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EU4ENERGY PHASE II

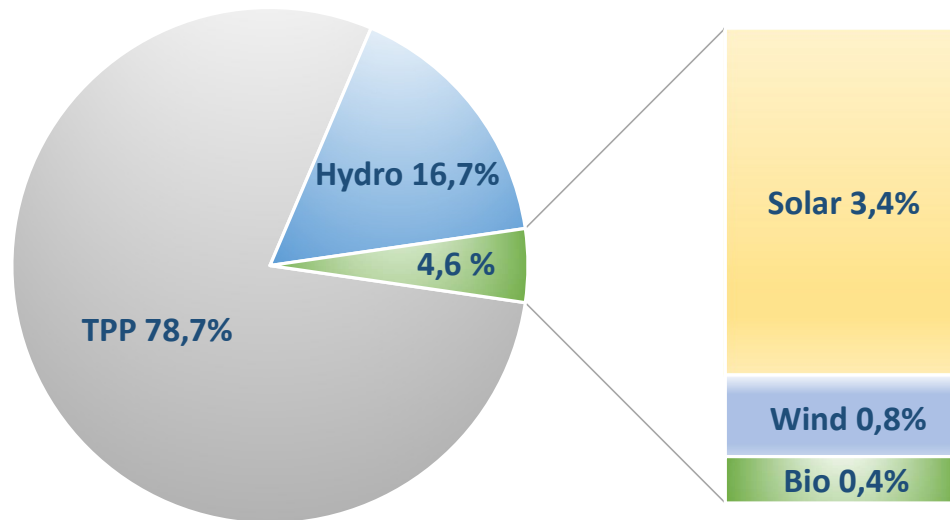
**Status quo of DSO new roles
implementation and regulations in
the Republic of Azerbaijan**



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Installed capacity and targets

Total Installed Capacity
~ 8,4 GW



Targets

- to increase the share of renewable energy in the country's installed capacity to 30% by 2030
- to reduce greenhouse gas emissions by 40% until 2050

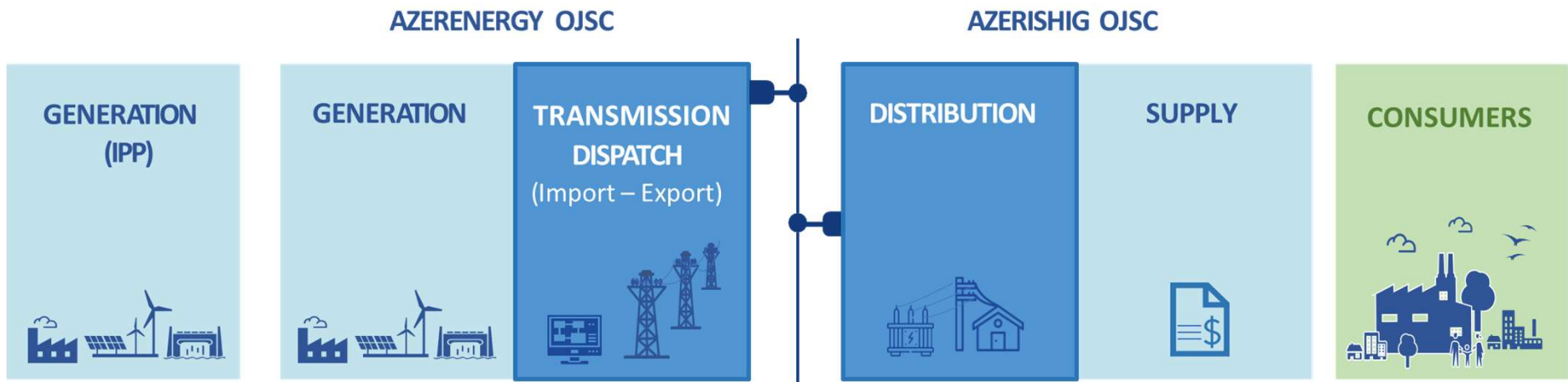
It is planned to integrate about 2 GW of renewables into the grid by 2027





