

ENERGY AGENCY OF THE REPUBLIC OF SERBIA
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INITIATIVE FOR AMENDING THE METHODOLOGY FOR SETTING MAXIMUM PURCHASE PRICE OF ELECTRICITY AND THE DECISION ON THE MAXIMUM PURCHASE PRICE FOR WIND POWER PLANTS WITH APPROVED CAPACITY HIGHER THAN 3 MW

Dear Madam/Sir,

The Association RES Serbia (hereinafter referred to as: Association) representing the interests of the largest part of the wind power industry market in Serbia, officially submits an initiative to amend the Methodology for setting the maximum purchase price of electricity ("Official Gazette of RS, number 103/21) (hereinafter referred to as: Methodology) and The Decision on the maximum purchase price for wind farms of approved capacity higher than 3 MW No. 737/221-D-I of November 25, 2021 (hereinafter referred to as: Decision).

The existing Methodology and Decision adopted by the Energy Agency of RS (hereinafter referred to as: the Agency) set the maximum purchase price in the amount of 5.568 €/kWh, for the 2022 auctions. This price is too low and inappropriate, because it cannot ensure the profitability of the project, preventing the successful conductance of auctions.

Therefore, the Methodology should be innovated, and the decision on the price amended.

Initiative is divided into two parts. The first part includes a short summary of the initiative which briefly summarizes the essence of recommendations and the reasons for amending the aforementioned acts, the second part contains a detailed explanation of the initiative and the proposed solutions with the reasons that guided the Association in developing the initiative.

The Association's best intention stands behind this initiative to help decision makers understand the position of the industry and to contribute in a constructive manner to the improvement of crucial parts of regulatory framework to encourage further development of new initiatives. Since 2016, Serbia has shown visible progress in the development of RES, especially wind farms, through the joint synergy of the state, public enterprises, financiers and privately held industry, demonstrating the capability of developing and building large wind farm projects, like other European countries.

The 2021 Regulatory reform is a continuation of a successful story and we truly believe that Serbia should and is able to continue with further investments in wind farms. The 400 MW quota, determined by the Government, represents a capacity that could easily be integrated into Serbia's energy system, and the market premium agreement is a key mechanism protecting the producers from the volatility of the electricity price in the long term and represents a foundation for future investments. However, without a properly set maximum repurchase price and the precise Methodology the entire auction and incentives measures system may fail to achieve the expected goals and remain unrealized.

Our idea is to give recommendations through the initiative that will improve the Methodology and contribute to getting a representative price for auctions in Serbia.

The existing price is not profitable and too low in Serbia according to the current state of the market. Its adequate increase would provide room for competition at auctions and provide a representative and real cost of producing electricity from wind farms in Serbia. Please note, that even with the increase of maximum purchase price, it will be significantly lower than the existing feed-in tariff, and far lower than the expected market prices in the following mid-term period. With the successfully conducted auctions, additional wind farms capacity will continue to grow, enabling further integration of RES in Serbia, which is of national importance given the ambitious and severe de-carbonization in Europe and the world, but also the deficit in its own energy sources, both in Serbia and the entire South European region.

We remind you that the incentives system is based on a two-sided premium, and that all additional market income generated by the investors through their price offered at the auction is returned to the guaranteed supplier, i.e. the Government. Under the current conditions of very high electricity prices on the market, which show a firm trend of not coming down in the short or in the long term to the level before 2021, meaning that they will be 1.5 to 3 times higher than the price of electricity production from wind farms, all market surpluses will go to the state, and the producer's earnings and returns will be derived solely from the offered auction price, which is objectively limited by the maximum purchase price, therefore the maximum purchase price must be adequately set to ensure the profitability of the projects.

Creating conditions for conducting successful auctions is in the interest of Serbia, its green transition, further de-carbonisation, reducing the need for electricity import, increasing the security of supply for final customers, as well as in its best economic interest, bearing in mind that due to the state of the market and the expected average electricity prices and the CfD system, which returns all market surpluses to the Government, the risk of incentives costing the state or citizens extra is virtually negligible.

