

Informative collection

# **Establishment of Non-governmental Renewable Energy power plants**

**Subject to Article 62 of The Law of Regulation  
a part of the Governmental Financial  
Provisions**

**4<sup>th</sup> State's Social, Economic and Cultural  
Development Plan**

**Renewable Energy Organization of Iran  
(SUNA)**

**June 2006**

**First Edition**

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First chapter:

Legal and Executive items

## 1-1- Article 62- The Law of Regulation a part of the Governmental Financial Provisions

Approved in 3<sup>rd</sup> plan and effective in 4<sup>th</sup> State's Social, Economic and Cultural Development Plan

The Ministry of Energy is obliged to purchase produced electricity energy by power plants and producers of private and governmental sectors with guaranteed prices. The guaranteed price will be proposed by State's Management and Planning Organization and confirmed by Economy Council.

Regarding the price of the electricity generated by non-governmental sectors from renewable energy resources and with regard to the positive environmental and economical aspects due to lack of fossil energy resources consumption and in order to encourage any investment in this type of production, it is applicable for one Kwh for peak and normal hours at least six hundred and fifty (650) Rials and for low-load hours at least four hundred and fifty (450) Rials (Maximum 4 hours per day/night) in production place.

**1-2- Executive instruction of Article 62**  
**Emblem**  
**Islamic Republic of Iran**  
**Ministry of Energy**

No.: 72920/20/100

Date: 22.Feb.2006

Office of the Minister,

In the name of GOD

**Renewable Energy Organization of Iran (SUNA)**

Pursuant to Article 62 of Law of Regulation a part of the Governmental Financial Provisions that has been authorized in 4<sup>th</sup> Social, Cultural and Economic Development Plan of Islamic Republic of Iran and in order to obtain the supports of any investment of non-governmental sector in producing of electricity from renewable energies, enclosed you may find " Executive Instructions of Article 62" for further functions.

Seyed Parviz Fattah  
Minister of Energy

Copy:

- Energy Affairs Assistant
- Electricity Affairs Assistant
- Water Affairs Assistant
- Supervision and Programming Affairs Assistant
- Legal Assistant, Parliament and Support Affairs
- Iran Power Generation, Transmission and Distribution Management Company (TAVANIR)
- Grid Management Co.
- Water Resources Management Co.
- All Regional electricity companies and Khoozestan Water and Electricity Organization
- Ministerial and Inspection Office

# Executive instruction of Article 62 of Law of Regulation a part of the Governmental Financial Provisions

## **1- Object**

1-1- Obtaining the partnership and support of non-governmental investment for producing of electricity from renewable energy resources

1-2- Coordination and one unique method and explanation of authorities of different sections of Ministry of Energy for performing of Article 62 of Law of Regulation a part of the Governmental Financial Provisions

## **2- Scope of work**

2-1- State's Electricity Industry

2-2- Establishment of Power Plant and Producing of electricity from renewable energy resources

## **3- Responsible Executive**

Renewable Energy Organization of Iran (SUNA)

## **4- Executive method and principles**

### **First chapter: Definitions**

1- Renewable Energy : It means renewable energy resources such as Wind, Solar, Thermo, Small Hydro, Biomass and Marine energies. Small hydro power plant is a power plant in which the total electricity production capacity is 10 mw or lower.

2- Renewable electricity: It means produced electrical energy from renewable energy resources.

3- Applicant: It means any non-governmental real/legal entities who may submit his interest for producing of renewable electricity to Renewable Energy Organization of Iran (SUNA).

