

Legal Briefing on Recent Developments in the Electricity Market

December 2024



Dear Clients, Colleagues and Friends,

1. The Regulation on Aggregation Activities in the Electricity Market Has Been Published

With the Regulation on Aggregation Activities in the Electricity Market, published in the Official Gazette dated 17 December 2024 and numbered 32755 (“the **Regulation**”), which will enter into force on 1 January 2025, the procedures and principles regarding the activities that aggregators may carry out in the electricity market and the transactions to be carried out within the scope of aggregation activities have been established pursuant to Article 12/A of the Electricity Market Law No. 6446, published in the Official Gazette dated 30 March 2013 and numbered 28603 (the “**Law**”). In addition to the Regulation, secondary legislation has also been amended to include the necessary changes regarding the aggregation activities.

The Regulation designates the aggregator as an official participant in the electricity market and defines an aggregator as a legal entity that holds either an aggregator licence or a supply licence, which has entered into agreements with one or more grid users to carry out aggregation activities in the electricity market on behalf of these grid users in the electricity market. In this context, different from suppliers who provide services such as the supply of electricity and natural gas to final consumers in the energy market, the aggregator is structured as an entity that brings together different energy resources, manages them as a single source and presents them to the energy market.

A. The Concept of Aggregation and Persons Eligible to Carry Out Aggregation Activities

Under the Regulation, aggregation refers to the market activity carried out by an aggregator involving the grouping and operation of the generation and/or consumption activities of one or more grid users. In this regard, aggregation activities can be carried out by legal entities holding a supply license (provided that the aggregation activities are included in its license) or an aggregator activity license. The provisions of the Electricity Market Licensing Regulation, published in the Official Gazette No. 28809 on 2- November 2013, shall apply to the licensing process for these legal entities.

B. General Principles Regarding Aggregation

Activities of Aggregators. Under the Regulation, the main activities of aggregators are as follows:

- **Participation in Organised Wholesale Markets:** Operating in the organized wholesale electricity markets.
- **Balancing Market Operations:** Managing energy imbalances through their portfolios to ensure grid stability by coordinating generation and consumption.
- **Participation in Ancillary Services:** Contributing to ancillary services such as reactive power support, frequency control and demand-side response.

The aggregator will sign aggregation service agreements with the relevant grid users for the market activities it will undertake within the scope of its aggregation activities. Additionally, the aggregator will enter into (i) market participation agreements with the market operator for participating in the organized wholesale electricity market; and (ii) ancillary service agreements with the grid operator.

Legal entities holding a supply license with the right to carry out aggregation activity will not be able to sign aggregation service agreements with grid users in their portfolios that they supply electricity, and aggregators will not be able to carry out wholesale activities within the scope of their aggregation licenses. However, purchases and sales made by the aggregators to balance their portfolios will not be considered as wholesale activities.

Aggregators shall have manage the production and/or consumption schedules of the grid users that they have agreements with, carry out electricity and capacity trading on their behalf, and participate in ancillary services. Additionally, the aggregator is responsible for fulfilling all market obligations, including collateral and imbalance obligations, on behalf of the users in its portfolio.

Participation of Consumption Facilities in Aggregation Activities. The aggregator can aggregate consumption facilities connected to the distribution or transmission grid within its portfolio. Under demand-side participation, the aggregator may also handle the energy supply for the consumption facilities included in its portfolio. If the aggregator does not wish to carry out supply activities in this regard, it shall inform the market operator through the Market Management System.

Participation of Licensed Electricity Generation Facilities in Aggregation Activities. The aggregator can aggregate licensed electricity generation facilities, electricity storage units, and/or plants connected to the distribution or transmission grid within its portfolio. However, the aggregator can only include licensed electricity generation facilities with an installed power capacity of 100 MW or less in its portfolio. If the requirements outlined in the relevant legislation are met, the electricity generation facilities in the aggregator's portfolio shall be considered as balancing units and/or ancillary service units.

Participation of Unlicensed Electricity Generation Facilities in Aggregation Activities. The aggregator can aggregate unlicensed electricity generation facilities connected to the distribution or transmission grid that have completed their ten-year purchase guarantee period, to manage their surplus energy within their portfolio. No installed power limit is foreseen for unlicensed electricity generation facilities on a facility basis, however the Electricity Market Regulatory Authority (“**Authority**”) may set lower and/or upper capacity limits when necessary.

Unlicensed electricity generation facilities in the aggregator portfolio and in the same balancing zone will be accepted as balancing unit and/or ancillary service unit provided that they meet the conditions set forth in the legislation.

