



2016 Revision of the Renewable Energy Sources Act

Key points (revised) of the proposal by the Federal Ministry for Economic Affairs and Energy

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I. Introduction

Expanding the share of green energy in the electricity sector is one of the key pillars of the German energy transition. This share is to be increased from a current 32,6%* to between 40 and 45 % by 2025, to between 55 and 60 % by 2035, and to at least 80 % by 2050. The Renewable Energy Sources Act (EEG) is the key instrument that will enable Germany to meet these targets.

In order for this extra capacity to be added and used, renewables will have to be better integrated into the electricity markets. This is why the 2014 revision of the Renewable Energy Sources Act, which was passed by a large majority, stipulates that funding for renewables is to be allocated through auctions, from 2017 at the latest. The introduction of auctions marks a major step in Germany's drive to render the Renewable Energy Sources Act more market-driven and allow for more competition. The 2016 revision will deliver this transition to a system based on auctioning.

II. Guiding principles

The new system of auctioning is to ensure that the expansion of renewables continues at a steady pace, in a cost-efficient manner, and with strong public support. This is why the 2016 revision of the Renewable Energy Sources Act will be guided by three underlying principles:

1. To keep within the agreed 'deployment corridors' for the development of green energy

The pace at which renewables are expanded should be in line with the 'deployment corridors' that have been defined, i.e. it should neither be too fast, nor too slow. Ensuring that auctions are held for just the right amount of capacity will make it possible to prevent the expansion from proceeding too rapidly. At the same time, care must be taken to ensure that as many as possible of the projects that are successful in the auctioning process are actually put into practice. This is so we do not fail to meet the minimum targets set out in the deployment corridors. For this reason, the auction processes are designed to ensure maximum rates of project implementation.

2. To keep to a minimum the overall cost arising from the Renewable Energy Sources Act

The amount of funding paid for green electricity should not exceed the amount that is needed in order for the installation to be operated in a way that is economically viable. This can only be achieved if there is sufficient competition, which is why auctions will only be held where this is the case.

3. To use auctions to create a level playing field for all of the players involved

The auctions are to provide a level playing field for all of the players involved. This must apply across different regions (e.g. northern/southern Germany) and for all of the various types of players (e.g. small and medium-sized firms, energy cooperatives set up by individuals, local project developers, etc.). The high level of diversity of players is to be upheld (cf. section IX).

For these reasons, the auctions are being designed to be as straightforward and transparent as possible. At the same time, a great deal of regulation is needed to ensure that the process is equitable and that the best-possible balance is struck between the conflicting goals of a high rate of implementation, cost-effectiveness, diversity of players, and public acceptance.

* Provisional estimate for 2015

III. Technologies for which auctions will be held

Auctions will be held for installations using the following technologies:

- onshore wind energy
- offshore wind energy, and
- large photovoltaic installations.

These technologies will continue to provide the bulk of Germany's renewable energy as the energy transition proceeds. Auctions for these three technologies will begin in 2017 and cover approx. 80% of all of the additional power that is generated each year as a result of new renewable energy installations being deployed.

There will be an exemption for installations with a capacity of 1 MW or less. The level of funding that is available for these small-scale installations will be set out in statute. The exemption helps avoid red tape and is designed to maintain a diversity of players in the market. Furthermore, there will be a transitional period during which the following types of installation will be exempted from auctioning:

- Onshore wind-powered installations, provided that approval under immissions control law is granted by the end of 2016, and that the installation starts operating before the end of 2018 ("transitional installations"); and
- offshore wind-powered installations, provided that an unconditional commitment is made by the end of 2016 to connect them to the grid, or that the installation has been given a connection capacity by the end of 2016, and that the installation starts operating before the end of 2020.

Biomass is another technology for which specific rules apply. A market analysis has shown that a system which would restrict auctioning to new biomass installations would not make sense, given the limited potential of these installations and given their cost structure. This is different for existing installations, for which funding will be phased out incrementally from 2020. Unless follow-up funding is provided, it is likely that almost all of these installations will become economically unviable and cease to operate. If auctions were to be held for follow-up funding, this might result in the most cost-effective and efficient biomass installations remaining in operation and being modernised and upgraded to allow for greater flexibility. Work is currently underway to explore how this can be achieved in the most cost-effective way possible. The 2016 revision of the Renewable Energy Sources Act will therefore include a number of initial key points of reference, and authorise the Federal Government to issue an ordinance that will make it possible for a combined auctioning procedure to be developed for new and existing biomass installations.