BRIEF SUMMARY OF THE INITIATIVE WITH THE PROPOSED SOLUTIONS

Recommendations for amending the Methodology:

The Methodology should specify the concept of what is considered very high auction bids that should be eliminated by the maximum price. It is recommended that very high bids are those exceeding the maximum investment costs of wind farms (or other power plants) existing in Serbia, and that investors in the competition-based auctions reduce the price to a lower level.

The Methodology should prescribe that the decision on the maximum purchase price is primarily based on data on the investments cost in Serbia, which express the price situation on the Serbian market, since the level of costs depends greatly on the country's local conditions. The study of investment costs in Serbia for the price calculation may be one of the solutions for obtaining relevant data

International studies and data should only have an auxiliary character due to their generality and inaccuracy, and be applied directly with appropriate corrections only if possible and without local data

The Methodology should anticipate the possibility of amending the Decision on the maximum purchase price in the event of altered circumstances. The War in the Ukraine, inflation, economic and energy crisis have completely altered the assumptions on which the Decision on the maximum purchase price was based, and for such radical changes in the market, the possibility of amending the Decision on maximum purchase price should be foreseen.

Consider the possibility that the incentive period and not the life cycle of the plant should be taken into account by the Methodology for determining the useful operation of the plant, given that the investor realizes the credit financing within the incentive period when costs are greater than income generated from the prices obtained by the LCOE method, which threatens the liquidity of the project.

The Methodology should include balancing costs and the integration of RES into the system. These costs considerably affect the profitability of the investment. Bids at auctions cannot be properly structured without that element.

The Decision on the maximum purchase price should be altered to comply with the innovated Methodology for the following reasons:

The market is facing continuous increase in the prices of raw material, goods and services

Transport costs have increased enormously

The inflation in the eurozone continues to rise (5% in 2021, 9,6% in June 2022)

The supply chain of turbines and generators is under severe demand pressure in Europe, affecting the price growth with their manufacturers.

Funding costs are higher

Balancing costs and the market integration are not included in the maximum purchase price, profitability of the investment. Bids at auctions cannot be properly structured without that element.

The Law on the use of RES does not represent an obstacle for amendments to the Methodology and the Decision on the maximum purchase price.

Successful auctions will add new wind farm capacities to Serbia, in the interest of the state and the citizens.

EXPLANATION OF THE INITIATIVE

1. RECOMMENDATIONS AND REASONS FOR AMENDING THE METHODOLOGY

1.1. Define the purpose of Methodology more precisely

The Methodology stipulates that the maximum purchase price should protect auctions from the risk of awarding incentives to the projects with very high auction bids.

However, the Methodology did not prescribe a definition of what is considered a very high auction bid, to know at what level the upper price limit at the auction should be set.

Bids at auctions are based on the projection of the investment costs. Since each investment has its own specific amount of costs, they are not the same for all investments, which represents a basis for competition between investors to optimize their costs so that their offers concerning electricity price would be competitive and included in the given quota.

Bids at an auction that are not based on real costs, would be very high and unrealistic and as such should be excluded from auctions, so from that perspective, the Methodology should define the maximum purchase price at the level of most realistic costs of investment in Serbia, above which any price would be unreasonably high and such prices should not legitimately be given a chance to appear at an auction whilst the auction procedure itself should be left to provide the lowest prices through the competition method.