Regulation on Portfolio Limits in Aggregation Activities. Under the Regulation, portfolio limits for aggregation activities have been set. In this context, if the aggregator's portfolio includes electricity generation facilities, the total operational electrical capacity of both licensed and unlicensed electricity generation facilities can be up to a maximum of 2,000 MW. Additionally, the share of unlicensed electricity generation facilities in the total operational electrical installed capacity within this upper limit is not allowed to exceed 500 MW.

No power limit has been set for consumption or storage facilities that can be added to the aggregator's portfolio; however, if necessary, the Authority may set a power limit for these facilities.

C. Conclusion

The Regulation and the accompanying amendments represent a significant step in modernising Türkiye's electricity market. In this regard, the Regulation not only establishes a framework for the rights and obligations of aggregators but also enhances market participation opportunities and enables the grid to be more stable.

2. SPP YEKA Tender 2024

The Republic of Türkiye's Ministry of Energy and Natural Resources ("**Ministry**") announced the *Tender for the Allocation of Renewable Resource Areas and Connection Capacities Based on Solar Energy* (the "**SPP YEKA Tender 2024**") for new solar power plant projects ("**SPPs**") in the Official Gazette dated 4 November 2024 and numbered 32712 (the "**Tender Announcement**"). The tender specifications ("**Specifications**") and the draft contract ("**Contract**") for the SPP YEKA Tender 2024 are also published in the Ministry's official [webpage](#).

The SPP YEKA Tender 2024 aims to support Türkiye's commitment to expand its renewable energy infrastructure, diversify its energy portfolio and promote local production of solar technology. Pursuant to the Tender Announcement, the SPP YEKA Tender 2024 will be organized for six SPPs with a connection capacity of 800 MWe in total as detailed in the table below:

SPP Tender	Area	Area Size (km ²)	Connection Capacity (MWe)
G24-Karapınar SPP	Karapınar/Konya	6.43	385
G24-Karaman SPP	Ayrancı/ Karaman	4	200
G24-Malatya SPP	Darende/Malatya	1.53	75
G24-Van SPP	Saray/Van	0.9	60
G24-Antalya SPP	Gazipaşa/Antalya	0.8	40
G24-Kütahya SPP	Aslanapa/Kütahya	0.73	40

(Annex 1 and Annex 6 of the Ministry's Specifications for the SPP YEKA Tender 2024)

The applications will be collected on 27 January 2025 between 10:00 – 12:00 local time at the Ministry.

A. Main Principles and Procedures for the SPP YEKA Tender 2024

Eligible bidders. Only (i) Turkish legal entities incorporated as joint stock company or limited liability company under Turkish Commercial Code No. 6102 (the "**TCC**") and (ii) foreign companies that qualify as a "company" under their own jurisdiction are eligible as the bidders for the SPP YEKA Tender 2024 (the "**Bidder(s)**"). The Bidder, who will be awarded for the SPP YEKA Tender 2024 (the "**Awardee**"), will proceed with the next steps under the terms and conditions as set out below.

In case a foreign Bidder is selected as the Awardee, the foreign Bidder shall incorporate a legal entity in the form of either joint stock company or limited liability company in Türkiye, with the same shareholding

1 English version of the Specifications is available [here](#).

2 English version of the draft Contract is available [here](#).

structure that it attended the tender or in which it holds the entire share capital, until the signing date of the Contract at the latest.

Procedure. The Bidders shall submit their financial bids within the range of USD 5.50 cents/kWh (the “**Ceiling Price**”) and USD 3.25 cents/kWh (the “**Floor Price**”) for the unit electricity purchase price. The financial bids that are not in the range of the Ceiling Price and the Floor Price shall not be considered as valid. The SPP YEKA Tender 2024 will be organized in the form of a Dutch auction method, in which maximum five Bidders, who quoted the lowest financial bids in the first round, will compete until the lowest and final bid above the Floor Price is reached, by sequentially underbidding the previously quoted lowest price starting from the lowest financial bid as a basis.

In case a contribution fee is determined as a result of the SPP YEKA Tender 2024, such amount shall be paid to EPIAŞ (*Enerji Piyasaları İşletme Anonim Şirketi / Turkish State company authorized to manage and operate Turkish electricity market*) in full within 20 business days after the Bidder is invited for signing the Contract, based on the foreign exchange selling rate of Central Bank of Republic of Türkiye effective as of the payment date.

If the contribution fee is not paid on time, the bid guarantee provided by the Bidder shall be recorded as income and the Bidders with second and third lowest bids, respectively, shall be given 20 business days to pay the contribution fee and sign the Contract.