IV. Overview of auction design

The auctions held for each of the three technologies (onshore and offshore wind power and photovoltaics (PV)) will be based on a different design perfectly tailored to the technology and its specific needs.

Nevertheless, there are certain features that all three designs have in common. These include the following:

- In those cases where auctions become mandatory, funding will only be provided for installations that have been successful in an auction. All auctions will be conducted by the Federal Network Agency (BNetzA).
- Every year, the Federal Network Agency will be organising three to four rounds of auctions for onshore wind power and for photovoltaics. Each round, the Federal Network Agency will be auctioning a predefined amount of capacity.
- The auction rounds will be open to single, sealed bids.

- In the interest of ensuring that only serious bids are submitted, it will be mandatory for every bidder to lodge a security.
- Bids will be placed for the floating market premium, and based on the “value-to-be-applied”. This is defined as the sum of the market value the electricity would fetch on the power exchange and the market premium. It will be the only criterion used to decide which bids are accepted.
- Bids will be accepted, starting with the lowest, and until the amount of capacity that is being auctioned is reached. In principle, the amount of funding corresponds to the individual bid (pay-as-bid principle).
- There is also a maximum price. Bids higher than the maximum price will not be accepted. The maximum price will be published in advance. It is guided by the amount of funding that has so far been provided.
- As a general rule, the Federal Network Agency will announce auctions at least eight weeks in advance. Bids will be evaluated and decisions taken swiftly. There are no plans to make use of reserve lists.
- In principle, funding awards will be tied to projects. In the case of wind energy installations, it will not be possible for approvals to be transferred to other projects. In the case of PV such transfers are possible, provided that certain requirements are met. They will however, result in the funding being reduced. At the time when operations start, proof must be provided that the installation has been set up at the location specified in the bid/that the requirements for a transfer have been met.
- Once a bid has been accepted, the project must be implemented within a specified timeframe. In the interest of maximising the rate of project implementation, a contractual penalty applies in the event of non-completion of a project.

V. Auction design for photovoltaics

- The auctioning system for PV is very similar to the one used for the pilot auction for ground-mounted installations, which has been in place since the beginning of 2015.
- Funding for all PV installations with a capacity greater than 1 MW will be subject to successful bidding in the auction. Hence the auction is open to the following types of installations:
 - ground-mounted installations,
 - rooftop installations and
 - PV systems installed on other types of physical structures, e.g. landfills.
- The rules for ground-mounted installations will remain unchanged from the pilot auctions. This means that future auctions will remain open to PV systems
 - installed on road and rail-side strips of land (110 metres wide alongside motorways and railways);
 - installed in conversion areas;
 - installed in sealed areas;
 - installed on a maximum of ten pieces of arable land per year (in disadvantaged areas);
 - installed on land administered by the Institute for Federal Real Estate (BImA).

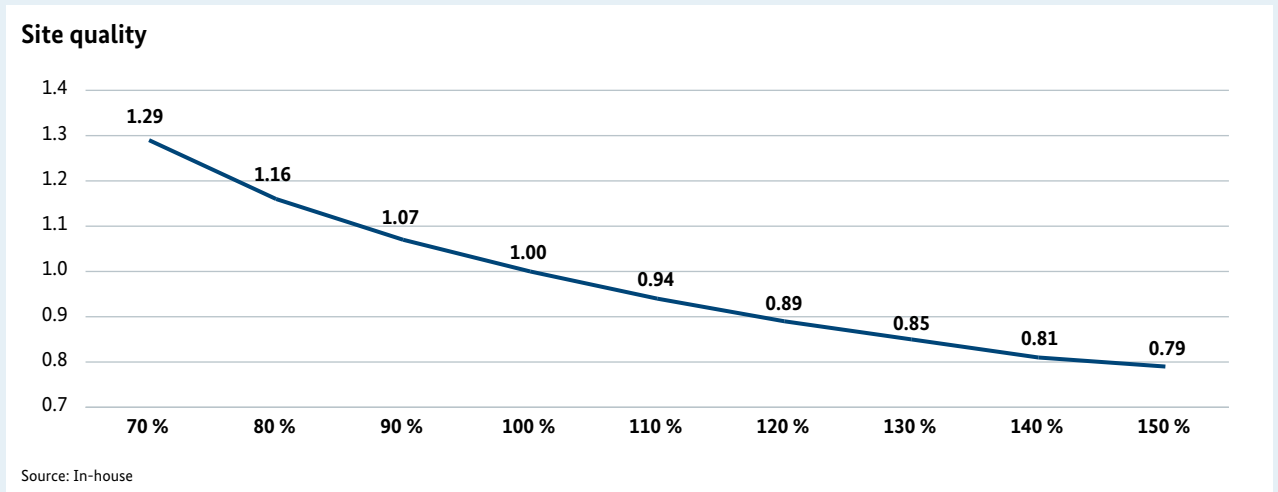
These restrictions will ensure that only a limited amount of arable land and of areas that are key to conservation is used for installing PV systems. The maximum size of 10 MW per installation will continue to apply.

