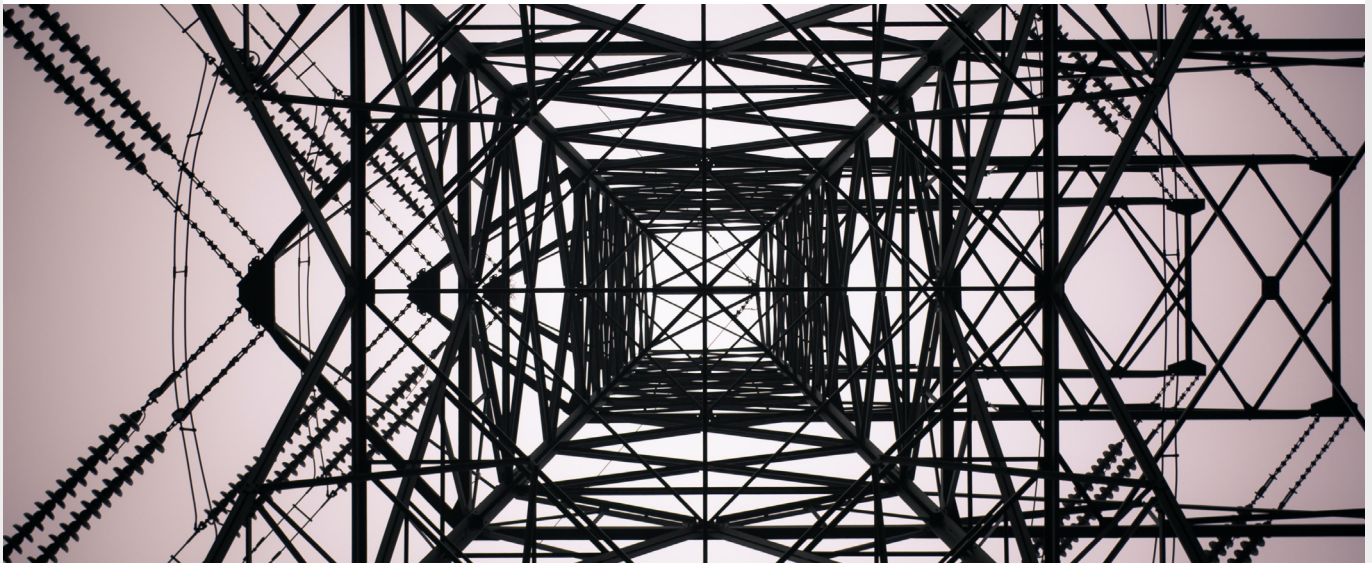


New Storage Mechanism and Electricity Market Regulations

June 2021



EMRA has announced a new set of regulations concerning the electricity market. The most important part of such regulations is the new electricity market storage mechanism which has the potential to change the structure of the electricity market. Further, recent amendments in the Electricity Market Law numbered 6446¹ (“EML”) have been reflected to the secondary legislation.

1) Electricity Market Storage Facilities

EMRA announced the Regulation on the Electricity Market Storage Regulation, published in the Official Gazette dated 9 May 2021 and numbered 31479 (the “**Storage Regulation**”). Further, other electricity market regulations have been amended to achieve harmonisation with the Storage Regulation.

The Storage Regulation allows licence holders to establish storage facilities which will work in tandem with their existing facilities. According to Article 4 of the Storage Regulation, there are four types of storage facilities:

- i) Storage facilities integrated with generation facilities;
- ii) Storage facilities integrated with consumption facilities;
- iii) Independent storage facilities; and
- iv) Storage facilities to be established by grid operators.

In order to establish a storage facility, an application must be filed with TEİAŞ at the end of one-month period following TEİAŞ’ determination of the necessary technical requirements for storage facilities, SCADA monitoring and utilisation of storage facilities for ancillary services. TEİAŞ will be announcing such technical requirements until 1 September 2021.

The details for each type of storage facility are as follows:

¹ Published in the Official Gazette dated 30 March 2013 and numbered 25603

i) Storage facilities integrated with generation facilities

According to Article 5 of the Storage Regulation, generation licensees are allowed to establish a storage facility, which is integrated with their respective generation facility, provided that a positive opinion from TEİAŞ or the relevant distribution company is obtained for such storage facility. In this case, the storage facility must be located within the same site with the generation facility.