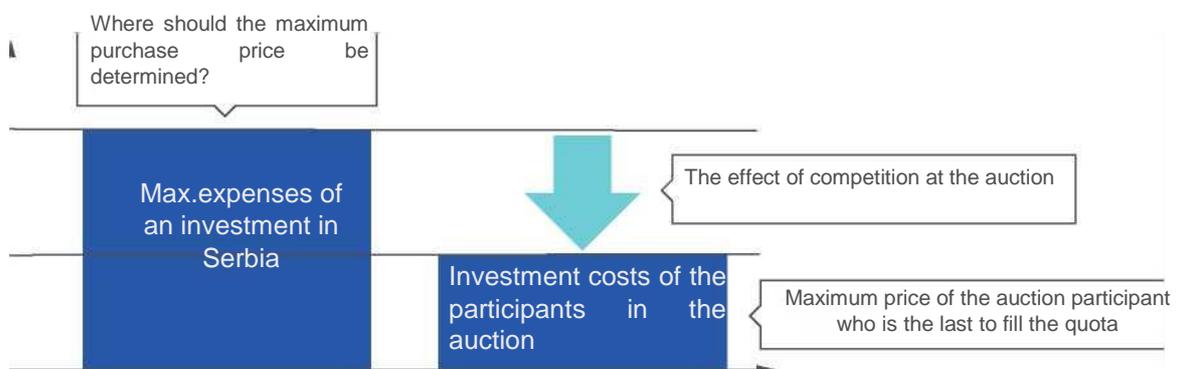


Illustration 1 - Proposed concept of the purpose of methodology

With this approach, the Methodology would define the widest possible level playing field, and the auction system would be protected from discretionary setting of maximum purchase price which can, if too low, reduce competition and enable the emergence of speculative and unrealistically low bids, which overall can have the counter-effect - the failure of the auction, the loss of valuable time in the energy transition process and increase of legal uncertainty, while ultimately resulting in not having any project realized.

At all events, the maximum purchase price for the value of input parameters should not include values expected for the best or above-average projects (best-case case), but for those average or slightly below-average ones.

1.2. The Methodology should stipulate that the decision on the maximum purchase price is determined based on data on investment costs in Serbia

To determine the real costs based on which the maximum purchase price will be set by the LCOE method, they must be relevant to Serbia. Using the global and European studies is problematic because they have averaged data on investment costs on a large macro scale and such studies may serve as an auxiliary informative and analytical tool for defining a broader context and be the basis for comparing the state of the market in the Republic of Serbia and the region, Europe and the world, but not the main source of data for determining the costs of investment in Serbia.

All four studies referred to in the Decision on the maximum purchase price have been done for the world and the European level (IRENA 2020, Lazarad 2021, IEA 2020) and for Germany (Fraunhofer 2021), therefore they cannot be representative for Serbia.

The mentioned studies are based on averaged values derived from a wide range of prices and costs.

Thus, the IRENA 2020 study for onshore wind farms in Europe found that the range of LCOE was from 0.035 USD/kWh - 0.045 USD/kWh - 0.065 USD/kWh, while the investment costs for the European region ranged from 1174 USD/MW to 2064 USD/MW, taking an average value of 1515 USD.

The Fraunhofer study found that the investment costs for onshore wind farms in Germany, range from 1400 €/MW to 2000 €/MW, and that the LCOE value ranges from 3.94 c€/kWh to 8.29 c€/kWh.

The Lazard 2021 study found that the range of LCOE costs for wind farms ranges from 26 USD/MWh to 50 USD/MWh, while the range of the investment cost ranges from 1025 USD/kW to 1350 USD/kW.

The IAE 2021 study based an estimate of investment and LCOE costs for wind farms based on data for 33 onshore wind farm projects from 18 countries, nine of which are European. The range of gross¹ costs for those wind farms ranged from a minimum of 877 USD/MW to 3022 USD/MW.

Although these studies were done using different sampling and modeling technologies for investment costs, the cost price of wind farms for Serbia was determined based on the calculations of average value of already averaged costs in all four studies to obtain two input data: investment costs (1.270.000 €/MW) and the operational costs of wind farms (37.000 €/MW) for Serbia.

This method is very imprecise and does not express the situation on of the Serbian market, but solely the average value of the data used in the four studies that were observing the global level.

It is indicated by the studies referred to in the Decision of the Agency that the direct use of these data is questionable. Some studies explicitly emphasize that the costs of investment in wind farms and RES are highly dependent on local conditions

„Due to the indicated differences in input values also the LCOE of different electricity generation technologies vary significantly depending on the country, the technology and the properties of individual plants. It is thus not meaningful to point out a single power plant type, which would outcompete the others in terms of average costs. This is in particular true for renewable technologies, especially wind turbines and photovoltaics, whose costs are very much location dependent“ (Studija IEA 2020)

¹ Overnigt costs

“The LCOE of WPP is highly dependent on local conditions with respect to both onshore and offshore power plants” (Studija Fraunhofer 2021)

For example, we further refer to the Study2 Wind Europe from April 2022 which indicates that the CAPEX value in Europe in 2021 amounted to an average of 1.3 million €/MW, with the range of these costs varying from 1.5 million €/MW in Germany and France to 1.1 million €/MW in Spain and Finland, confirming the stand that taking average European and global values, which vary significantly from one country to another, to be the representative expenses in Serbia is methodologically unacceptable. Whereas, it should be reconsidered that all these studies are based on prices values before the enormous increase of metal and transport prices, and generally all other services, works and equipment.