- Just as has been the case under the pilot auctioning systems for ground-mounted installations, there will be three auctions held per year. The dates by which bids must be submitted will, however, be changed as of 2018 (1 February, 1 June, 1 October).
- In the light of the experience gained from the pilot auction, the initial security to be lodged will be raised by a small margin. Apart from this, the design used for the PV auctions will remain the same as that of the pilot auction.

VI. Auction design for onshore wind energy

- In future, auctions will now also be held for onshore wind power installations. Exceptions apply for
 - installations started up during the transitional period (see above);
 - installations with up to 1 MW of capacity (see above); and
 - prototypes with a maximum capacity of 100 MW/year.
- Auctions are open to installations that have been approved under the Federal Immissions Control Act (“late-stage auctions”).
- The first deadline for bids to be submitted is 1 May 2017. This is to ensure that there is a sufficient number of installations for which bids can be submitted during the first round. Installations approved under German immissions law before the end of 2016 can be built in accordance with the provisions of the 2014 version of the Renewable Energy Sources Act (“transitional installations”). It is possible for these transitional installations to switch to the new auctioning system, provided that a binding decision to this effect is taken by 15 March 2017.
- There will be two more rounds of auctions held in 2017; another four will take place in 2018. The decision to hold initially hold auctions more frequently is made in the interest of having a price level establish itself as soon as possible. As of 2019, there will only be three auctions held per year, which will increase competition. The deadlines for bids will then be the same as for PV.
- Bids must be based on the “value-to-be-applied”, which is calculated using a one-tier reference revenue model at a reference site (the ‘100-per-cent site’). This advanced model is to level the playing field across Germany and provide incentives for the construction of efficient installations.
- More specifically, this means that:
 - A new reference site will be defined which will provide stronger incentives for the construction of efficient installations. In future, the reference value will be calculated based on the assumption that the wind speed at 100 m above the ground is 6.45 m/s. For higher installations, the wind speed is to be calculated based on the ‘power-law formula’, using a Hellmann Index of 0.25.
 - Operators will submit their bids based on these calculations, once these have been adjusted so that they fit the ‘100-per-cent site’. This means that the actual reference value expected for the installation will be multiplied by a statutory adjustment factor, and thus be converted into a reference value for a ‘100-per-cent site’. This makes it possible for the various bids to be compared.
 - It allows the Federal Network Agency to decide which bids will be accepted. Funding for those wind-powered installations that have been accepted will then be calculated based on the actual reference value (rather than the value adjusted to 100%). This actual reference value will be defined for each individual installation, based on the results of expert opinions drawn up in accordance with the FGW Guidelines.
 - Once calculated, the funding rate calculated will apply for the entire 20-year funding period.
 - The figure used as a reference yield will be revisited after 5, 10, and 15 years so that the funding can be adjusted in line with the installation’s actual yields.
 - Additional information on how the level of the funding will be calculated: The price at which the project was accepted will be multiplied by an adjustment factor, to yield the 100-percent adjustment factor. The Renewable Energy Sources Act will set out interpolation values in increments of 10 (between 70 and 150%).

