

## CEER Citizens' Q&A

### 2<sup>nd</sup> CEER Report on Tendering Procedures for RES in Europe

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#### 1 What are tendering procedures for RES and why are they used?

Tenders are competitive bidding procedures used to determine cost-efficient support levels for Renewable Energy Sources (RES) installations. Different types of schemes are possible, however, all of them require a thorough and consistent design and a sufficient level of competition in order to be effective. In principle, there are two main categories of competitive tendering procedures, namely:

- **Price-based tenders**, where the bids with the lowest offered support levels will be awarded; and
- **Multi-criteria tenders**, where the awarding of a bid is subject to an evaluation of various criteria.

The outcome of the tender is a level of support (i.e. per kWh) for RES producers. In general, this can either be the reference value for the Feed-in Tariff (FiT) or the Feed-in Premium (FiP). Alternatively, it can be the basis of a capacity payment per installed kW, paid out once or on a regular basis.

RES tenders can be technology-neutral (all RES technologies, or at least more than one, are competing against each other) or limited to a specific RES technology (e.g. solar, onshore wind and offshore wind energy or biomass).

#### 2 How do tendering procedures for RES work?

The set-up of a competitive bidding scheme can vary substantially depending on the political priorities, the market environment of RES technologies and on the legal framework within each country.

The principle is very simple: The government defines a certain volume of renewable capacity for which the support price should be determined in a competitive manner. It sets up a tender for which all relevant requirements for participation and criteria for selection are published. Interested parties such as companies, private persons or local communities can participate by offering a price (a bid) for which they would accept to build and operate a renewable energy installation such as a solar or an onshore wind installation for a certain volume. The entity in charge (often a public authority like a national regulatory authority) of running the tender will then rank the bids that comply with the participation criteria, starting with the lowest offered price until the pre-determined volume offered is reached. Depending on the pricing rule defined, the bidders will either get a support entitlement equaling their offered price (pay-as-bid approach) or the price of the last selected bid (uniform price approach).

### **3 What is the aim of CEER's 2nd Report on Tendering Procedures for RES in Europe?**

This report presents the current state of play on RES tendering schemes in Europe. It is an update of the 2018 CEER Report on Tendering Procedures for RES in Europe (C18-SD-63-03)<sup>1</sup>. The report provides a comprehensive overview of the various competitive bidding procedures in place for determining the level of support for RES in CEER Member countries. Assessments of schemes in selected countries complement the report.

### **4 Why is this important for energy customers? What is the impact on energy customers?**

RES subsidies are a significant and rising part of electricity bills in Europe. In 2019, 14% of the total electricity bill paid by the EU consumers consisted of RES charges.<sup>2</sup> CEER therefore strives for a market-based approach for RES generated electricity to not unnecessarily increase consumer energy bills. Where support for RES is still appropriate and where a competitive setting is given, the allocation of support should be competitive (e.g. auctions and tenders). The primary aim of applying competitive tendering procedures for determining the level of financial support for RES installations is to ensure cost-efficiency and to steer RES deployment in view of achieving national and EU RES objectives. Where a competitive setting exists, tenders have the potential to bring down RES support costs and ensure a RES deployment at least cost for energy customers.

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<sup>1</sup> [CEER Report on Tendering Procedures for RES in Europe](#), Ref: C17-SD-60-03, June 2018.

<sup>2</sup> [ACER-CEER Market Monitoring Report on the Results of Monitoring the Internal Electricity and Gas Markets in 2019 Retail Markets](#) (published in October 2020).