It is particularly questionable to take data from the studies that expressed prices in US dollars, and which are then transferred into euro at a variable exchange rate, so the price of an investment cost in dollars may express, due to exchange rate differences, significantly different values when transferred into euros on an annual basis.

It is necessary to determine the costs of an investment which is representative for Serbia in order to avoid inaccuracies. This could be resolved by the Methodology prescribing that the Agency order a special study for determining input data of the formula regarding the investment costs in Serbia, and which will be the basis for Decision making on the basis of formula in the Methodology. In the least, The Agency should hire a suitable renowned international company to conduct the analyses.

The Methodology has already defined the elements concerning investment and operational costs that the aforementioned special study could determine particularly for Serbia, such as the costs of connection in Serbia³, the cost of producing technical documentation, building plants (construction and other works), costs of projects development, equipment procurement, land costs, taxes etc. Such specific costs would be representative for Serbia, based on prices applied to the Serbian market, which is a realistic environment for investors.

1.3. The Methodology for determining the maximum purchase price should contain criteria on which the selection of input data for the formula is determined based on which the maximum purchase price is calculated

The current approach in Methodology, which generally states that price calculation data are obtained based on publicly available international data from relevant sources and data obtained by the Agency from energy entities in the Republic of Serbia, gives a great freedom for a subjective decision on how formula elements such as investment cost, operating cost etc. will be determined.

The decision maker on the maximum purchase price can currently freely choose, from a large circle of sources and obtained data, which is relevant, without formally and legally examining the data selection based on objective criteria.

In order to narrow the space for unlimited freedom of decision making, the Methodology should contain a minimum of basic rules based on which the Agency selects and determines the input data of the formula.

The priority in data selection should be the data obtained by examining the situation in the Serbian market and the prices that apply to it, and that the data from international studies are only applied in cases where such data are valid for Serbia and are directly applicable.

1.4. The Methodology should possess the possibility of amendment in the event of unpredictable circumstances in the market

The Methodology and the Decision on maximum purchase price were made in 2021 at a time when the world began to face a global energy crisis following the virus pandemic of COVID 19, rising inflation, just before the war in the Ukraine, when the energy and economic crisis became even more severe in Europe and the world. The mentioned events have had a negative impact on the assumptions on which the Methodology and the Decision were adopted, including the very studies to which the Agency's Decision is referring.

The increase of electricity prices on the market in Serbia cannot compensate for global growth in investment costs, due to a two-sided premium system that obliges producers to return all market income that exceeds the offered auction prices back to the Government.

The experience with a sudden and sharp change of circumstances imposes the need for the Methodology to predict the possibility of a relatively quick change of the Agency's Decision in case of significantly altered circumstances in the event that the maximum purchase price has been adopted, and the public call for auctions has not been published.

1.5. Consider the option to adapt the definition of a useful life cycle of a power plant to the length of the incentive period

The Methodology defined the useful life cycle of power plants as an estimated life span of use for each type and subtype of power plants. At the same time, the right to incentive measures is exercised during the first 15 years of operation of the power plant. Therefore, credit financing time is also expected to be limited to the period of market premium contracts (15 years). Averaging the estimated cost sustained on the life cycle of a 25-year-old power plant, results in an unrealistic picture of the wind farm's economy, disabling to get to the amount of necessary income during the first period of the wind farm's operation (1/3-1/2 of the plant's life cycle), when those costs are (due to the payment of loans) significantly higher than in the remaining part of the plant's life cycle, making it impossible to create a liquid project with the price obtained by the LCOE method based on the life cycle of the plant. Such insolvency would mean additional demands for funding excess costs, which further increases the need for capital, increasing the overall cost of the project, making it impossible to finance them, both by financial institutions and equity. In the neighbouring Republic of Croatia, in the Article 24 of the Regulation on inducing the production of electricity from renewable energy sources regulating the methodology for determining their maximum purchase price at auctions, for the parameter of the plant's years of operation, the duration of the contract on the market premium is taken into account, and not operating life of the plant.