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Structure of the existing electricity market in Azerbaijan



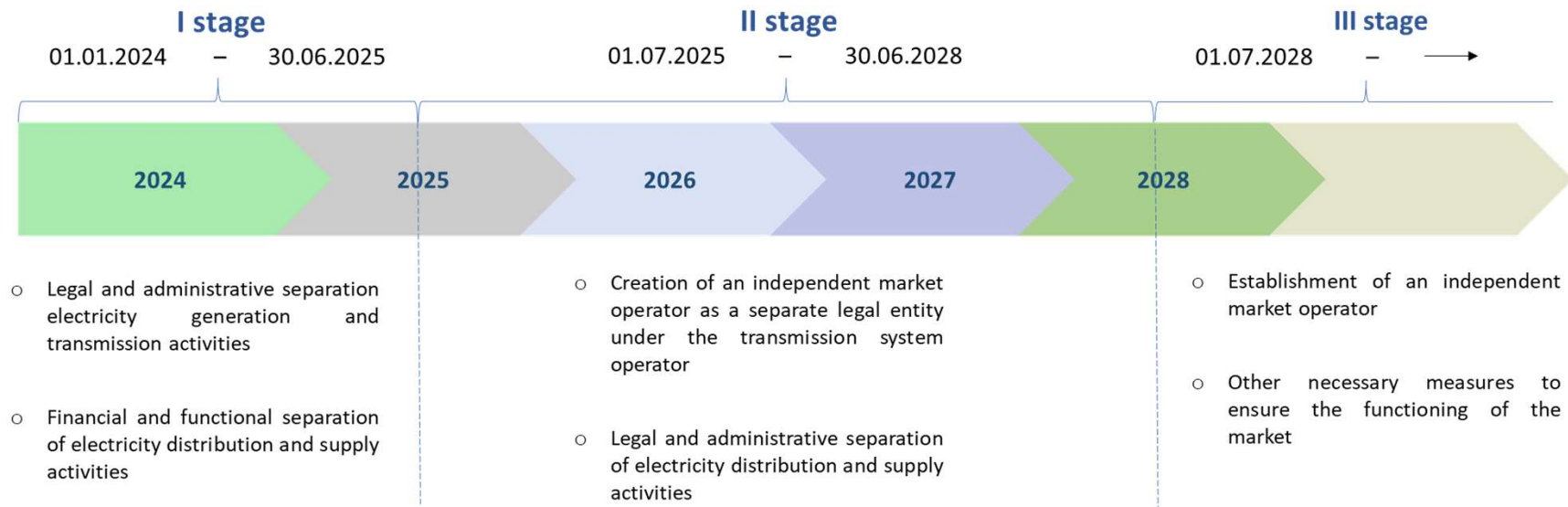


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Unbundling of DSO

New law "On Electricity" № 858-VIQ, dtd. 11.04.2023

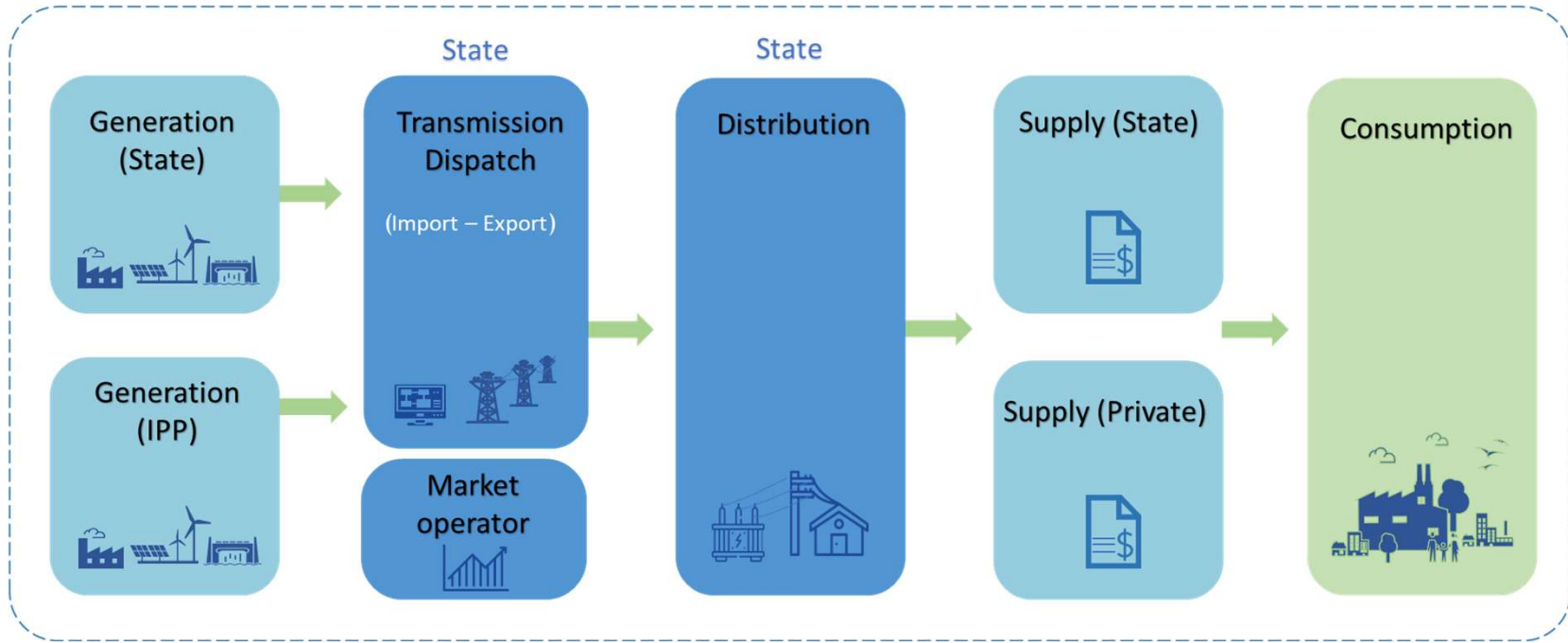
The process of unbundling





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Target model of the electricity market





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Distribution and sale of electricity

The distribution system includes 110 kV dead-end lines and lower voltage networks

Electricity Consumption





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Strengthening of the network

