

# NEWSLETTER

September 2021

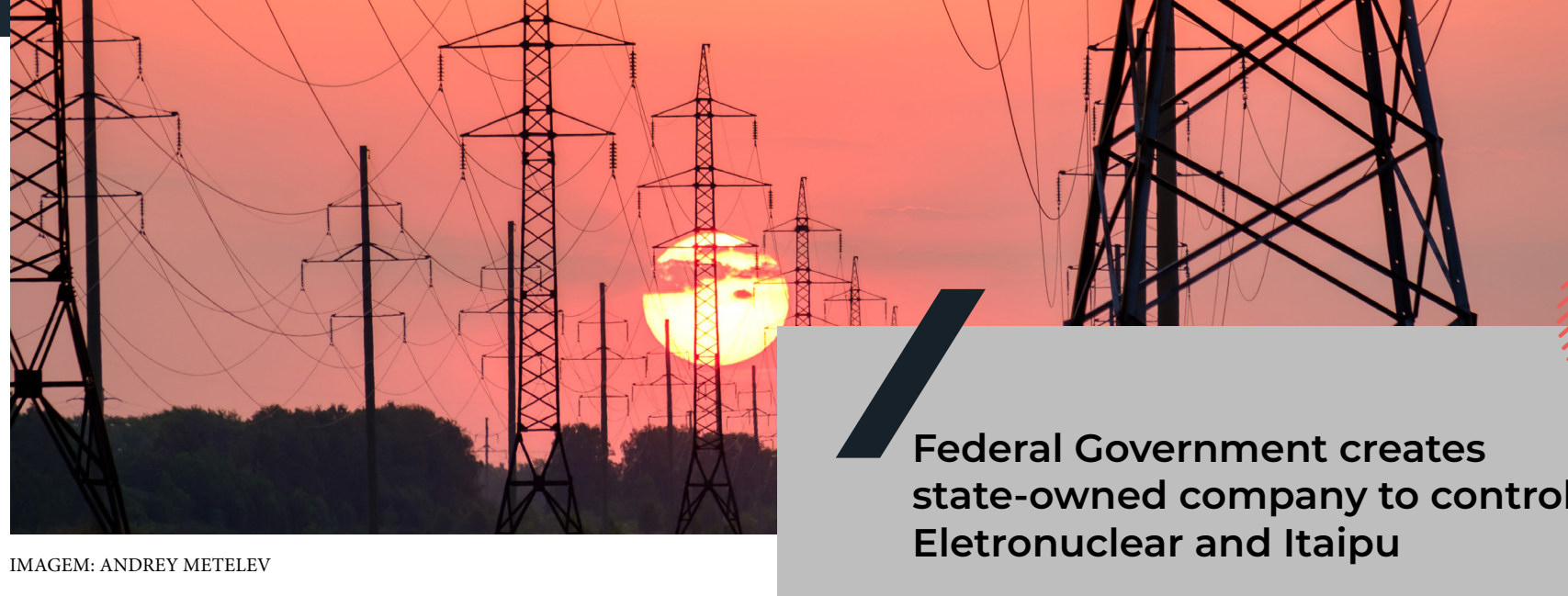


IMAGEM: ANDREY METELEV

## Federal Government creates state-owned company to control Eletronuclear and Itaipu

On September 13, the Brazilian Federal Government issued Decree No. 10,791 creating the Brazilian Nuclear and Binational Energy Holding Company (Empresa Brasileira de Participações em Energia Nuclear e Binacional – ENBpar), a state-owned corporation linked to the Ministry of Mines and Energy, which aims to take control over Eletronuclear and the Brazilian fraction of Itaipu Binacional.

In addition to the activities mentioned above, ENBpar will also have the responsibility (to be undertaken within 12 months) of managing (i) financing agreements executed until November 17, 2016 that use resources from the Reversion Global Reserve (RGR), (ii) Federal Government's assets under Eletrobras administration, as foreseen by Decree No. 1,383/1974, (iii) PROCEL's resources and (iv) the energy power purchase agreements signed within the Alternative Energy Sources Incentive Program (PROINFA).

## Progress on Brazil-Germany Partnership concerning energy efficiency

The Brazil-Germany Energy Partnership, executed by means of the "Cooperation Agreement on the Energy Sector" goes backwards to the 1970s decade and has the purpose to strengthen the energy efficiency market in the country through renewable energies.