1.6. The Methodology should include the costs of integrating renewable energy sources into the system when determining the price

The Methodology did not recognize at all the costs of balancing and integrating electricity from RES into the system. The LCOE method does not contain this item in its original form, so the VALCOE (value-adjusted levelized cost of electricity) concept is increasingly mentioned in the professional literature, representing an improved version of the LCOE method which takes into account the costs of integration of RES into the system. Through the Law on using renewable energy sources, for the first time the RES producers became partly financially responsible for the imbalance of their production, exempt only in cases of the allowed percentage of balanced deviation stipulated through a special regulation, whereby this is only a temporary legal solution until a liquid intra-day organized electricity market is established when RES producers will be subject to general market rules on balance liability. Increasing the share of RES means increasing the costs of integration of RES into the system, including the

so-called "shaping costs", i.e. the cost of the production profile, and generally the value of electricity produced from key RES (wind, solar) which is lower than the market price due to the inability to manage production, and it is necessary to include this type of real cost in the calculation of the maximum purchase price in the Methodology, because these costs directly affect the competitiveness and profitability of RES producers.

2. RECOMMENDATION AND REASONS FOR AMENDING THE DECISION ON THE MAXIMUM PURCHASE PRICE

2.1. Why does the maximum purchase price have to be changed?

In addition to the reasons outlined in the explanation of the request for amending the Methodology which pointed to the negative aspects of determining the investment and operational costs of wind farms in Serbia based on the average values of the data from the four studies which are not representative for Serbia, there are additional reasons why the maximum purchase price, which was set at 5.568 c€/kWh cannot be applied at auctions, but has to be adjusted.

2.2. The increase in prices of raw materials, goods and services

The global market of raw materials, goods and services, on which the cost of investment for wind farms depends, has faced more than a year of high price growth.

Namely, there has been an increase in the prices of the basic elements for making wind farms. The price of equipment that accounts for the largest share of costs (primarily steel, but all other metals, too) has risen, as have transport costs, so the decline in investment costs that has existed over the past decade has been halted, turning the trend in the opposite direction, making the current prices of wind turbines 20-30% higher than at the time before COVID.

Chart 1 shows a trend in wind farm costs showing that costs have risen by 9% in 2021 and an additional 10-15% at the beginning of 2022.

