

Turkey Imposes 1 MW Connection Point Limit for Unlicensed Electricity Generation, Plus Restricts Share Transfers

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Significant structural changes have been made to Turkey's unlicensed electricity generation market. The most important change is a new 1 MW total installed capacity limit for unlicensed facilities held directly or indirectly by the same persons or entities. Accordingly, affiliated or group companies will no longer be allocated more than 1 MW of capacity for the same sub-station connection point. Share transfers are now restricted for applicants until provisional acceptance of an unlicensed facility is complete. A minimum self-consumption ratio is also introduced, placing a cap on the excess energy which can be sold to distribution companies. Other new requirements are also introduced for connections, mergers/demergers, as well as application procedures. Certain aspects of the new requirements will not apply to unlicensed applicants which obtained a connection invitation letter before 23 March 2016.

The Regulation Amending the Regulation on Unlicensed Electricity Generation in the Electricity Market ("**Amendment Regulation**") and the Communiqué Amending the Communiqué on Unlicensed Electricity Generation in Electricity Market ("**Amendment Communiqué**") were published in Official Gazette number 29662 on 23 March 2016, entering into effect on the same date.

The Amendment Regulation change certain provisions of the Regulation on Unlicensed Electricity Generation in the Electricity Market ("**Unlicensed Regulation**"), published in Official Gazette number 28783 on 2 October 2013.

Important changes introduced by the Amendment Regulation include:

Changes to the Connection Principles

- **1MW Combined Capacity Limit for Affiliated Companies:** The Amendment Regulation introduces a restriction whereby each real person, legal entity or legal entities having such real persons or legal entities as their direct or indirect shareholders, is allowed up to 1 MW capacity jointly at each transformer sub-station, for unlicensed renewable energy generation purposes. Therefore, affiliated or group companies can no longer be allocated more than 1 MW of capacity for the same sub-station connection point, regardless of the number of consumption units. Legal entities must present their direct and indirect shareholding structures to the relevant network operator (either TEİAŞ or the regional distribution company) (Article 6(10), Unlicensed Regulation).
- **Distance to the Grid:** The Amendment Regulation introduces a limit for unlicensed projects regarding their distance to the grid (Article 6(8), Unlicensed Regulation):
 - Projects with up to 0.499 MW capacity must not be more than 5 km from the grid.
 - Projects with more than 0.499 MW capacity must not be more than 10 km from the grid).
- **Maximum Installed Capacity Limit:** The Amendment Regulation introduces a minimum self-consumption ratio, which places a maximum limit for the excess energy which can be sold to distribution companies. Accordingly, the installed capacity of unlicensed wind and solar generation facilities cannot exceed 30 times the capacity of the consumption unit associated with the generation unit (Article 6/12, Unlicensed Regulation).

Restrictions on Share Transfers and Mergers/Demergers

- **Restrictions on Share Transfers:** The Amendment Regulation introduces a provision which prevents shareholders transferring shares in legal entities which are unlicensed facility applicants, until the facility's provisional acceptance is complete (i.e. until the facility commences its operations). Failure to wait will result in cancellation of the unlicensed facility's connection calling letter. After this lock-up period, the relevant network operator (either TE?A? or the regional distribution company) must be informed of any share transfers at least one month before closing the share transfer transaction. The relevant network operator must be advised of the updated shareholding structure (after the share transfer) within ten business days of the transfer (Article 31/20 of the Unlicensed Regulation).
- **Rules for Mergers/Demergers:** The Amendment Regulation introduces new rules for mergers and demergers of unlicensed facilities. Mergers and demergers of legal entities which own unlicensed facilities can now only be processed after the provisional takeover of the unlicensed facility is complete.

Merger applications can now only be made if the unlicensed facility's owner is either:

- The transferor parent, who merges with a transferee subsidiary (which the parent holds 100% share in); or
- The transferee subsidiary merges with its parent company (which holds 100% the subsidiary's shares).

The same principle also applies to demergers, whereby a company owning the unlicensed facility can only be split into companies which the original company holds 100% shares in (Article 31(18) and Article 31(19), Unlicensed Regulation).

Ownership Restrictions for Distribution and Supply Companies

According to the Amendment Regulation, the following persons or entities are no longer entitled to own solar or wind based unlicensed facilities above an installed capacity of 50 kW which are located in the same region where they engage in distribution or supply activities:

- Direct or indirect shareholders of distribution companies and appointed supply companies.
- Persons employed by distribution companies and appointed supply companies, or their shareholders (direct or indirect).
- Legal entities with any persons or legal entities listed above as shareholders (Article 31(21), Unlicensed Regulation).

Application Principles

The Amendment Regulation extends the required documents for connection applications to now also include:

- Technical Evaluation form prepared by the Renewable Energy General Directorate (which was already sought in practice prior to the Amendment Regulation).
- Coordinated application plot.
- Information regarding the direct/indirect shareholders or (if they exist) controlling persons/entities of the applicant legal entity.

The Amendment Communique introduces a prohibition on network operators asking for additional documents which are not listed in the Regulation or the Communique during connection applications.

Applications Which Were Granted a Connection Invitation Letter Before 23 March 2016

For unlicensed applicants which have already obtained a connection invitation letter before 23 March 2016, the new provisions will not apply regarding:

- 1 MW combined capacity limit for affiliated companies.
- Distance to the grid.
- Maximum installed capacity limit.
- Ownership restrictions for distribution and supply companies.

Please see this [link](#) for full text of the Amendment Regulation and this [link](#) for the Amendment Communiqué (only available in Turkish).

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