

“Legal Framework” enabling PV Iran

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SOLAR SKY

Content

The relevant institutions related to the development of PV

The current policies and support mechanisms for PV

Feed in Tariffs for PV

Adjustment Formula with a real example

National Development Fund



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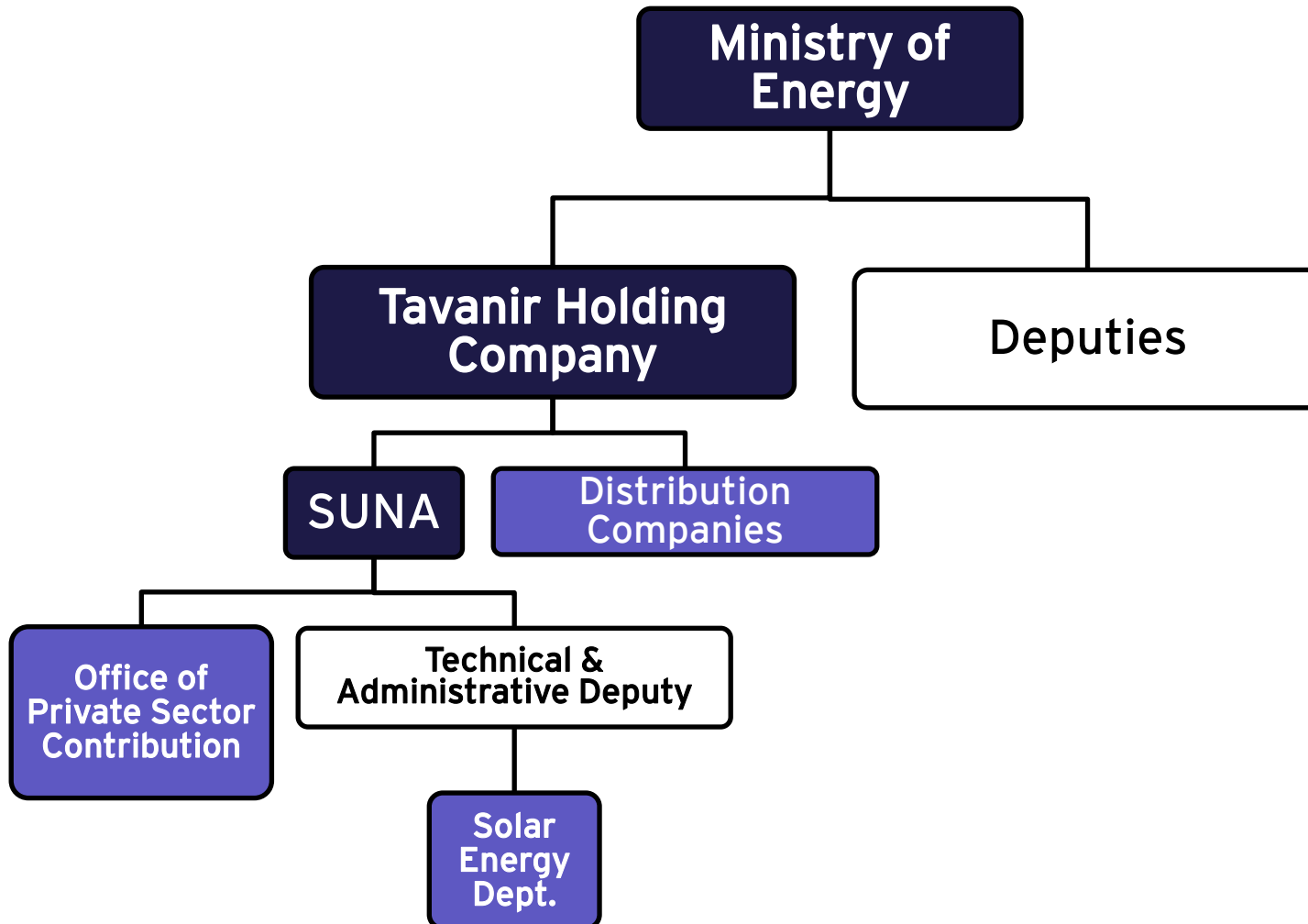
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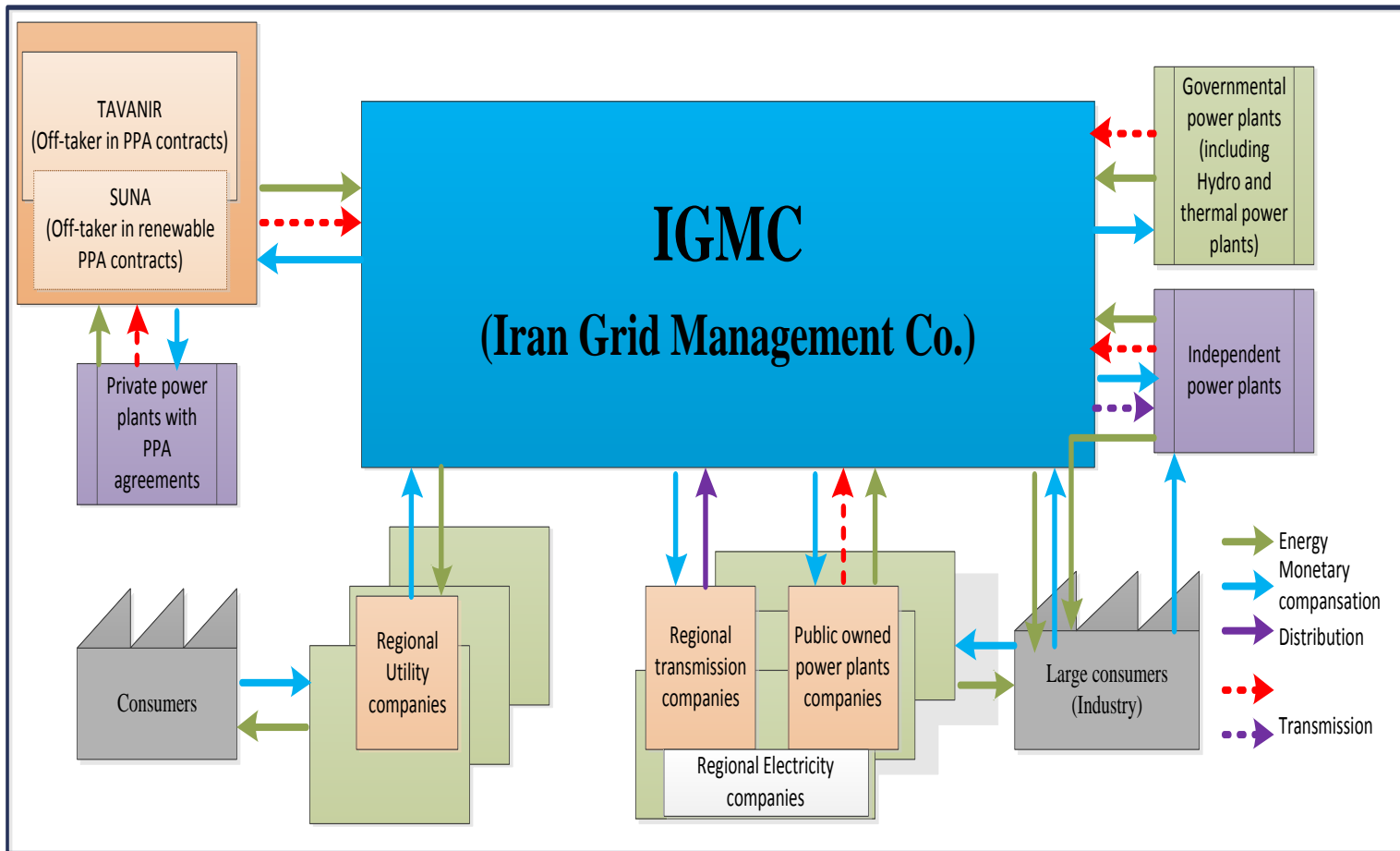