- 4- Producer: It means any applicant who may produce renewable electricity in accordance with an Electricity Purchase Contract.
- 5- Technical Condition: It means all specifications, technical standards, by-laws and instructions which are binding for designing and establishment of power plant and producing / sending of electricity to Electricity Grid (Throughout or local).
- 6- Purchaser: It means Renewable Energy Organization of Iran (SUNA) hereinafter is called as "SUNA" who may purchase the renewable electricity from producer and under the supervision of Energy Affairs Assistant of Ministry of Energy and in the framework of this instruction.
- 7- Grid management: It means Iranian Electricity Grid Management Co.
- 8- Connection costs to electricity grid: It means all costs of establishment of constructions for completion and/or enrichment of electricity grid and in order to provide any connection possibility of renewable electricity producing units to Electricity Grid (Throughout or local) in accordance with technical conditions. The relevant connection costs to Electricity Grid (Throughout or local) will be determined with regard to grid condition and connection situation and technical specifications of producing and in accordance with approved instructions of Ministry of Energy for which the producer is obliged to accept and pay accordingly.
- 9- The license for feasibility studies for a determined place: It means any non-transferable license issued by SUNA for performing of feasibility studies in a place or special limits introduced by the applicant. Then it is named as a license for performing further studies. Its validity has been mentioned in its content and is extendable just for one time.
- 10- Establishment License: It means a non-transferable license issued by Energy Affairs Assistant of Ministry of Energy under special conditions of this instruction in the name of applicant with a validity that may be specified in its content.

## **Second Chapter: Executive principles**

**Article 1-** Within 3 months from approving date of this prescription, SUNA will supply a collection of information including the work performance steps, worksheets that should be filled, the content of electricity purchase contract, manner of preparing any feasibility report, list of necessary standards and current information about the potential of considered renewable energy resources. Then after obtaining required approval of Energy Affairs Assistant about mentioned items in collection, it should be submitted to public equally.

**Article 2-** If the applicant completes the anticipated worksheets in collection of information and submit it to SUNA, SUNA will issue the license for further studies within 15 days from submission of complete notes and documents.

Notice: If there are various applicants for one construction belonging to government and/or natural resources and deliver the relevant worksheets in the same day, SUNA will consider all proposals and introduce an applicant with better conditions to Energy Affairs Assistant for further issuance of the license for further studies upon the approval of the said assistant.

**Article 3-** The applicant will perform the required complete feasibility studies with reviewing of mentioned points in received informative collection from SUNA and submit the report to SUNA for its further consideration and any compliance of it with benefiting bases from renewable energies. B the way, the applicant is responsible for correctness and complete of the results of feasibility studies.

Notice : Regarding small hydro-electric power plants, Iranian Water Resources Management Organization is responsible for confirming the compliance of feasibility studies with benefiting bases from hydro-electric energy.

**Article 4-** SUNA will notify Energy Affairs Assistant about compliance of feasibility studies with benefiting principles of renewable energy and then will issue the relevant Power plant Establishment License.



**Article 5-** SUNA will exchange a long-term contract for purchase of electricity in accordance with issued establishment license.

All technical conditions for producing and sending of electricity to the grid (Throughout or local) will be mentioned in contract along with relevant specifications of electricity delivery point and all legal/financial conditions governing between the purchaser and producer.

**Article 6-** Producer is responsible for relevant activities and costs of study and selecting the site, supply of land for establishment of a power plant, obtaining necessary licenses from considered resources such as natural resources and environment keeping and also local organizations, supply of investment, establishment of roads, establishment of electricity post and payment all connection costs to electricity grid (Throughout or local) and any other activities required for producing of renewable electricity subject of this prescription and sending it to electricity grid (Throughout or local).

**Article 7-** Producer will inform SUNA about the quantity of renewable electricity that has been sent to electricity grid (throughout or local) along with receipt confirmation of Grid Management through monthly statements. SUNA will calculate the sent renewable electricity with regard to its KWH and its hours with its rate according to the Article 9 and will pay the producer accordingly.

Notice : Grid management is obliged to provide SUNA with the price of sent renewable electricity to the electricity grid (Throughout or local) according to the estimated methods in Article 2 of by-law and part B of Article 25 of 4<sup>th</sup> Development Plan and pay the amount to SUNA according to the KWH and confirmed hours subject to Article 7.

