

UNLICENSED ELECTRICITY GENERATION: NEW ERA IN TURKISH ELECTRICITY MARKET

Unlicensed electricity generation is a unique system that gives opportunity to the **electricity subscribers** for the generation of electricity in an effort to **meet their own needs**. In this system, any subscriber, may install a renewable energy based generation facility/facilities such as solar panels on its roof/land; therefore, s/he has the opportunity to generate own electricity thus may **reduce the cost of electricity bill** that has to pay regularly. Even, subscriber has right to **sell the surplus energy** to the system (related distribution company) in accordance with the conditions that stipulated within the framework of the regulation. Furthermore, it is also possible to benefit from **financial support for the generation facility/facilities** within the framework of support programs of the regional development agencies.

Since Turkey is one of the most favorable countries in terms of the renewable energy resources with a huge potential of solar, wind and hydro generation, it paves the way for the developments of renewable energy projects by adopting new legislations. In Turkish legal system, **the framework primary legislation** for the unlicensed electricity generation is the **Electricity Market Law ("Law") No. 6446** which has been in force since the 30th March 2013. According to the Article 14 of this Law, basic generation activities **exempt from obtaining a license** or **establishing a company** are as follows;

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- a) Emergency generator groups and generation facilities which do not install connection with the transmission or distribution system,
- b) Renewable energy based generation facilities with the **utmost limit of 1 megawatt** installed capacity,
- c) Electricity generation facilities established for solid waste and treatment facilities of municipalities,
- d) Micro-cogeneration facilities and the cogeneration facilities, which meet such productivity level as will be determined by the Ministry,
- e) Renewable energy based generation facilities which use or consume **all of the generated energy without giving to the transmission or distribution system**, and that have both generation and consumption **at the same measurement point**.

Furthermore, it is significant to note that the Council of Ministers has authority for the increase of the utmost limit of the installed capacity of the renewable energy based generation facilities up to **5 fold**, on the basis of resource under the principles of development of competition, technical efficiency of the transmission and distribution systems and ensuring the security of supply.

The framework secondary legislation for unlicensed electricity generation from renewable sources is the “**Regulation on the Unlicensed Electricity Generation on the Electricity Market**” (Regulation) and “**Communication Concerning the Application of Regulation on the Unlicensed Electricity Generation on the Electricity Market**”(Communication) that have entered into force on 2 October 2013.

Under favour of the unlicensed system, all electricity subscribers have right to generate their own electricity **without any distinction between real or legal person** and **without having the requirement of obtaining a license and establishing a company**. The formalities and procedures are quite reduced when unlicensed generation is compared with the licensed generation. Furthermore, as differ from the licensed generation, there is no legal responsibility of measurement obligation for the wind and solar energy based unlicensed electricity generation facilities. Additionally, unlicensed system opens up an opportunity for consumption merge. However, it should not be forgotten that the primary objective of the unlicensed system is to generate electricity with an attempt to meet its own electricity needs and **trading of electricity or in other words, selling of electricity to third parties by bilateral agreements is prohibited by law**. The projects with commercial purposes are obliged to take license and setting up a company. It must be kept in mind that although the **selling of electricity with bilateral agreements to the third parties is not allowed** in the unlicensed system, the surplus electricity may be assessed by the YEK support mechanism in other words, subscribers may sell the surplus energy to the system. As long as there is a subscription, electricity may be generated either by real or legal person. Moreover, according to the YEK mechanism’s Table 1, subscriber may benefit from the incentive fee as unit per kWh by giving the surplus energy to the system. Although renewable energy based electricity generation facilities may sell the surplus electricity for ten years, there is no certain legal decision for after the period of ten years. Additionally, renewable energy

resource based unlicensed electricity generation facilities may benefit from the support price payment of the domestic component for a period of five years starting from the operation date of the facility in accordance with the Table 2 of the YEK mechanism. In the light of these, unlicensed system paves the way to make profit from the surplus energy as well as the price of the domestic component support may reduce the cost of installation.

In fact, Regulation provides various options for consumption facilities who want to establish renewable energy based generation facility/facilities:

In the first option, a **single consumption facility** may install **only one generation facility** up to 1 MW capacity limit (based on **single renewable energy resource** such as only solar) which is connected to the distribution/transmission system and may sell the surplus energy to the system (related distribution company). “Solar House of Gürsu Municipality (Bursa)”¹ and “Solar Power Station of Erikoğlu Sun Systems (Denizli)”² are the leading examples of unlicensed electricity generation which have sold the surplus energy to related distribution companies (that are respectively Uludağ Electricity Distribution Company and AYDEM Electricity Distribution Company).

In the second option, as long as there is adequate capacity within the distribution system, a **single consumption facility** may install **more than one generation facilities** up to 1 MW capacity limit, (based on different renewable energy resources such as combination of **solar, hydro and wind**) which is connected to the distribution/transmission system and may sell the surplus energy to the related distribution company. However, in this option, total combination of different renewable energy resource based generation facilities cannot exceed 1MW installed capacity limit.

In the third option, a consumption facility may install **unlimited generation facility** as long as the following conditions are provided;

- Generation facility consuming all of the generated energy **without giving to transmission/distribution system**
- Having both generation and consumption at the **same measurement point**.

¹<http://www.hurriyet.com.tr/ekonomi/23174561.asp> [Retrieved on 2 December 2013].

²<http://www.solarbaba.com/haber/turkiyede-bir-ilk> [Retrieved on 2 December 2013].

However, in this option the surplus energy **cannot be sold** to the system.

Finally, **more than one** consumption facilities that cannot be able to **finance** the whole project individually and/or whose electricity consumption/need is **small-scale** can benefit from the **consumption merge**.

In conclusion, although the unlicensed system has faced many uncertainties for a long period of time (six months from March to October), Turkey presents a new market especially for unlicensed projects. High renewable energy potential of Turkey, renewable energy policies of the Government such as 2023 Strategy Paper which aims to increase the share of renewables in electricity generation as the rate of at least 30% until the 2023 and the above mentioned incentive mechanisms (like purchase of surplus energy for 10 years and domestic product usage) are the main reasons for the attractiveness of unlicensed market. Moreover, the increase in the number of applications in a short time can be accepted as a most obvious evident of this attractiveness.

We hope that new era for unlicensed projects present more opportunities than risks!!!


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