

## **Solar power in Thailand: new power purchase scheme creates investment opportunities**

On 9 January 2015, the Energy Regulatory Commission (ERC) announced the new regulation for purchase of electricity from ground-mounted solar projects, replacing the Adder scheme with the Feed-in-Tariff (FiT) scheme.

Set out below is a summary of key points under the new regulation:

- Only projects whose applications to sell power have previously been submitted under the Adder scheme, but not yet accepted, will be eligible to submit an application for sale of power under the new regulation, provided that they have entered into prior negotiation on the power purchase price with the Department of Alternative Energy Development and Efficiency.
- Only projects with PV technology will be accepted under the new regulation, not those with solar thermal technology, and the capacity of each project will have to be the same as the capacity proposed in the application submitted under the Adder scheme.
- The project will have to commence the sale of electricity within the Scheduled Commercial Operation Date stipulated under a power purchase agreement. The extension of the Scheduled Commercial Operation Date under a power purchase agreement can be requested, provided that the criteria set out in the new regulation are met. The extension, however, cannot not be granted beyond 31 December 2015.
- Any project which is accepted must enter into a power purchase agreement within 60 days from the date of receipt of a letter of acceptance, or its licence will be cancelled. The power purchase agreement for each project will have a term of 25 years, commencing from the Commercial Operation Date or Scheduled Commercial Operation Date of the project, whichever occurs earlier.
- The purchase price under a power purchase agreement will be at the rate of Baht 5.66 per unit for the amount of electricity that does not exceed the Capacity Factor. Electricity which exceeds the Capacity Factor shall be purchased at the rate based on the formula specified in the regulation, subject to a maximum amount of Baht 5.66 per unit.
- Transfer of the rights and obligations under the application or power purchase agreements is expressly prohibited under the new regulation.

- During the first 3 years from the Commercial Operation Date, (i) there shall be no change in the number of shareholders of the project company which results in the number of original shareholders of the project company being less than half; and (ii) there shall be no change in the shareholding ratio of the project company in such way as results in the original shareholders of the project company holding less than 51% of the total shares of the project company.

After a quiet period in the renewable energy sector in 2014, we believe that that announcement of the new regulation will help revive the investment in renewable energy projects in Thailand as there are more than 100 hundred projects, with the total capacity of more than 1,000 MW, whose applications have not yet been accepted under the Adder scheme.

