

FER X Transitory

The new incentives for renewables

Energy

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Decree no. 457 of December 30, 2024, issued by the Ministry of Environment and Energy Security, known as the “**FER X Transitory Decree**” (the “**Decree**”), established **support mechanisms** for electricity production from Renewable Energy Sources plants (hereinafter also “RES” while in Italian “Fonti di Energia Rinnovabile” FER), with generation costs in line with market competitiveness.

The Decree came into force on February 28, 2025, and as a “transitory” measure, it will expire on December 31, 2025, or, for plants with a capacity of 1 MWp or less, 60 days after a capacity contingent of 3 GW is reached (if this date occurs before December 31, 2025). Once the validity period of the Decree ends, the “FER X” Decree will apply. This new decree, currently under approval, will provide the same support mechanisms for plants powered by renewable sources.

The Decree implements Articles 6 and 7 of Legislative Decree no. 199/2021, which regulate incentive mechanisms, particularly the reverse auction systems and incentive tariffs for small plants.

01 *The eligible plants*

The following types of plants are eligible for the **support mechanisms** outlined in the Decree:

1. **Photovoltaic** solar plants
2. **Wind** plants
3. **Hydroelectric** plants
4. Plants for the **treatment of gas** residues from purification processes

Furthermore, pursuant to Article 3, paragraph 7, the support mechanisms are also available for the **revamping** works, both full and partial, and the **repowering** of existing plants. Regarding these latter, access to the incentive mechanisms is restricted to the new section of the plant resulting from the repowering. The categories of intervention are detailed in Annex 4 of the Decree.

Article 3, paragraph 8, grants the producer the option to access the support mechanisms for only a portion of the plant's capacity. In such cases, any obligation to participate in the Balancing and Re-dispatching Market is considered fulfilled for the total capacity of the plant.

02 *General requirements*

The Decree makes a distinction between:

1. **RES plants with a capacity of less than or equal to 1 MWp**, whose construction works are started after the Decree's entry into force; these plants can directly access the support mechanism
2. **RES plants with a capacity greater than 1 MWp**, where construction work has not begun before submitting an application to participate in the competitive procedures

To access the mechanisms, both types of plants must meet the following **requirements**, as specified in Article 3, paragraph 2 of the Decree:

- a. Possession of the authorization title for the construction and operation of the plant, including concession titles, where applicable
- b. Definitively accepted connection request to the grid and registration of the plant in the GAUDI system of Terna, validated by the grid operator
- c. Compliance with performance requirements and national and EU regulations on environmental protection, necessary to comply with the "Do No Significant Harm" (DNSH) principle, as well as with the specific requirements for each type of plant set out in Annex III.

Additionally, for RES plants with a capacity **greater than 1 MWp**, the following additional requirements must also be fulfilled:

- d. Without prejudice to the determinations of ARERA regarding dispatching, the obligation to participate in the Balancing and Re-dispatching Market
- e. Possession of at least one of the following requirements to demonstrate the financial stability of the responsible parties:

(i) possession of a declaration from a banking institution certifying the financial and economic capacity of the participating party in relation to the scope of the project, taking into account the expected profitability of the project and the financial and economic capacity of the corporate group to which it belongs, or, alternatively, a commitment from the same institution to finance the project

(ii) capitalization, in terms of fully paid-in share capital and/or contributions to future capital increases, with a minimum value determined in relation to the investment required for the construction of the plant. This is calculated by applying the specific investment cost outlined in Table 2 of Annex 1 to the nominal capacity of the plant, as follows:

- i. 10% on the portion of the investment up to one hundred million euros
- ii. 5% on the portion of the investment exceeding one hundred million euros and up to two hundred million euros
- iii. 2% on the portion of the investment exceeding two hundred million euros.

Alternatively, instead of holding the authorization title, the producer may submit the favourable environmental impact assessment decision, if required, upon request, in order to access the competitive procedures.



03 Exclusions

Article 3, paragraph 4 regulates the **cases of exclusion** from the application of the Decree.