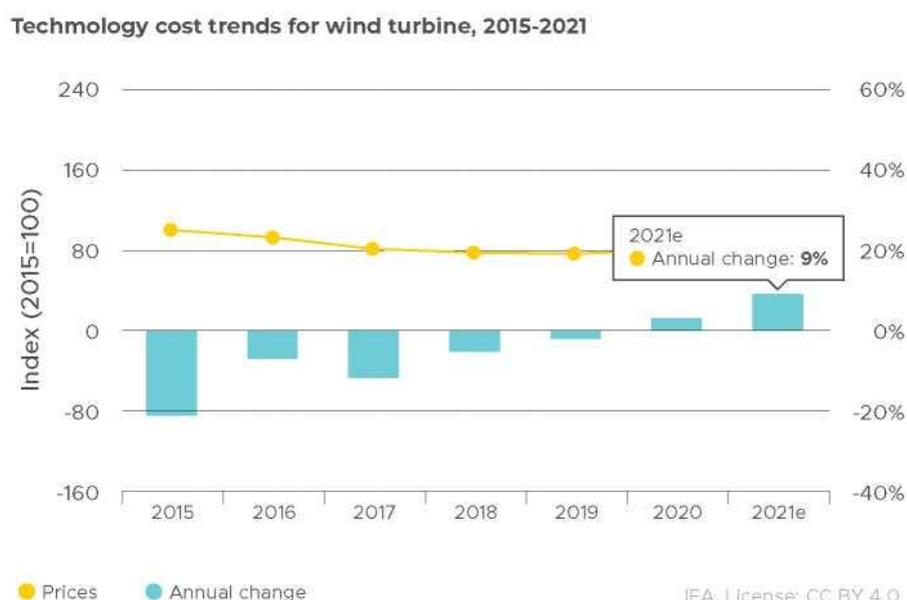
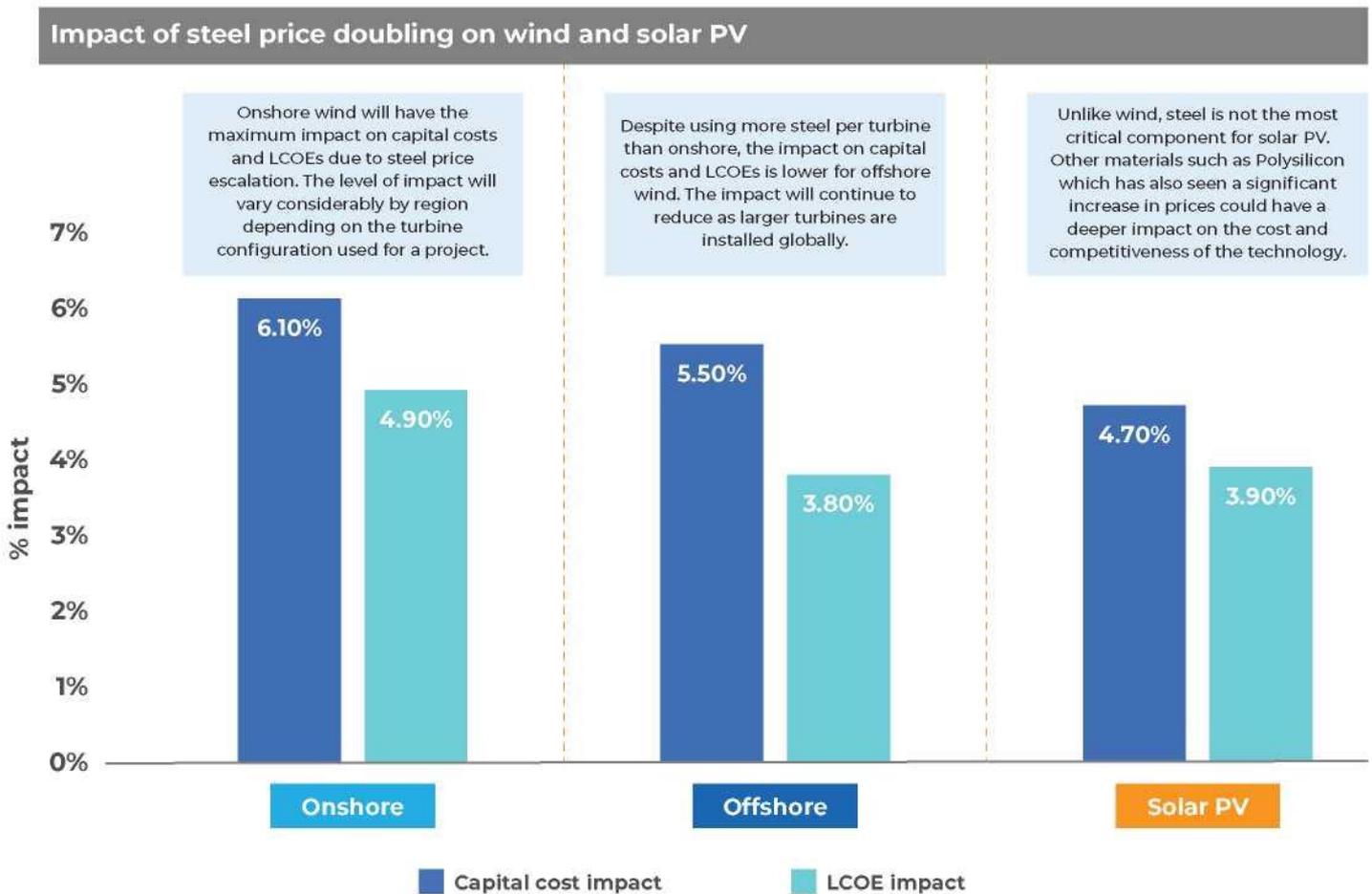


Chart 1 Increase in wind farm technology costs in 2020 and 2021

The above mentioned data was retrieved from publicly available data on the International Energy Agency's website⁴.