Linear extrapolation will be used to calculate values that fall in between these intervals. Below a reference value of 70 %, the adjustment factor will not be increased further. The adjustment factors have been chosen to provide incentives for new installations to be built across Germany, but with stronger incentives for them to be built on sites where there is strong wind. The following interpolation values have been put forward:



- The maximum level for bids will be 7.0 cents per kilowatt hour for the 100-percent reference site, over 20 years. This rate is roughly the same as the one that currently applies under the two-tier reference revenue model (based on mixed calculations). Every year, this figure will be reduced by 1%. The Federal Network Agency is free to increase/decrease this maximum rate by up to 10% if this is warranted by circumstances linked to the competitive situation and/or the cost situation.
- The security that must be lodged by bidders amounts to 30 euros per kilowatt hour. This smaller amount compared to the one that applies for bids on PV is reflective of a much higher likelihood of implementation at the time of the auctioning. This is turn is due to the “late-stage auctioning system” for wind-powered installations, under which projects will enter the auction at a more advanced stage. For the same reason, bids on wind power only require an initial security (unlike bids on PV).
- Installations should be completed within two years after the bid has been accepted. After 30 months, the acceptance will no longer be valid. This deadline can be extended once in cases where a lawsuit has been filed against a project.

VII. Auction design for offshore wind energy

In future, the level of funding for offshore wind energy is also to be determined by competition. For this reason, auctions will be introduced for all offshore wind-powered installations that start to operate in 2021 or later. This will be regulated by the new Offshore Wind Energy Act, which will be introduced as part of the 2016 Renewable Energy Sources Act revision (omnibus act). This act only regulates the auction design where it deviates from the Renewable Energy Sources Act. Apart from that, the general provisions of the Renewable Energy Sources Act apply (e.g. auction of the floating market premium, securities and pay-as-bid pricing procedure).

1. Guiding principles

The Offshore Wind Energy Act is based on two main principles:

a) To steadily continue the expansion of offshore wind energy

A sudden interruption to this comparatively young technology is to be avoided. The deployment corridor of the 2014 Renewable Energy Sources Act therefore ensures that there will be ongoing newbuild. This also takes account of the industrial policy interests of the coastal regions.

b) To expand offshore wind energy as cost-efficiently as possible

Here, two measures interlock: firstly, the introduction of the auctions and the compliance with the deployment corridor help to keep the process cost-efficient. Secondly, the expansion of offshore wind energy installations and the construction of the necessary offshore connection lines must be coordinated in terms of timing and scale. To achieve this, there will be even better dovetailing between site planning, regional planning, approval of installations, funding under the Renewable Energy Sources Act, and grid connection.

The intention of the Offshore Wind Energy Act is therefore to provide a coherent legal framework for the development of offshore wind energy. From site development to auctions, approvals and the commissioning of the wind farms, all of the relevant legal aspects will be covered by a single piece of legislation. Also, the Energy Industry Act will be revised, and parts of the Offshore Installations Ordinance integrated into the Offshore Wind Energy Act. This means that the Offshore Wind Energy Act does entail quite a lot of regulation. However, this regulatory approach makes the legal system easier to understand, avoids contradictory values being imposed by different fields of regulation, and increases the level of planning and investment security for the stakeholders.

2. Auctions in the target model (from 2025) – the centralised (Danish) model

Following a transitional period (cf. 3. below), the auction will be based on the “centralised model”. This model will ensure dovetailing between site planning, regional planning, approval of installations, funding under the Renewable Energy Sources Act, and grid connection, and this will improve the system and render it more cost-effective.

- The Federal Maritime and Hydrographic Agency and the Federal Network Agency jointly stipulate the sites for future wind farms in a site development plan. At the same time, they state how and when these sites are to be connected. The site development plan is thus the central planning instrument for the use of offshore wind energy. The existing offshore federal sectoral plan and parts of the existing offshore grid development plan feed into this; in future, the site development plan will make stipulations which are currently contained in these two plans.
- The Federal Maritime and Hydrographic Agency investigates the sites stipulated in the site development plan. This means that unsuitable sites are excluded at an early stage. Also, it means that all the bidders will have the same information about the site to be auctioned before the auction takes place, e.g. on the marine environment or the wind situation. This will reduce the project development costs and speed up the subsequent authorisation procedure, since the wind farm operators do not need to obtain the information themselves.
- Bidders will compete for the right to establish a wind farm at the site that has been explored. Only the successful bidders will be allowed to erect wind energy installations at the site, be entitled to the market premium, and be permitted to use the connection capacity.
- The centralised model applies to the commissioning of offshore wind farms from 2025.
- In an annual bidding procedure, an average of 800 MW will be auctioned each year. The first auction will be held in 2020.