Within the partnership scope, the Government launched this month a program named PontencializEE, structured from a partnership between the Ministry of Mines and Energy, the German Agency of International Cooperation and SENAI-SP, to support small and medium industries (PMEs) with the implementation of solutions for a rational energy consumption and a lower use of fossil fuels.

The initiative assumes investments of approximately BRL 110 million from the German Ministry for the Environment, Nature Conservation and Nuclear Safety and European Union and expects to move up to BRL 500 million in lower carbon investments associated with industrial PMEs, through public and private financial institutions.

The program intends to apply technologies related to the thermal mechanics regarding industrial proceedings such as heat recovery, thermal insulation and cogeneration.

PontencializEE has a 4 year-term, at the end of which it is expected to reduce the emission of 1.1 million tons of CO2 to the atmosphere, in addition to the costs reduction of almost BRL 170 million to Industrial PMEs.

## Creation of Water Crisis Tariff Flag

The Water Crisis Tariff Flag (Bandeira Tarifária de Escassez Hídrica) was created by determination of the Chamber of Exceptional Rules for Hydro Energetic Management (CREG), as defined by Provisional Measure No. 1,055/2021.

It represents a new charging level that will operate from September 1, 2021 to April 30, 2022 for all consumers from the Brazilian National Interconnected System (SIN).

According to the Brazilian Electricity Regulatory Agency (ANEEL), the new tariff level was created to face the water scarcity situation, which resulted in the constant dispatch of thermal power plants and energy importation from Argentina and Uruguay.

The additional amount to be charged by means of the Water Crisis Tariff Flag will be of BRL 14.20 for each 100 kilowatt-hour consumed and will not be applicable to low income consumers enrolled with the Electric Energy Social Tariff (TSEE).

Please note that CREG also determined the implementation of the Voluntary Demand Response Program, which comprises an economic incentive to the electric energy reduction by consumers. In this regard, consumers will be entitled to BRL 50.00 bonus by each 100 kilowatt-hour reduced as of September 2021, limited to a reduction range of 10% to 20%.



IMAGEM: ANTHONY INDRAS

## The Ministry of Mines and Energy publishes the guidelines for the competitive simplified auction to contract reserve capacity

On September 17, 2021, the Ministry of Mines and Energy (MME), published Ruling No. 24/GM/MME/2021, establishing the guidelines for the competitive simplified auction to contract reserve capacity, named as 2021 Simplified Competitive Proceeding. The auction's main goal is to ensure optimization of hydro energetic resources use within the Brazilian National Interconnected System (SIN) and to confront the current water crisis, guaranteeing the safety and the continuity of the electric energy supply in the country.

According to the established guidelines, new power generation projects are allowed to participate in the auction along with non-operational existing enterprises and expansions to existing projects as well.

Furthermore, the suggested auction rules indicate that the projects must connect to the Brazilian National Interconnected System (SIN) in the Southeast/Midwest or South submarkets and will be distinguished in two different products, namely: (i) availability contracts, destined to oil, diesel and gas-fueled thermal power plants; and (ii) quantity contracts, destined to biomass, wind and photovoltaic solar power plants. Both of these products shall start delivering energy as of May 2022, with supply ending in December 2025.

Thermal power plants with CVU superior than (i) BRL 750.00/MWh for natural gas and (ii) BRL 1,000.00/MWh for oil-fueled power plants are not allowed to participate in the auction.

The Brazilian Federal Government plans to conduct the auction in October and the Ministry of Mines and Energy will settle the total amount of reserve energy to be contracted per product, based on studies from the Energy Research Company (EPE) and from the Brazilian National Grid Operator (ONS).

## ANEEL opens public consultation for energy and capacity contracting from thermal sources

The Board of Directors of the Brazilian Electricity Regulatory Agency (ANEEL) approved, on September 28, 2021, the opening of a Public Consultation aiming at gathering information and subsidies for the improvement of Auction Notice No. 11/2021, which will regulate the acquisition of energy capacity from thermal power plants.

Such public consultation was deemed necessary in view of the innovative nature of the Auction (capacity acquisition) in comparison with other auctions already carried out by the Brazilian Federal Government. The consultation will receive contributions from September 29, 2021 to October 10, 2021.

## Federal Government enacts decree establishing the extension of PROINFA contracts

The Brazilian Federal Government published, on September 17, 2021, Decree No. 10,798, establishing the conditions for the extension by a 20-year term of the supply period provided under the Alternative Energy Sources Incentive Program (PROINFA) power purchase agreements.