- Electrification in Azerbaijan is close to 100%
- There is currently no congestion in the transmission and distribution networks
- According to the studies conducted with the involvement of international consulting companies on the integration of large amounts of renewable energy into the network, the necessity of conducting relevant works related to the strengthening of the network has been determined.

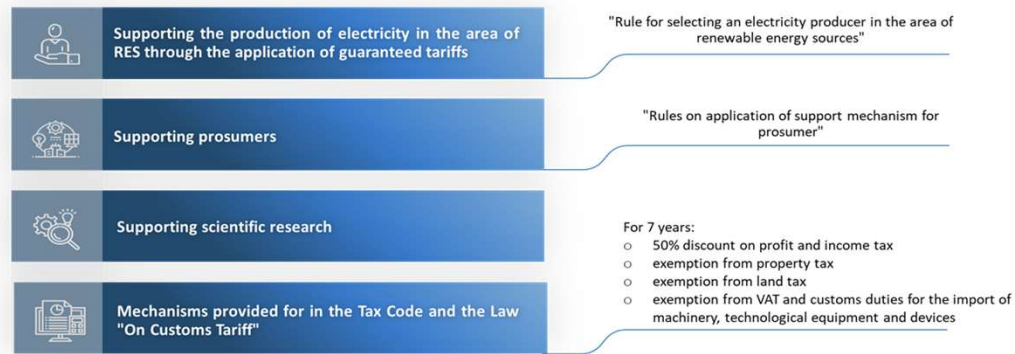
- construction of new substations and transmission lines
- the expansion of existing substations
- the enhancement of SCADA systems
- the implementation of energy storage systems



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RES and EV support mechanisms