3. Auctions in the transitional period (2021–2024) – two auctions

The long run-up periods required for planning and approval mean that the centralised model will only come into force following a transitional period. In the transitional period (commissioning in 2021–2024), a different auction system will apply:

- Existing capacities will continue to be expanded as wind farms that have already been planned to an advanced stage and approved will be constructed. This is to ensure that the expansion continues and that it takes place within the defined deployment corridor.
- Two auctions will be held in 2017, for a total of 2.5 GW. A maximum volume of 11 GW of capacity has been defined for 2025. This is to ensure that the expansion does not proceed faster than is set out in the corridor.
- The projects that are likely to be entitled to participate have an estimated total capacity of roughly 6–7 GW, so that there will probably be sufficient competition.
- For the North Sea, this means confirmation of (probably) four offshore connection lines, each to be completed in 2021–2024, in the 2025 offshore grid development plan. If, in the transitional period once the auctions have taken place, some of the lines prove to be unnecessary, they can be changed (cancelled) immediately after the second auction. In the case of the Baltic Sea, the planning of the offshore connection lines is more flexible in view of the shorter construction periods.
- The transitional model provides for a bonus, depending on water depth; this is based on the existing rule governing the statutory fee levels set by the 2014 Renewable Energy Sources Act.
- The developers of the existing projects which lose out in the transitional phase will be given preferential treatment in the centralised model: if their sites are auctioned, they can realise their project there at the conditions of the best bid.

4. Link-up with licensing law

- Wind farms which bid successfully must still undergo a licensing process before they can be built. This is true both of the centralised model and of the transitional model, if the installations have not yet been granted approval. The corresponding rules are taken from the Offshore Installations Ordinance and integrated into the Offshore Wind Energy Act: if the approval process is negative, the award is cancelled. If the award is cancelled, e.g. because the implementation deadline cannot be met, the approval is revoked.

5. Exceptions

The following offshore wind energy installations are exempted from the need to participate in an auction:

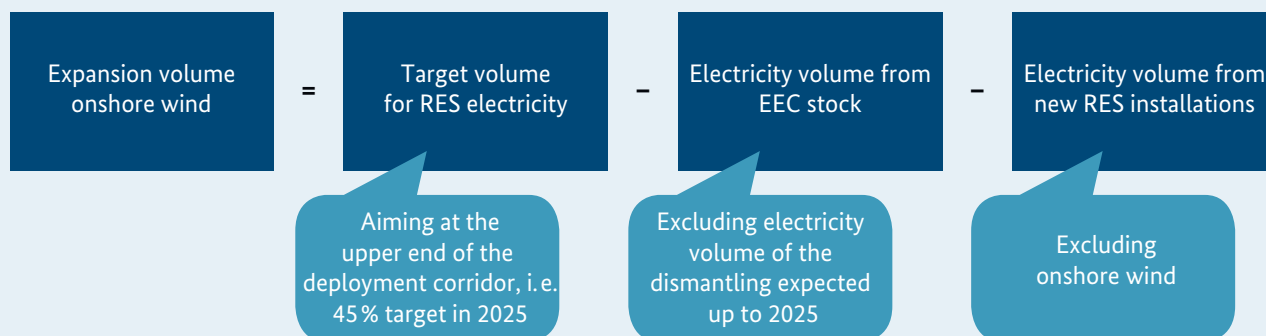
- Offshore wind-powered installations, provided that an unconditional commitment is made by the end of 2016 to connect them to the grid, or that the installation has been given a connection capacity by the end of 2016, and that the installation starts operating before the end of 2020. The funding scheme set out in the 2014 version of the Renewable Energy Sources Act will continue to apply to them. Funding will continue to be regulated by the Renewable Energy Sources Act. These installations are grandfathered by the funding arrangements in the 2014 Renewable Energy Sources Act.
- Prototypes are also exempted from the auctions (similar to the rules for onshore wind energy). The eligible new-build of prototypes is restricted to 50 MW a year. Additional offshore connection lines will not be constructed for prototypes.

VIII. Quantities up for auction

The 2014 Renewable Energy Sources Act set out a deployment corridor for renewable energy that all players can rely on. This deployment corridor is crucial to ensuring that the expansion of capacity is synchronised with the expansion of the power grids. Furthermore, the corridor provides for planning security, which is important with regard to developments in the conventional power plant fleet, and also for Germany's neighbours and their power systems.

