

TETAŞ's Purchase of Electricity from Domestic Coal Fired Power Plants

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The Council of Minister's Decree No. 2016/9096 on the electricity purchase by TETAŞ from domestic coal-fired power plants ("**Electricity Purchase Decree**") has been amended by the Council of Ministers' Decree No. 2017/11070 ("**Amending Decree**"), which was announced on 2 December 2017 and which has made essential changes to the Electricity Purchase Decree and extended its scope of application.

The novelties introduced by the Amending Decree can be summarized as follows:

The Council of Ministers decided to continue its implementation of TETAŞ's (the state-owned electricity wholesale company) purchase of electricity from domestic coal-fired power plants. With the Electricity Purchase Decree¹ issued in August of last year, the Council of Ministers had empowered TETAŞ to procure electricity primarily from domestic coal-fired power plants to meet its supply obligations², which had been regarded in the market as an incentive to domestic coal-fired power plants. The Electricity Purchase Decree has now been amended by the Council of Ministers who fixed the amount of electricity to be purchased with a formula and extended the scope of implementation of the purchase.

Unlike the Electricity Purchase Decree that had authorized TETAŞ to purchase from domestic coal-fired power plants for the periods, amounts (MWh) and unit prices (TL/MWh) to be determined by the Council of Ministers in October of each preceding year, the Amending Decree not only authorizes but also requires TETAŞ to purchase electricity from domestic coal-fired power plants for the next 7 years, starting from the first quarter of 2018. In other words, the Amending Decree transforms the existing implementation to a purchase guarantee by TETAŞ

¹ Published in the Official Gazette No. 29796 dated 9 August 2016.

² Please see the [Summer 2016 issue of our Newsletter](#) for detailed information on the changes.

until the end of 2024. Furthermore, it extends the scope of application of the purchase to power plants operating based on a mixture of domestic and imported coal.

The Amending Decree determines the period of TETAŞ's purchase obligation as 7 years starting from 2018 and introduces two fixed formulas for the calculation of (i) the amount of electricity to be procured each year from private producers and (ii) the purchase price to be applied in each year of implementation of the purchase guarantee. Under the Amending Decree, the calculations are made separately for power plants operating based on domestic coal only and a mixture of domestic and imported coal. Additionally, TETAŞ is authorized to increase the purchase amount up to 40% each year.

The unit price for the electricity to be procured in the first quarter of 2018 is determined as 201.35 TL/MWh. Starting from this figure, until the end of 2024, the price per unit in each quarter will be calculated based on the formula of the Amending Decree, which is primarily based on the producer and consumer price index figures.

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