In addition to the above, and according to the same source of data, the price of minerals and metals used by carbon-neutral technology, increased significantly in 2021 compared to 2020. Thus, the price of cobalt rose by **156%**, nickel by **94%**, aluminum by **76%**, and copper by **34%** compared to 2020. However, according to other publicly available data, as early as December 2021, i.e. prior to the outbreak of the war in the Ukraine, the price of steel on the market increased significantly, and analyses⁵ show that steel has a large share of the cost of wind farm investment and that only steel price increase in 2021 affects the increase in investment costs (CAPEX) by 6.10% and LCOE by 4.90%, respectively



Note: Based on global averages, regional impact may vary.
 Source: IHS Markit

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Chart 2 Impact of steel price increase on CAPEX and LCOE in 2021

2.3. Inflation in the eurozone

Inflation in the eurozone continued to grow this year as well. In 2021, the inflation amounted to a record 5%, and in June 2022 9,6%, which further justifies the need for a review of the maximum purchase price and input data for the calculation of the inflation.

⁴ Critical minerals threaten a decades-long trend of cost declines for clean energy technologies – Analysis - IEA

⁵ Assessing the significance of steel to the global wind industry | IHS Markit

2.4. Country's risk and supply deficit of equipment manufacturers

The European Union's new plan to increase installed wind farms capacity from 190 GW in 2020 to 480 GW by 2030 has created additional pressure on the market towards increasing equipment prices. The fact that in 2021, 11 GW of new wind power capacity was added in the EU, and that it takes an additional 32 GW to be built annually in order to stay on the goal reaching path by 2030, shows best how ambitious the goal is. Such projections create additional pressure on equipment suppliers and the supply chain in Europe, where Serbia, as a small wind farm market, is out of focus of interest of European equipment suppliers, which therefore, as well as their perception of the country's risk (country risk), offer higher prices for turbines and equipment in Serbian market than in larger markets.

2.5. Project costs in Serbia and coefficient of the power plant's utilization

The costs from studies done for European markets are incomparable with costs in Serbia (regardless of the pandemic impact and disruption in the market) due to local characteristics such as: significant project development costs and significant costs of ensuring the financing of the project.

We believe that it is not currently possible to prepare, ensure financing and build wind farms in Serbia for a total CAPEX amount of 1,270.000 €/MW. The stated value is probably sufficient for the construction of the wind farm and connection to the grid (so-called "hard costs"), however, it is certainly not adequate for a proper evaluation of total development and project financing costs (so called "soft costs").

Operating costs imposed by the equipment suppliers are indexed in line with inflation in the eurozone at a minimum of 2%

The costs of financing in Serbia are significantly higher than in the EU (credit rating, country risk, greater equity demands etc.) The credit market is coming out of the low interest rate phase and their growth has begun. Projects participating in the auctions will have the closure of the financial structure in 1-2 years at best, when higher interest rates can be expected.

When considering the price of borrowed capital, it should be taken into consideration that the price of the borrowed capital is not fixed but consists mainly of a certain margin and a six-month LIBOR. To further protect themselves the creditors have the option of introducing additional safeguards, which further increase the cost of financing, i.e. the project. Additionally, the price of borrowed capital depends on the project, the sponsor, the eventual funding structure, just as the price of capital depends not only on the affinity and orientation of investors but to a large extent on the market risk.

The Decision did not include certain important elements of financing costs: the creditor's initial fee (Processing fee), in the amount of approx. 2% of the loan base, a one-time fee in the amount of approx. 1,5% for mobilization/ structuring fee, project documentation review and compliance costs (Due Diligence), intercalary interest (Commitment fee) on undrawn funds during construction which is an additional cost and is not processed by this method. The value of this interest is in the range of 1% to 2%.

Excluding these local characteristics of Serbia, the maximum purchase price was gained which is, in comparison to Croatia, Serbia's neighbour and EU member, 10% lower in circumstances in which Croatia has twice the capacity built (789 MW) than Serbia (398 MW); Croatia's credit rating (BBB) is higher than Serbia's (BB+) according to Fitch Agency and other rating agencies. The Croatian electricity market (day forward and intra-day) is fully integrated in the single European market and is liquid, unlike the market in Serbia, which does not yet have organised intra-day market, and the day ahead market is in development compared to the single European market. And yet, even at that higher price, auctions in the Republic of Croatia

partially failed as only one company with two projects with a total power of 118 MW submitted an offer, while nearly two thirds of the quota remained empty due to investor's indifference, precisely because of the low maximum price at the auction, and having learned from that experience there should be caution in determining maximum purchase price.