For all these reasons, it is important that the expansion should proceed within the specified deployment corridor. This is why capacity volumes will be defined for the auctions for each technology:

- For offshore wind energy, the expansion targets set out in the 2014 version of the Renewable Energy Sources Act will remain unchanged, meaning that 6.5 GW is to be installed by 2020/15 GW by 2030. A maximum volume of 11 GW of capacity has been defined for 2025. This is to ensure that the expansion does not proceed faster than is set out in the corridor. The capacity volumes to be auctioned will be defined in line with these targets. All this applies both for the transitional system and the centralised system (see above).
- For large-scale PV installations, the annual capacity volume to be auctioned is 500 MW. This is 100 MW more than the amount auctioned as part of the pilot system for ground-mounted installations. The reason for the increase is that the auction will now be opened up for PV systems installed on physical structures (such as landfills), and for large rooftop installations.
- The capacity volume for onshore wind is the one that is key to ensuring that the rate of expansion does not deviate from the corridor. It will be calculated using a formula that essentially works like this:



- The formula takes into account the development of the amount of green electricity and of gross energy consumption. The latter is key to determining how much green electricity is needed. This target figure is calculated using the highest percentage that is still within the deployment corridor, i.e. 45% of Germany's electricity should be green by 2025.
- Each year, the capacity volume to be auctioned will be adjusted using the formula, so that it reflects the developments that are actually taking place. The formula will not only be used to calculate the capacity volume for the year in question, but will also look at the development up until 2025. This 'rolling method' ensures that the rate of expansion remains within the deployment corridor, whilst also taking a mid-term approach that helps avoid strong variations in the capacity volumes up for auction, as such variations are undesirable in terms of industrial policy.
- The formula uses as its starting point the actual development of all renewables combined. This is to ensure that capacity added by technologies for which no auction is held is also taken into account.
- The initial capacity volume for onshore wind is expected to be calculated at around 2,900 MW (gross figure). In the event that the rate of expansion should develop in an extreme way at some point in the future, the capacity volumes calculated using the formula might drop below 2,000 MW. For this reason, a minimum annual capacity volume of 2,000 MW (gross figure) has been defined, which would apply in this unlikely event.

IX. Diversity of players

It is vital to maintain the current level of diversity of players if Germany is to be able to reach its expansion targets. Having a great many different individuals, companies and associations – including energy companies formed by members of the public, many of which are regionally based – has been instrumental in Germany achieving its current levels of renewables capacity. This high level of player diversity is to be maintained as the system changes to one based on auctions. For this reason, the 2014 Renewable Energy Sources Act included the stated aim of retaining the high level of stakeholder diversity in the course of the move to auctions. In early 2015, a subworking group was set up as part of the “Electricity Market Platform” by the Federal Ministry for Economic Affairs and Energy, and it has been intensively discussing the issue of “diversity of players” with the various stakeholders. The focus was placed on auctions for onshore wind energy. In the case of PV, a 1 MW threshold was introduced (see above), fully removing from the auction process the small players which merit protection.

1. Guiding principles

In responding to the question of how the diversity of players can be maintained, the Federal Ministry for Economic Affairs and Energy has been guided by two principles:

a) To ensure the auction design gives a fair chance to citizens’ energy and small players

The move to auctions entails new administrative costs and new risks (risk of losing out in the auction, price risk, penalty risk). A simple and transparent auction design is to keep the administrative costs as low as possible, and the risks for the various categories of players are to be reduced within the auction design. To achieve this, the most sensible variant from the point of view of citizens’ energy is to be used wherever possible. This has resulted in a broad consensus that the auction design proposed above, and particularly the single-tier reference revenue model and the extension of the implementation periods for projects subject to legal challenges, will reduce the risks to stakeholder diversity.

b) To keep special rules for citizens’ energy and small players to the necessary minimum

The discussions of the last few months have shown that, despite all the different ways to design the auctions, it is not possible to exclude the risk of losing out, the price risk and the penalty risk. Many players confirm that these residual risks are a problem for small locally based citizens’ energy companies in particular, and that this problem can only be satisfactorily resolved via special rules. These special rules must in turn be clearly defined, so that they do not impact on the rest of the auction design. The possibility to abuse these special rules must also be excluded. In particular, the quantitative steering aimed at by the 2016 Renewable Energy Sources Act must not be undermined.

Also, the special rules need to be legally admissible and easy to administer.

It seems unlikely that these problems can be resolved by means of the special advisory and support services for small players envisaged by the Federal Government. Against this backdrop, the Federal Ministry for Economic Affairs and Energy has developed the following proposal for stakeholder diversity.