**Article 8-** Purchaser will purchase the renewable electricity from producer with following rates:

8-1- In peak hours	650 Rials/KWH
8-2- In normal hours	650 Rials/KWH
8-3- In low-load hours	450 Rials/KWH (for 4 hours per day)

Grid management is responsible to announce peak, normal and low-load hours in accordance with specified principles by Electricity Market Regulation Board.

Above-mentioned rates are valid for those long-term contracts made in 4<sup>th</sup> Development Plan and will be escalated in accordance with mentioned method in Article 7 of executive by-law part B of Article 25 of 4<sup>th</sup> Development Plan.

**Article 9-** SUNA will propose the new annual installable capacity margin of renewable power plants to the affiliated special Mother company. Then the said company will notify SUNA after presenting and approving the subject in its own general assembly.

**Article 10-** Ministry of Energy will consider required credits for payment of different amounts required for performing this instruction in accordance with estimations of SUNA and in annual budget and propose it to Management and Planning Organization.

### 1-3 Executive by-law of part B of Article 25

Article 7- Following coefficients will be applied in all long-term contracts, basic rate of readiness, average rate of electricity production, average rate of energy exchange and transit costs in accordance with obligation period for purchase of electricity from supplier and/or presenting of transit services to him:

Description	Validity of contract		
	Up to 5 years	Up to 10 years	10 years and more
Escalation Coefficient			
Basic rate of payment for readiness, average rate of energy exchange, average rate of electricity production	0.98	0.94	0.90
Transit costs	1	1.05	1.10

Also the basic rate of payment for readiness, average rate of electricity production, exchange rate of energy and transit costs through the contract period would be escalated as follows in long-term contracts.

$$\text{Escalating coefficient} = \frac{\text{Retail Price index CPI at the beginning of payment year}}{\text{Retail price index CPI at the beginning year of signing the contract}} \times \frac{\text{Average exchange rate (Euro) in 1 month prior than payment date}}{\text{Average exchange rate (Euro) in 1 year prior than payment date}}$$

$$(\text{Year of contract} - \text{Payment year}) + 1.02$$

In above-mentioned formula we have coefficient a permitted between 0.25 to 0.75. Then the contract will be signed accordingly.

Notice 1- It is permitted to have any anticipation of payment method and difference rate in contract period with mentioned provisions, provided that it is free from any change in current value of payments through the contract period. Any calculation of current value will be based upon the minimum profit rate approved by Monetary and Credit Council at the date of signing the contract plus two percents (%2).

Notice: Obligation period subject to this Article is from energy delivery time to grid and free from the establishment period of power plant. Also this period should not break any scope of activity in compliance with environmental standards.

**Emblem**  
**Islamic Republic of Iran**  
**Approval of the Board of Ministers**

In the name of GOD  
Ministry of Energy  
No: H41113 T/142551

Date: 06.Nov.2008

The board of Ministers confirmed the followings in its session dated 23.Oct.2008 upon the proposal No. 75408/30/100 dated 14.Oct.2008 of Ministry of Energy and pursuant to the Article 138 of Fundamental Laws of Islamic Republic of Iran:

1- The purchase rate of produced electricity of non-governmental sectors from renewable energy resources will change respectively from six hundred and fifty (650) Rials in peak and normal hours to one thousand and three hundred (1300) Rials for low-load hours from four hundred and fifty (450) Rials to nine hundred (900) rials. These digits are inclusive for year 2008 and it will be modified in next year in accordance with the approved formula mentioned in executive by-law of conditions and guarantee of electricity purchase subject to Part "B" of Article (25) of 4<sup>th</sup> Development Plan subject to the approval No. H33188T/16825 dated 29.June.2005.

2- The resulted difference out of performing this approval will be paid out of credits subject to part (7) of single Article of Budget Law of 2008 of total country and upon the approval of relevant work group in favor of Tavanir Co. on once three months basis. Then it will be anticipated in annual budgets in future years.