The new decree defines that the energy generator hired within PROINFA interested in the extension of its energy contract must submit a request to Eletrobras until October 11, 2021. The Brazilian Electricity Regulatory Agency (ANEEL) will analyze the tariff benefits associated with the extension and Eletrobras will execute the amendments regulating the contracts' extension, if cost reduction benefits are identified with such measure.

The energy price to be hired must be equivalent to the pricing limits provided under 2019 A-6 Energy (BRL 225.05/MWh for hydro energy, BRL 173.47/MWh for wind energy and BRL 292.00/MWh for biomass-fueled energy).

It is still worth mentioning that, based on referred Decree, the power plants will not be entitled to incentivize energy benefits applied to Rates for Using Electricity Transmission (TUST) and Distribution (TUSD) systems.

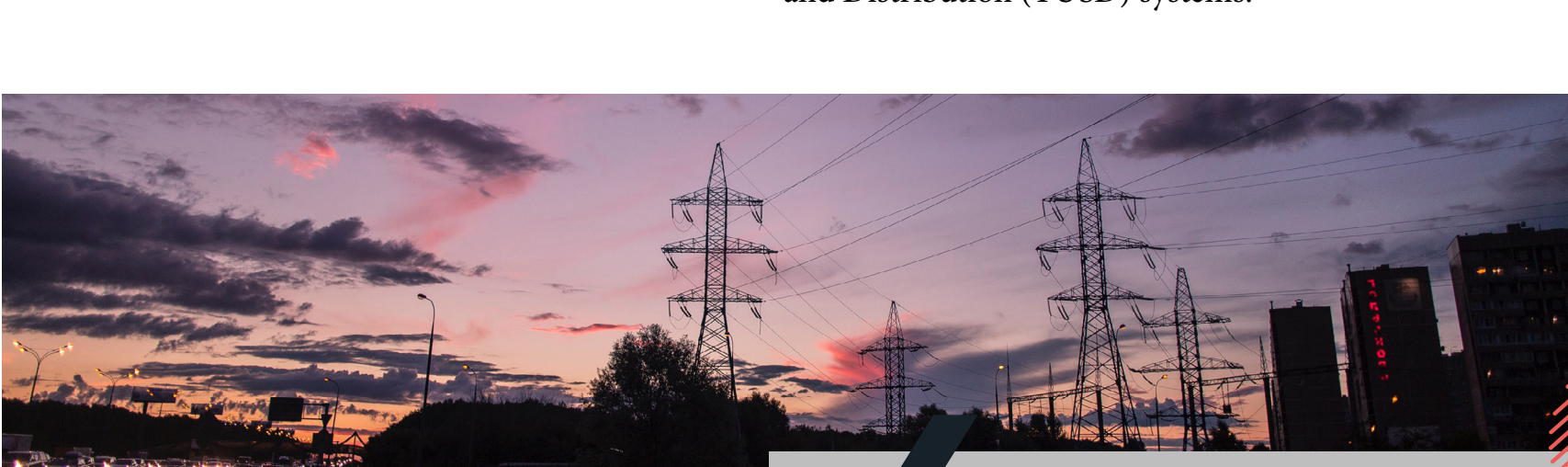


IMAGEM: ALEXANDER POPOV

## ANEEL conducts A-5 auction resulting in the acquisition of 151 average MW for the system

On September 30, 2021, Brazilian Electricity Regulatory Agency (ANEEL) conducted A-5 Energy Auction for the acquisition of electric energy arising from new generation power plants, resulting in the purchase of 151 average MW for energy distribution concessionaires that had declared demand for the competition.

The auction's main innovation was the participation of solid waste-fueled power plants. The auction notice indicated an initial price of 639/MWh for the source but, after sellers' movements, the price was settled at BRL 549.35/MWh.

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### Partners responsible for the content:

- ☒ Ana Carolina Katlauskas Calil
- ☒ Jun Makuta
- ☒ Leonardo Miranda

### Contributed to this edition:

- |                                  |                             |
|----------------------------------|-----------------------------|
| Enzo Felipe Campolim de Oliveira | Gabriel Pontes Maciel       |
| Erica Makiyama                   | José Augusto Dias de Castro |
| Fernanda Dal Fabbro de Campos    | Stefania Toschi             |

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