable on 1 January 2026, will do the following:

- Connect new production/consumption and production sites with or without storage installations with electricity generation installations of 5 MW or more and new storage installations of 5 MW or more;
- Allocate additional power when placing additional installations for electricity generation/storage of 5 MW or more at an existing production/consumption site;
- Connect existing consumption sites with installations for electricity generation/storage of 5 MW or more.

According to the order, the auctions will be held annually for tenders of ten years. The following is the envisaged calendar of auctions:

- **Until 15 January:** publication by the national Transmission System Operator (TSO) of the available grid capacity;
- **16 January – 28/29 February:** submission of capacity applications;
- **1 March – 10 March:** Distribution Grid Operators (DSO) transmit requests for capacity allocation to the TSO;
- **Until 15 March:** the TSO finalises the list of applications;
- **16 March – 15 June:** the TSO conducts a global solution study determining the necessary grid reinforcement works for all capacity applications;
- **Until 15 June:** the TSO publishes the conclusions of the global solution study, available grid capacity, auctioning price and date for each bidding session;
- **Starting 1 July:** bidding sessions will be held daily for allocating available capacity. The bidders will be able to place bids for capacity for one year (of the tendered ten-year period).

### **Auction particularities**

The TSO will address requests for capacity allocation for generation sites with installed capacity greater than 50

MW and to the relevant DSO for generation sites with installed capacity up to and including 50 MW. The year requested for the capacity allocation will correspond to the year of the commissioning of the utilisation installations at the generating site.

The starting price of the auction will be determined by referring the total estimated value of the reinforcement works to the total grid capacity available for allocation, including capacity resulting from reinforcement works. The offers will be ranked from the highest bidding price.

The applicants must submit a bid bond determined by multiplying the capacity requested by a bidder, expressed in MW, by 1% of the starting price of the auction.

Depending on the level of competition, these are the possible scenarios:

- If the sum of the requested capacity is less than or equal to the available capacity for grid connection, then all bids will be accepted. In this case, the auction session for the allocation of available capacity will not take place.
- If the sum of the requested capacity is higher than the available capacity, without the capacity from additional development works, but is less than the available capacity including the capacity from additional development works, the auction will be conducted and all bids will be accepted in full until awarding the capacity available for connection.
- If the sum of the requested capacity is higher than the available capacity including the capacity from additional development works, the auction will be conducted and all bids will be accepted in full until awarding all the capacity available for connection.
- If the sum of the requested capacity is greater than the available capacity, which does not include the capacity from additional development works, the auction will be conducted considering the value of additional development works from the first year of the allocation period following that of the current auction. All bids will be accepted in full until all the capacity available for connection is awarded.

For each successful bid, the user must pay the tendered price. The first unsuccessful bid will be the bid with the highest price among the unsuccessful bids. In this case, if there is available capacity, the bidder may choose:

- to secure the necessary grid capacity with commissioning in the year following the year for which he initially opted, by concluding the allocation contract and paying the tendered price;
- not to secure the grid capacity for the following year, but to participate in the bidding session for the allocation of available capacity in the year following the year for which he initially opted;
- to withdraw the request for grid capacity allocation.

Successful bidders will enter capacity allocation contracts with the relevant grid operator.

### **Capacity allocation contracts**

Within five days from the auction date, the TSO will issue the capacity allocation contracts. The successful bidder is obliged to provide financial security equal to 1% of the value of the contract upon concluding the contract.

The mandatory clauses of the capacity allocation contracts are presented in the draft order as an annex to the auction methodology.

In principle, the capacity allocation contract provides for the capacity allocated to the applicant and the amount to be paid for that capacity, determined by multiplying the allocated capacity by the auction price. The applicant is obliged to pay the above-mentioned amount within four months from the signing date of the contract. The amount will be paid in instalments. The first instalment will represent at least 20% of the amount of the allocated capacity

and will be paid no later than 30 days after the signing date of the contract.

The capacity allocation contract also provides for bilateral penalties. If network operators won't bring into operation the installations resulting from reinforcement works within the applicable deadlines, they will be obliged to pay the users who have incurred the costs of those works a percentage of 0.01% per day of delay, applied to the value paid by the user for the allocated capacity until the necessary capacity allocated by tender has been secured. The same penalty is applied to users who do not meet the deadline for the final energisation of the production/consumption and production site.

Importantly, capacity allocation contracts can be assigned in whole or in part with the prior consent of the other party.

### **Changes in the financial guarantee's regime**

Apart from the capacity allocation system, the draft order also brings changes to the financial guarantee requested by the grid connection permit (ATR). Until recently, the financial guarantee was up to 20% of the grid connection tariff and was only required in cases where reinforcement works were needed. In addition, the previous legal regime requested the financial guarantee to be submitted until the conclusion of the grid connection agreement.

In contrast, according to the new order, there is an obligation for all applicants to constitute a financial guarantee, regardless of the existence of an obligation to provide for reinforcement works. In addition, the level of the financial guarantee has been established to a fix amount of 5% of the feed-in tariff. Where reinforcement works are not needed, the obligation to provide the financial guarantee is due before the ATR's date of issue, and where reinforcement works are needed, the financial guarantee is must be provided within the deadline specified in the grid connection contract.

These amendments will apply to requests for connection of the users for which, by the date of entry into force of the order, the ATR has not been issued.

### **Conclusions**

The new auction-based mechanism is expected to create a competitive environment that provides predictability for the development of energy sources in the energy system. According to ANRE representatives, the importance of the auction mechanism is the possibility for applicants to secure the necessary capacity for subsequent connection to the grid. In addition, the new mechanism will secure for network operators the necessary amounts for the implementation of additional work required to develop the power grid to connect new generation sites.

For more information on Romania's new auction-based system for grid access, contact your CMS client partner or these CMS experts: **Varinia Radu** and **Raluca Diaconeasa**.

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