Upon the completion of the process above, the tender commission's minutes shall be prepared and submitted to the General Directorate of the Ministry for the Ministry's approval. Upon the Ministry's approval, the SPP YEKA Tender 2024 shall be concluded and the Awardee shall be invited to sign the Contract within 30 days following the invitation for the same.

Financial Guarantees. The Bidders must submit an unlimited letter of guarantee to the Ministry in the amount of USD 15,000 per MW, which is valid for one year and fully or partially convertible into cash at the application stage for each tender process within the scope of the SPP YEKA Tender 2024 (the “**Provisional Guarantee**”). Furthermore, the Awardee must submit an unlimited letter of guarantee in the amount of USD 30,000 per MW, which is valid for a period of 10 years, and fully or partially convertible into cash to the Ministry one day before the Contract is signed at the latest (“**Performance Guarantee**”). Provisional Guarantee shall be returned to the Awardee once the Performance Guarantee is provided. The Performance Guarantee may be converted into cash by the Ministry to compensate its damages and to collect penalties that may occur due to the Awardee's failure to comply with the Contract's provisions.

B. Other Material Conditions within the scope of the SPP YEKA Tender 2024

Sales & Pricing Conditions. The electricity generated within the scope of SPPs will be sold in the free market for 60 months beginning from the signing date of the Contract (the “**Free Market Sales Period**”), and shall be supplied to the transmission system after the end of the Free Market Sales Period in consideration of the purchase price determined as a result of the SPP YEKA Tender 2024.

Until the end of the Free Market Sales Period, the electricity generated shall be traded in the free market. If the market clearing price falls below USD 4.95 cent/kWh in the relevant settlement period, the electricity purchase price shall be applied as USD 4.95 cent/kWh, based on the foreign exchange buying rate of Central Bank of Republic of Türkiye as of the date when the electricity is supplied to the system.

In case a time extension is granted within the scope of the Regulation on Renewable Energy Zones, the Specifications and the Contract, the additional period granted shall not be added to the Free Market Sales Period. The “unit electricity purchase price” specified in the Contract shall be applied for the electricity generated for 20 years after the end of the Free Market Sales Period. Apart from this, price increases shall not be allowed for any reason.

The Ministry undertakes to evaluate electricity generated by the SPP within the scope of the Renewable Energy Resources Support Mechanism (“**YEKDEM**”) and that prices paid will be in accordance with the Specification and Contract, even if there is a change in YEKDEM.

Fees paid to the Turkish Electricity Transmission Company (*TEİAŞ*) that are within the scope of the transmission fee during the electricity purchase period will be reimbursed to the Awardee within the scope of the YEKDEM system.

Other Project and Regulatory Conditions. The SPPs cannot be used for any other purpose, and shall exclusively generate electricity by wind power. The SPPs shall be constructed in Türkiye in compliance with minimum local content rates. The Awardee shall comply with the local contribution rate for the components to be supplied within the scope of the SPPs, which is at least 75% as per the Specifications. In case the inverter complies with the said local content rate, 0.3 USD-cent/kWh will be added to the unit electricity purchase price in the first 5 years of the 20-year purchase period that will start following the Free Market Sales Period. However, no other local contribution subsidy will be provided within the scope of the Law on the Utilization of Renewable Energy Resources for Electricity Generation No. 5346.

The Awardees shall perform all construction, commission and regulatory works, including feasibility studies, permits, and license and approval procedures and assume all costs and liability for the safety, occupational health, and environmental measures thereof for the SPPs.

The preliminary license period for the SPPs shall be maximum 24 months and construction period shall be maximum 24 months for the SPPs with a capacity below 100 MWe and 36 months for the SPPs with a capacity above 100 MWe from the issuance date of the license. No electrical capacity increase shall be allowed for the SPPs during term of the Contract.

The SPP YEKA 2024 Tender presents a strategical opportunity for both investors and Türkiye’s growing renewable energy capacity. You may reach out to our team members in respect of such opportunities and further queries.



Sera Somay
Partner
ssomay@paksoy.av.tr



Zekican Samli
Counsel
zsamli@paksoy.av.tr



Mete Siber
Senior Associate
msiber@paksoy.av.tr



Beritan Arık
Associate
barik@paksoy.av.tr

This briefing is for information purposes; it is not legal advice. If you have questions, please call us.
All rights are reserved.

Paksoy is an independent full-service law firm in Istanbul, Turkey focused on helping clients in a wide range of legal areas including cross-border investments, acquisitions, international business transactions, banking and finance, projects, infrastructure, investigations, compliance, disputes, litigation and arbitration.