The following are excluded from its scope:

- a. Enterprises in difficulty, as defined by the Commission Communication which provides guidelines for State aid for the rescue and restructuring of non-financial enterprises in difficulty
- b. Applicants for whom one of the exclusion grounds referred to in Articles 94 to 98 of Legislative Decree no. 36/2023 (“Public Contracts Code”) applies
- c. Applicants who are subject to the causes of prohibition, forfeiture, or suspension under anti-mafia regulations (Article 67 of Legislative Decree no. 159/2011)
- d. Enterprises against which a recovery order is pending due to a European Commission decision declaring the incentives received illegal and incompatible with the internal market.

04 Definition of award prices for plants with direct access

RES plants with a capacity of **less than or equal to 1 MWp** access the support mechanism through direct access. According to Article 3, paragraph 1, these plants gain the right to access the mechanism upon submitting the notice of construction, in the manner to be regulated in the Operational Rules (Article 12).

Article 4 provides that the **award prices** for such plants are defined by ARERA based on the following criteria:

- a. The award prices are proportional to the cost of the intervention to ensure fair remuneration of investment and operating costs and, in particular, cover the expected net costs, including the estimated weighted average cost of capital (WACC), taking into account all major revenues
- b. The award prices may vary based on technology and plant size
- c. The value of the award prices may be updated annually.

The award prices are subject to **adjustments** based on the corrections outlined in Annex 1. For photovoltaic plants replacing asbestos or eternit, the price is increased by 27 €/MWh; for plants built on water, the increase is 5 €/MWh. Furthermore, if photovoltaic plants are built in the central regions of Italy, the price is increased by 4 €/MWh, while for those built in the northern regions of Italy, the increase is 10 €/MWh.

05 *Competitive procedures for access to the support mechanism*

Under Article 5, plants with a capacity greater than 1 MWp access the support mechanism by participating in public competitive online procedures, announced by the GSE, in which power contingents are periodically made available, categorized by technology.

For access to these competitive procedures, the plants must meet the aforementioned requirements and submit an expression of interest (see below). The participation application includes an offer for a percentage reduction on the “higher” operating price, i.e., the price that represents the necessary value to ensure adequate remuneration for plants in case of particularly high-cost conditions. The following table, contained in Annex 1 to the Decree, provides the operating price, the higher operating price, and the lower operating price, i.e., the value necessary to ensure adequate remuneration for plants accessing the competitive procedures under this decree in case of particularly low-cost conditions.

Renewable source	Power sizes MW	Operating price €/MWh	Upper operating price €/MWh	Lower operating price €/MWh
Photovoltaic	>1	80	95	65
Wind	>1	85	95	70
Hydraulic	>1	90	105	80
Gases resulting from purification processes	>1	85	100	75

For participation, the payment of a provisional and definitive security deposit is required.

The estimated total power contingents available in the competitive procedures amount to 14.65 GW, divided as follows:

10 GW

for photovoltaic
solar plants

4 GW

for wind plants

0,63 GW

for hydroelectric
plants

0,02 GW

for plants for the treatment
of gas residues from
purification processes

In each procedure, operators will have 60 days to submit their application for access, and the rankings will be published within the following 90 days.



06 *Definition and update of the contingents*

The Ministry of Environment and Energy Security, with the technical support of Terna and the GSE, within 60 days of the publication of the Decree, will establish by its own decree both the **timeline for the allocation of the target power contingent** available during the validity period of the Decree, distinguishing between the various types of plants, and the methodology for calculating the target, minimum, and maximum power contingents, considering decarbonization objectives. In defining the contingents, to ensure the availability of predefined contingents over time, the Ministry of Environment and Energy Security takes into account the assessments prepared by Terna and the GSE, based on the expected development of generation capacities and the status of the authorization processes.

