

# New PPEC tender process announced

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## Introduction

A call for applications for funding under the Promotion of Electric Efficiency Programme (PPEC) for 2017 to 2018 runs from February 16 2016 to April 15 2016, as notified on the Energy Services Regulatory Authority's (ERSE) website.

The PPEC is a policy measure set out in the Electricity Sector Tariff Regulation approved by the ERSE, under which funds are made available for electricity consumption efficiency projects following a competitive tender process. Proposals for electricity consumption efficiency are evaluated by the ERSE and the Directorate for Energy and Geology (DGEG). These projects may be of a tangible nature (ie, projects which aim to reduce the consumption of electricity in a permanent and measurable manner) or intangible (ie, projects which – despite having no direct measurable impact – aim to encourage more sensible behaviour regarding electricity consumption).

Funds to be made available under PPEC 2017-2018 feature in the Tariff Regulation as a section of revenues that can be recovered by the transmission system operator in Portugal through the Global Use System Tariff (and thus passed on to electricity consumers).

PPEC programmes were launched in 2006 and there have been several versions, namely:

- PPEC 2007;
- PPEC 2008;
- PPEC 2009-2010;
- PPEC 2011-2012; and
- PPEC 2013-2014.

PPEC 2013-2014 was enacted after the reform of the PPEC programme which followed changes to the energy legal framework and limited access to PPEC funds. Nevertheless, in accordance with estimates from the ERSE, PPEC 2013-2014 generated benefits for consumers far exceeding the costs that the ERSE had to bear through the payment of the Global Use System Tariff.

## Procedure

The rules for presenting PPEC 2017-2018 applications and the subsequent tender process are outlined in Ministerial Order 26/2013 and ERSE Directive 5/2013. Applications for PPEC 2017-2018 are open from February 16 2016 until April 15 2016. Subsequently, the ERSE has a 120-day period to appraise applications, after which it will submit an evaluation report to the DGEG, setting out:

- a score for each applicable criterion per application (the rules and methods of its assessment are set out in ERSE Directive 5/2013);
- the global score for each application; and
- the overall ranking.

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The DGEG will then evaluate the applications based on the ERSE report within a 30-day period. The DGEG's report (with a score attributed to each application) will then be submitted to the member of government responsible for energy matters for type approval. The type-approval decision outlining the preliminary scores for each application will be published in the *Official Gazette* on or around September 27 2016.

Following publication of the decision in the *Official Gazette*, applicants will have until October 15 2016 to file complaints against the decision or withdraw their application. Complaints will be assessed by the ERSE and the DGEG. The DGEG will draft the final evaluation report and ranking of applications and send them to the member of government responsible for energy matters to be type approved and published in the *Official Gazette* by November 14 2016.

The project is expected to start on January 1 2017.

## **Budget**

The PPEC 2017-2018 has a budget of €11.5 million per year, which is made up of:

- €9 million per year for tangible projects, of which:
  - €7 million is to be used by any successful applicants (divided into funds to be allocated to projects in industry, agriculture, commerce and services and the residential sector); and
  - €2 million is earmarked for successful applicants that are not 'players' in the electricity sector (regardless of the sector in which the projects are implemented); and
- €2 million per year for intangible projects of which:
  - €1 million is to be used by any successful applicants; and
  - €1.5 million is earmarked for successful applicants that are not 'players' in the electricity sector.

ERSE made it clear in the call for applications that it favours the following projects:

- the installation of efficient lighting systems;
- the procurement of energy-efficient equipment and substitution of inefficient equipment;
- the installation of heating systems;
- the installation of consumption management systems and measures for demand system management, both active and passive;
- the implementation of recommendations made in energy audits and recommendations;
- measures impacting economically vulnerable consumers; and
- projects that encourage energy efficient behaviour in schools, at non-governmental organisations, at home and at work.

The ERSE also values applications that document the output of projects, in particular the identification of standard problems and solutions to facilitate the implementation of the project and its potential reproduction in other contexts. Finally, the ERSE favours partnerships that implement projects, taking into account the nature of the partners involved and the potential added value that they could provide to the project's implementation.

Projects are funded as costs incurred, taking into account a maximum debt to total costs ratio of 80%.

Proceeds to be attributed to successful PPEC applicants will be transferred through the Transmission System Operator, which will then recover these costs through the tariff system.

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