The relevant institutions related to the development of PV

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Overview of the energy and monetary flows in power industry



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Current policies and support mechanisms for PV

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NO.	TITLE	YEAR	POLICY TARGET
1	Electricity Sector Supporting Law	2015	Financial Resource for RE Electricity payment and rural electrification
2	Revised Feed in Tariffs	2015	Wind, Onshore, Solar, Geothermal, Bioenergy, Hydropower, Multiple RE Sources, All
3	National Development Fund	2010	Private Infrastructure Projects
4	Liquid Fuel Exchange Purchase	2013	Multiple RE Sources, All



Feed in Tariffs for PV

Type of Technology	Guaranteed Purchase Tariff (Rials/ kWh)
Solar Farms with capacities over 10 MW	5600
Solar Farms with capacity of 10 MW or less	6750
Solar energy with capacity of 100 KW or less (Only for consumers and limited to their connection capacity)	8730
Solar energy with capacity of 20 KW or less (Only for consumers and limited to their connection capacity)	9770



Feed in Tariffs for PV

1. PPA for 20 years with the FiT. The tariffs will be annually adjusted.
2. The tariffs will be multiplied by 0.7 at the first day of the 11th year after annual adjustment.
3. Power plants connected to the distribution grid will get additionally 148 Rials per KWh.
4. After the expiration of the PPA the investor has the option to sell the electricity within the country against bilateral contract, do it through the energy exchange market or through other method accepted by the Ministry of Energy.
5. The export of the electricity generated requires a separate permission.
6. The purchase price of power plants constructed with equipment manufactured in Iran will increase up to 15% proportionately.
7. 18 months to commission the power plant after signing the PPA
8. The goal of the policy of the MoE is to reduce the FIT in proportion with the increase of the installed capacity in the country.

Adjustment Formula with a Real Example

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Adjustment Formula

Every month the base tariff is multiplied by the adjustment coefficient:

$$k = \left(\frac{CPI_{x1}}{CPI_{o1}} \right)^\alpha \times \left(\frac{\text{€rate}_{x2}}{\text{€rate}_{o2}} \right)^{1-\alpha}$$

K: Adjustment Factor

CPI: Consumer Price Index announced monthly by the central bank of Iran (CBI)

€ Rate: Annual average of the exchange rate of Euro with Rials, as announced by the CBI

α: Power coefficient between 0.15~0.3 set by investors

X₁: Refers to the first month of payment year

X₂: Refers to the year before payment date

O₁: Refers to the first month of contract year

O₂: Refers to the year before contract date

Adjustment Formula with a Real Example

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Year	0	1	2	3	4	5
Consumer Price Index*	<u>100</u>	<u>113</u>	128	144	163	184
Exchange rate**	<u>32,000</u>	<u>34,560</u>	37,325	40,311	43,536	47,018
Escalation Rate	1.00	1.09	1.20	1.31	1.44	1.57
Tariff (Rials/KWh)	6,750.0	7,389.7	8,089.9	8,856.5	9,695.8	10,614.6

$$1.09 = \left(\frac{113}{100}\right)^{0.3} \times \left(\frac{34560}{32000}\right)^{(1-0.3)}$$

* Inflation rate is assumed 13% **Annual Euro/Rials growth rate is assumed 8%

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National Development Fund (NDFI)

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Based on the 5th Five-year Development Plan (2010–2015), the National Development Fund was established to transform oil and gas revenues to productive investment for future generation.

- The Fund is based on the annual petrochemical sales income determined in annual budget law and is independent of the government's budget.
- Debt financing in foreign and local currencies and payment in same currency
- Differentiated financing schemes for projects located in developing and developed regions
- Pre-defined priorities to different infrastructure projects and economic activities





Thank you for your attention!