To assess the status of the authorization procedures, plants with a capacity **greater than 1 MWp** must submit an **expression of interest for participation** in the relevant procedure. It is allowed to submit expressions of interest up to a maximum of three times. If an offer has been submitted below the operating price and the plant does not rank in a useful position in the corresponding ranking, such submission will not be considered for the purpose of the three-expression-of-interest limit. The number of expressions of interest submitted under this mechanism will also be considered with respect to subsequent support mechanisms.

07 *Selection criteria for projects and admission to the support mechanism through competitive procedures*

According to Article 7 of the Decree, **participation applications** for competitive procedures must be submitted to the GSE, along with the following documentation:

- a. The offer reducing the higher operating price
- b. The documentation required to verify compliance with the requirements and any priority criteria
- c. A provisional security deposit
- d. A commitment to provide the security deposit to guarantee the construction of the plants and to submit the same deposit within 90 days from the publication of the positive ranking result
- e. Evidence of the expression of interest

After receiving the documentation, before closing the procedure, the GSE first verifies the **completeness** of the participation application and communicates the results to the operator. Subsequently, the GSE examines the documentation and completes the verification of compliance with the requirements.

Furthermore, the GSE verifies that offers with a price lower than the operating price correspond to at least the target power contingent increased by 5%. If this condition is not met, a power equivalent to 5% of the total power submitted will be excluded from the ranking. The exclusion does not apply to projects that submitted offers with prices below the lower operating price.

After that, the GSE proceeds to form the **rankings**. Being placed in a useful position in the ranking constitutes a commitment to recognize the award price, to which, if applicable, the corrections provided for in Annex 1 will be applied.

If the total applications exceed the contingent available for the specific procedure, the GSE applies the following priority criteria, in case of equal discount offered, and will highlight these in the ranking:

- for photovoltaic plants only
 - a) complete removal of the eternit or asbestos roofing
 - b) full revamping or repowering of plants built on agricultural land, on the same area, with no change in surface area
- plants built in “eligible areas” in accordance with Article 20 of Legislative Decree no. 199/2021
- presence of a storage system that ensures at least a daily modulation
- subscription of a Power Purchase Agreement (PPA) with a duration of at least 10 years
- prior submission date of the participation application

08 *Accelerated evaluation of large-scale projects*

Article 8 of the Decree provides for an accelerated procedure for the evaluation of projects for plants **larger than 10 MWp** and for plants, **of any capacity**, owned by **local administrations**, planned and funded within the experimental and innovative measures of the **PNRR** (National Recovery and Resilience Plan).

The specific request for the activation of this accelerated procedure must be submitted by the proponent together with the application for the single authorization. Afterward, in parallel with this process, the GSE will electronically review the project and, within 30 days of the issuance of the authorization, will provide the proponent with a suitability qualification for the incentive request.

Once the suitability qualification is obtained, when submitting the application for access to the next available GSE procedure, the proponents only need to submit the reduction offer and not the rest of the documentation.

09 *Maximum timeframes for the implementation of interventions following participation in the competitive procedure*

Article 9 of the Decree provides that plants ranked in a favourable position in the rankings must be commissioned **within 36 months** from the publication date of the rankings. Any downtime in the construction of the plant and related works due to force majeure causes will not be counted toward the compliance with this deadline.

In the event that the deadline is not met, a reduction of the award price will be applied: 0.2% for each month of delay for the first nine months and 0.5% for the subsequent six months, with a maximum delay period of 15 months. If the plant is not commissioned even after 15 months, the GSE will declare the forfeiture from the ranking and will execute the final security deposit. Finally, if the plant is later readmitted to support mechanisms, the award price will be reduced by 5%.

10 *Renunciation*

Article 3, paragraph 6, provides the possibility for entities that have accessed the support mechanism established by the Decree **to renounce** it before the end of the entitlement period. In this case, the renouncing entities must pay the GSE a fee that will be determined in a proportional and increasing manner based on the capacity of the plant and in a decreasing manner depending on the remaining period. In any case, the fee cannot exceed 20% of the standard investment cost. The GSE may require forms of security. The detailed methods for calculating the fee and any forms of security to cover the fee will be defined in the Operational Rules.