☐ Support mechanisms provided by the Law "On the use of renewable energy sources in electricity production"



As a result

The installation of rooftop solar panels,, along with the anticipated widespread adoption of electric vehicles, will also necessitate taking measures on strengthening the distribution network

☐ Support mechanisms for electric vehicles and charging systems

For

- Electric vehicles
- Second and third level power chargers for EVs



import duty is set at 0% (for EVs up to 3 years from the date of factory release)

Import and sales exempted from value added tax





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Actions taken by the Regulator

"Electricity Network Rules" (Grid Code) → *approved by the Cabinet of Ministers dtd. 25.06.2024*



Procedures of preparation network development plans



Ten-year forecast of generation and storage capacities



Integration of RES via the next ten-year plan for the development of the distribution network

Draft tariff methodology for determining electricity tariffs → *application was considered appropriate by the Cabinet of Ministers*



The projects mentioned in the network development plans and considered appropriate will be reflected in tariffs



Capital cost element calculated as a return rate for regulated asset base



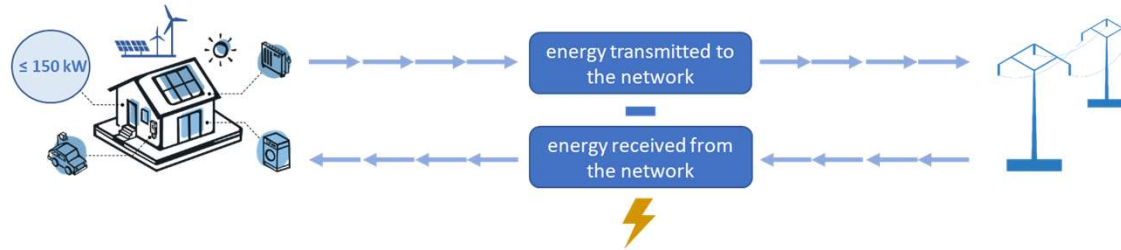
Incentives related to loss reduction and OPEX optimization regarding to efficiency factor



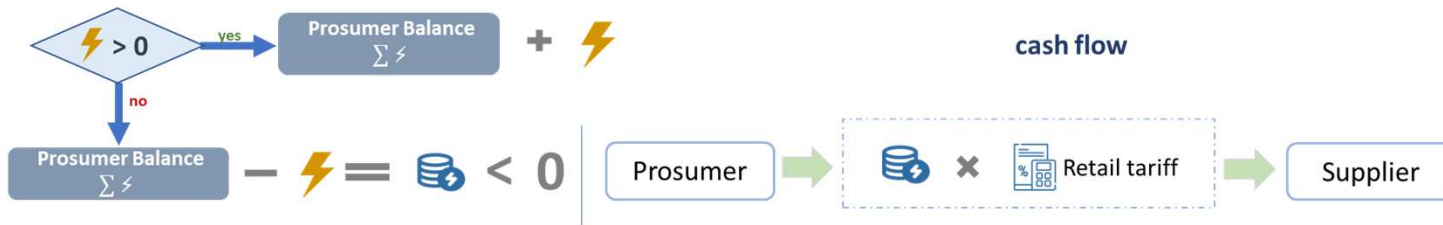


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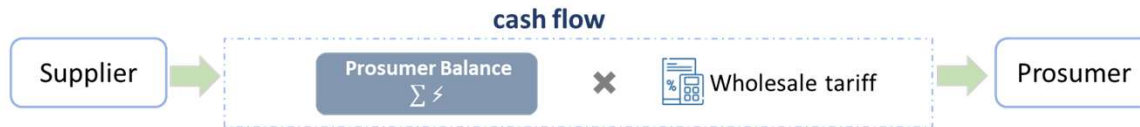
Prosumer support mechanism



- Monthly based



- At the end of the year



"Rules on application of support mechanism for prosumer" approved by the Cabinet of Ministers dtd. 28.09.2023



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20 Energy Community Secretariat

CEER Council of European Energy Regulators