When it comes to the real capacity of wind power plants in Serbia (capacity factor), given the long-term energy potential and wind class, it is below 30%. The appropriate average value for the remaining possible locations in Serbia (27-28%) should be used as an input assumption for calculation.

2.6. The operating life of a power plant when calculating the price should be 15 years, same as the incentive period

In accordance with the aforementioned objections to the Methodology regarding the idea of a useful life cycle of a power plant, we suggest that even at the level of the Decision on the maximum purchase price, this approach be reviewed, because even though it is standard for the LCOE method to consider the life cycle of the power plant, in practice, due to the way of credit financing, the liquidity of the project during the loan repayment may be jeopardized if the maximum purchase price is determined for the life cycle of the power plant.

2.7. The Decision should include balancing costs and the integration of production from RES

There is not a part that covers the producer's balancing costs within the maximum purchase price of electricity. Drafting of a regulation that governs the issue of producer's balance responsibility is in progress, which should prescribe the permitted percentage of balance deviation and a fixed fee. The balancing costs borne by the producers should be calculated into the maximum purchase price. Whether this be done through their inclusion in the concept of variable operating costs (which is unusual), or on the basis of VALCOE method in an innovative methodology that will calculate the costs of balancing and integration of RES into the system as a separate item, is not essential, the bigger issue is the method for resolving this issue.

It is also necessary to take into account the objective value of electricity from wind farms and solar power plants on the market, which, due to the lack of management and cost of the production profile is lower than market prices.

2.8. There are no legal obstacles to amending the Methodology and the Decision

Article 14 of the Law on the use of renewable energy sources stipulates that the Agency shall issue the Methodology for determining the maximum purchase price, and that based on the above mentioned Methodology, publishes maximum market premiums, i.e. purchase prices for the following year, for conducting auctions, no later than December of the current year.

The aforementioned article does not prohibit the amendments to the Methodology, giving the Agency the freedom to improve it if necessary, which coincides with the Agency's actions in similar situations arising from the Law on Energy.

Namely, according to the Law on Energy, the Agency is authorized to enact 15 methodologies, and although it is not explicitly authorised to amend the adopted methodologies, the Agency has: changed the Methodology for determining the price of access to the system 8 times from 2012-2021, the Methodology for determining the price of access to the electricity distribution system 9 times from 2012-2021, the Methodology for determining the price of electricity for guaranteed supply was altered 5 times from 2014-2020, the Methodology for determining the price of access to the natural gas transportation system was modified 7 times from 2012-2019, the Methodology for determining the price of access to the natural gas distribution system was changed once from 2016-2017, the Methodology for determining the price of natural gas for public supply was changed 3 times from 2014-2017, the Methodology for

determining the price of access to the natural gas storage was changed twice from 2014-2019, and the Methodology for determining the price of access to the system for transporting oil through pipelines and oil derivatives through product pipelines 5 times from 2012-2019.

Therefore, the Agency has amended its methodologies 40 times, although it was not explicitly prescribed by the Law on energy. This practice of the Agency and the general legal logic that the authority to pass an act includes the right to amend that act, if not prescribed otherwise by the law, provides a legal basis for a request to amend the Methodology dealing with determining the maximum purchase price.

When it comes to the possibility of amending the Decision, the principle that applies to the Methodology that the authority to pass an act includes the right to amend it if the law does not prescribe otherwise or it is contrary to the law. Law on the use of renewable energy sources stipulates the obligation of the Agency to determine the maximum purchase price by the end of the current year. The Agency has fulfilled that obligation, but the law does not limit it and does not prohibit it from changing the price decision before the planned auctions are held. In addition, the Agency would not make a new decision, but amend its decision from November 25, 2021, applicable this year, so all legal requirements would be complied with, whereas on the other hand we would get a functional maximum purchase price for successfully conducting auctions.