Article 9, paragraph 4, states that if the proponent informs the GSE of the renunciation of their favourable position in the ranking within 6 months from the publication of the ranking, the GSE will execute 30% of the final security deposit. If such renunciation is communicated between 6 and 12 months from the publication of the ranking, 50% of the final security deposit will be executed. In both cases, the provisions of Article 3 mentioned above will not apply.

11 *Notification of plant commissioning*

According to Article 10, the operators of plants with a **capacity of 1 MWp or less** must notify the commissioning of the plants **within 36 months** from the date of the commencement of **work notification** and must submit a request for access to the mechanism to the GSE **within 90 days** thereafter. Otherwise, the operator loses the right to receive the applicable tariff for the period between the commissioning date and the late notification date. In any case, the notification must be submitted **within 180 days** from the commissioning date recorded in the GAUDI system of Terna, or the recognition of the awarded price will not be granted.

For operators of plants with a capacity **greater than 1 MWp**, the request for access to the mechanism must be submitted to the GSE **within 90 days** from the commissioning date recorded in the GAUDI system of Terna. If the deadline is not met, the operator loses the right to receive the awarded price, is excluded from the ranking, and the definitive deposit will be forfeited.

Within 3 months following the notification of commissioning, the GSE will settle the payment of awarded prices with the counterparties.

12 *Award price payment methods*

The GSE disburses the incentives starting from the date of operation through the following methods, depending on whether the plant **exceeds 200 kW in capacity or not**:

- For plants with a capacity **below the threshold**, the GSE takes care of the withdrawal and sale of the electricity and disburses the award price in the form of an all-inclusive tariff. However, it is still possible for the plant owners to request the application of the regime for plants exceeding the threshold capacity
- For plants with a capacity **above the threshold**, the producer retains the availability of the electricity produced. The GSE calculates the difference between the award price and the higher value between zero and the reference price set in the Day-Ahead Market: if the difference is positive, it disburses an amount equal to that difference; if, on the other hand, the difference is negative, the producer is required to pay the corresponding amount.

Article 11, paragraph 3, outlines the mechanisms for updating prices in light of inflation.

The producer and the GSE settle payments over a period of **20 years**.

Article 11, paragraph 6, contains provisions that deviate from the payment methods outlined above. In summary, the GSE calculates the payment amount:

- Based on the electricity that can be produced in the case of plants subject to production cuts resulting from orders issued by grid operators or Terna in the Balancing Market and/or European balancing platforms
- Based on the minimum between the producible electricity and the sum of the entry program into the Balancing Market and the power offered at zero or negative price on the Balancing Market, in cases of null or negative zonal prices on the Day-Ahead Market.

13 *Operational rules*

The Operational Rules related to the support mechanism provided by the Decree will be adopted by a decree from the Ministry of Environment and Energy Security, upon proposal from the GSE, **within 90 days** from the date the Decree came into force. These rules will govern in detail all practical aspects related to the mechanism.

Within 30 days of the entry into force of the Operational Rules, the GSE will issue **the first public notice for the competitive procedures**.

14 *Cumulability of incentives*

The support mechanism of the Decree is **cumulative** exclusively with one of the following measures:

- only for newly constructed plants, capital grants not exceeding 40% of the investment cost
- guarantee and revolving funds
- tax benefits in the form of tax credits or income tax exemptions for investments in machinery and equipment.

In case of cumulation, the tariff is **restructured**: for plants that receive a capital grant, the award price is calculated by applying the percentage factor $(1-F)$, where F is a parameter that varies linearly from 0 (when no capital grant is assigned) to 35%, referring to the case of a capital grant equal to 40% of the investment. In other cases, the value of the grant equivalent to the capital grant is taken into account according to the methods defined in the Operational Rules.

Access to the mechanism is an alternative to the on-site exchange mechanism (in Italian: “scambio sul posto”) and dedicated withdrawal (in Italian “ritiro dedicato”).

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