If such application is accepted, the generation licence will be amended to include the integrated storage facility. It should be noted that the capacity of the storage facility cannot exceed the installed power capacity stipulated in the relevant generation licence. A storage facility can be put into operation only if the integrated generation facilities achieves the commercial operation also.

Generation facilities that benefit from the YEKDEM mechanism (i.e. renewable power plants) can also establish integrated storage facilities. However, such storage facility must be at the same measurement point with the generation facility and in such case, the energy drawn from the grid to the storage facility cannot benefit from the YEKDEM support payments if such electricity is delivered back to the grid.

A storage facility integrated with a generation facility could be detrimental to manage any imbalance and increase the output during peak hours.

ii) Storage facilities integrated with the consumption facilities

According to Article 6 of the Storage Regulation, consumers will be able to establish storage facilities in order to draw electricity in case of a breakdown or balance their imbalances. In order to establish such storage facility, the positive opinion must be obtained from TEİAŞ or the relevant distribution company. Further, the storage facility must be established at the same measurement point with the consumption facility integrated with such storage facility.

Similar to a storage facility integrated with a generation facility, the installed power capacity of a storage facility integrated with a consumption facility cannot exceed the contractual power stated in the connection agreement of such consumption facility.

According to Article 6/4 of the Storage Regulation, a storage facility established by an organized industrial zone within its boundaries will also be considered as an electricity storage facility integrated to a consumption facility.

iii) Independent storage facilities

According to Article 7 of the Storage Regulation, supply licence holders are allowed to establish storage facilities connected to the grid. Such storage facilities do not have to be connected with a generation facility or a consumption facility. The installed power capacity of a storage facility established by a supply licence holder must be at least 2 MW and a separate system connection and usage agreement must be signed with TEİAŞ and/or the distribution company. Such storage facility will be registered with the respective licence of the supply company and such licensee will construct the necessary connection infrastructure between the storage facility and the grid. Following the establishment of the necessary connection, such storage facility will be participating in the ancillary services and the balancing power market.

iv) Storage facilities to be established by grid operators

According to Article 8 of the Storage Regulation, TEİAŞ and distribution companies are allowed to establish storage facilities. Distribution companies are obliged to obtain prior approval of EMRA to establish such storage facilities and use the electricity stored in such facilities only for distribution purposes (i.e. distribution companies cannot participate in the balancing power markets).

In addition to such commercial storage facilities, it will be possible to establish storage facilities for research and development purposes. The installed power capacity of such facilities cannot exceed 1 MW and the energy delivered to the grid from such facilities will not be considered as sales to the system and will not be calculated for balancing and settlement purposes.

2) Developments Concerning the Licensed and Unlicensed Power Plants

a) Developments concerning licensed power plants

Back in December 2020, EML had been amended to loosening the share transfer procedures and for licenced power plants, the requirement to obtain prior approval of EMRA had been abolished. The Electricity Market Licensing Regulation, published in the Official Gazette dated 2 November 2013 and numbered 28809 (the “**Licensing Regulation**”) is now amended to reflect such amendments.

Accordingly, following the transfer of the shares in a licensed legal entity (other than those legal entities of which their tariffs are determined by EMRA – i.e. distribution companies), such change transfer will be notified to EMRA within 6 months from the transfer date. If the shares of a legal entity holding a preliminary licence had been transferred under the exceptions stipulated in the Licensing Regulation, such change should also be notified to EMRA within 6 months from the date of the transfer.

All of such notifications will be made through the EMRA Electronic Application System after 1 June 2021. Until such deadline, EMRA will continue to accept applications in writing.

b) Developments concerning unlicensed power plants

With the amendments introduced to EML in December 2020, a new unlicensed power plant type had been introduced, which are the renewable power plants that have an installed power capacity equal to the installed power of the consumption facility that it is connected with. Accordingly, a consumption unit with a high connection power capacity (i.e. 3 MW) will be able to established an unlicensed power plant with an installed power capacity equal to such connection capacity in order to meet its consumption needs. Any excess generation can be sold to the market as an incentive to establish such renewable power plants.

Further, a legal entity that owns an unlicensed power plant is now allowed carry out merger and de-merger transactions prior to the operation date of such unlicensed power plant. Previously, such transactions were not allowed until the relevant unlicensed power plant is put into operation.

In addition to these, legal entities that own unlicensed wind and solar power plants will now be able to carry out share transfers prior to the operation of the relevant unlicensed power plant between direct and indirect shareholders, spouses and first-degree relatives.



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