2. Players meriting protection

The special rules are restricted to the locally anchored citizens’ energy companies which actually merit protection, since otherwise the auction will be distorted. In order to reduce potential evasion and misuse, and to restrict the amount of administration, the privileged citizens’ energy companies are defined as follows:

- At least ten members of the company must be natural persons.
- Each member of the company may not exercise more than 10% of the voting rights, and the natural persons must hold at least 51% of the voting rights.
- At least 51% of the voting rights must be held by members of the company who have been registered for at least one year (main residence) pursuant to Section 17 of the Federal Act on Registration in the rural district in which the site on which the wind energy installation is to be erected is located. The tie-up with the rural district ensures that the company is regionally anchored.

The following applies to the projects of the citizens' energy companies:

- The size of the project is limited to six wind energy installations, and the project may not amount to more than 18 megawatts.
- The company and all of its members may not have participated in an onshore wind auction within the previous twelve months. This is intended to exclude large companies (e.g. multi-project bidders) wishing to spread the risk of not winning a bid for a project across several projects.

3. Special rule: easier material prequalification

A special rule is put in place for these citizens' energy companies within the auction design for onshore wind. Like all other players, citizens' energy companies will take part in the auction for wind energy installations. This ensures that the capacity volume can be steered, and that the price can be set by competition.

The existing proposed auction design for wind energy requires that a licence pursuant to immissions law must be obtained before the bid is submitted. This can represent a comparatively high threshold for participation. It is true that small players lacking a good credit rating can participate in the auction. But they need to be well advanced in terms of project development without knowing whether they will win funding. In the case of onshore wind energy installations, project development takes between three and five years, and the pre-licence development costs represent about 10% of the total investment costs. In view of the risk of losing out in the auction, a bidder has to fear that all the development costs were paid for nothing. This can threaten the very survival of small citizens' energy companies and deter them from developing the project, since, due to the risk, they will be unable to attract enough equity from the local populace for the development phase.

Against this background, the locally anchored citizens' energy companies are to be granted the possibility to bid even before they have received the licence under immissions law. In this way, the material participation threshold is lowered for them. To ensure that only serious bids are submitted, this is tied to three preconditions:

- The bidder must have the agreement of the land-owner for the exclusive use of the site.
- A wind study by a certified expert must exist for the site.
- An initial security of €15/kW must be lodged when the bid is submitted. A second security of another €15/kW must be lodged when the bid is successful, but at the latest two years after the award of the funding. If the second security is not lodged, the funding award is revoked.

The licence pursuant to immissions law must be obtained within two years after the award of the funding. Following this, the same deadlines apply as is the case with normal projects which have to present the licence under immissions law prior to the auction (i.e. after at most 30 further months, the award expires).

Since the citizens' energy companies are not required to present a licence under immissions law in order to take part in the auction, the largest expenditure item is removed, and the cost risks are minimised. The threshold for participation is thus lowered significantly for citizens' energy companies.

X. Technologies for which no auctions will be held

In principle, the rules of the 2014 version of the Renewable Energy Sources Act will continue to apply for all types of installations for which no auctions are held. This applies to all installations with no more than 1 MW of capacity; to prototypes of onshore wind-powered installations and transitional onshore wind-powered installations; to the prototypes of offshore wind-powered installations up until 2020; and to all technologies for which funding is not allocated by way of auctioning.

In the 2016 version of the Renewable Energy Sources Act, the rules governing funding for these facilities will be set out in the subsections on statutory rules on funding. In principle, the rules that have been in place until now will remain unchanged. This means that, as far as these installations are concerned, for example, the following will remain in place:

- the two-tier reference revenue model for onshore wind energy,
- the compressed tariff model for offshore wind energy (up to the end of 2019)
- and the breathing cap for rooftop PV installations, in order to safeguard quantitative steering for those PV installations which are not subject to auctions.

Only small adjustments apply, notably the following two:

- Whilst the new system will still be based on funding for onshore wind being reduced each quarter (quarterly degression), the rate of this degression will no longer depend on how much capacity has been added. Instead, a fixed rate of -0.4 percentage points per quarter will apply.
- The breathing cap for PV installations will continue to apply. However, it will be amended so that it can respond more quickly to changes on the market. This is why it will be calculated based on a six-month period, rather than the current 12 months. If less than 2,000 MW of capacity is added (extrapolated for a year), degression will decrease faster.

Current as at: 15 February 2016