Parviz Davoudi- Prime assistant of the President

Copy:

Great Leader Office, Office of President, Office of Judicial Power Head, Office of the Head of State's Expediency Council, Office of Prime assistant of President, Programming and Supervision Assistant of President, Assistant of Management Development and Human Invest of President, Legal Assistant and Council affairs of President, Executive assistant of President, State's Calculations Divine, Administrative Justice Divine, State's Total Inspection Organization, General Dept. of Rules of Islamic Council, General Department of Rules and Regulations, Legal General Department, Ministry of Economic Affairs and Finance, Ministry of Justice, Official Gazette of Islamic Republic of Iran, Secretariat of Governmental Information Council and Office of Government Board.

**For the attention of foreign investors:**

**According to the Foreign Investment Promotion and Protection Act (FIPPA), the foreign investors who intend to enjoy the benefits of securing their capital and its interest they have to refer to the Organization For Investment, Economic and Technical Assistance of Iran through the following website:**

**[www.investiniran.ir](http://www.investiniran.ir)**

## 1-4 Flow chart of steps of guaranteed purchase of renewable electricity

### Start

Applicant's request for establishment of a .....power plant

In .....region

Issuance of feasibility studies license by SUNA

Performing of feasibility studies by the investor and submission a written report to SUNA for verification



Whether the report will be confirmed? → No → Mention the reasons of rejection and request for modification



Obtaining a license from Department of Environment by the Applicant	Issuance of license for establishment of power plant by Energy and Electricity Assistant		Introducing of the investor to regional electricity Distribution Co. for submission of the report for further verification
Conclusion of guaranteed power purchase agreement between SUNA and Investor ,financing , designing, supply of land and ... for establishment of the power plant in accordance with approved time schedule	whether the grid studies will be confirmed?	→	NO,Announcing the reasons for rejection and requesting for correction
Concluding a sale contract between SUNA and Grid management Co	Test and Commissioning of the first group of wind turbines/..... Power plant according to the relevant time schedule and sold		YES ,Concluding an agreement for connecting to grid with regional electricity Distribution Co.

	energy to SUNA		
Issuance of statement by Grid Management Co. according to the read amounts of confirmed meters by measuring Office	Preparing the process verbal of meter reading confirmed by Measuring Office by SUNA representatives and investor	Observing the orders of Grid Control Center/Distribution Control Center by the investor issued by considering all technical limitations of power plant.	Primary designing of transmission installations and receipt of the approval of regional Electricity Distribution CO
Receipt of mentioned amount in mentioned statement on account basis by SUNA	Issuance of financial statements by investor for SUNA in accordance with mentioned process verbal	Notifying any discrepancies in center orders or technical limitations of power plant by investor and requesting for final situation	Establishment of transmission installation under higher supervision of regional Electricity Distribution Co.

Comparing and verifying The issued statements by the investor and grid management that have been provided according to the reads of confirmed meters by Measuring Office	Verification and payment of statements on account basis and also considering the claim of investor about relevant damages due to orders of Grid	Accepting any probable damages of investor by SUNA if such orders are in contrast with technical limits and may cause any stop or reduction of	Issuance of approval for the installation and commissioning of any equipment for transmission from Regional Electricit	Issuance of approval for the type, installation, start up and sealing of the measuring devices by the Measuring Office
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	Control Center/ Distribution Control Center	production	y / Distribution Co.	
Eliminating any probable discrepancies in mentioned statements that have been received/paid on account basis through discussion between both parties and considering the measuring systems and also verifying of investor's for the compensation of any damages due to the instructions of the Grid Control Center/Distribution Control Center	Probable review and confirming the payments to the investor	Submission of technical/financial documents for relevant damages to investor by the orders of Grid Control Center/Distribution Control Center	Issuance of connection license by Regional Electricity / Distribution Co.	

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