

Upcoming Power Auctions in Colombia

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Authors: [Carlos Viana](#), [Sean Goldstein](#), [Jeannine Acevedo](#), [Thomas Pate](#)

Colombia is planning two important power auctions to take place at the beginning of 2019.

Reliability Charge Auction

A reliability charge auction (*Subasta para la Asignación de las Obligaciones de Energía Firme del Cargo por Confiabilidad*) will award firm energy obligations (*obligaciones de energía firme* or “OEF”) for the supply period commencing on December 1, 2022 and ending on November 30, 2023 or a later date for certain projects.

Important points of note are the following:

- Payments to generators will be made in U.S. Dollars.
- Both greenfield and brownfield projects are eligible to participate in the auction.
- Greenfield projects could obtain OEF commitments for periods of between 1-20 years.
- In order to encourage investment, certain incentives will be given to greenfield projects that begin commercial operations prior to December 1, 2022. Such incentives include bonus payments above the price set by the auction and extensions of the OEF commitment periods.

Key dates to take into account are the following:

Action Item	Date
Deadline for interested parties to submit application materials	December 14, 2018
Deadline for applicants to submit firm energy commitments	January 8, 2019
Auction takes place	January 24, 2019
Publication of auction results	January 25, 2019
Commitments awarded	20 business days following January 25, 2019

Wholesale Energy Production Auction

The second event is an auction for wholesale energy production contracts to be awarded for renewable projects. The auction will offer generators 10-year power purchase agreements for 3.443GWh per year in the aggregate.

Colombia's energy planning unit—UPME—has published a draft Long-Term Power Purchase Agreement (*Contrato de Compra y Venta de Energía Media Anual a Largo Plazo* or the “PPA”) for this auction providing for the following:

- Purchasers under the PPA will be representatives of the wholesale energy market in Colombia.
- Sellers will receive (i) a reliability charge (*CERE*) which is to be paid in U.S. Dollars and in accordance with applicable law and (ii) an energy payment for electric power that is delivered under the PPA payable in Colombian Pesos.
- Both brownfield and greenfield projects are eligible to participate in the auction, and greenfield projects will be required to start commercial operations on or prior to December 1, 2022.
- Upon termination following a default by one of the parties, the non-defaulting party will be entitled to invoke the “Penalty Clause” (i.e. Clause 13 of the PPA), pursuant to which the affected party will have the right to receive a payment of 20% of the remaining contract value.

Key dates to take into account are the following:

Action Item	Date
Final draft of the PPA and bidding rules to be published	November 1, 2018
UPME to hold an informational training seminar for interested participants	November 13, 2018
Pre-qualification materials to be submitted by interested participants	November 23, 2018
Results of pre-qualification to be published	December 17, 2018
Auction takes place	January 2, 2019
PPAs are awarded/signed	January 14, 2019

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White & Case LLP
Southeast Financial Center
200 South Biscayne Boulevard, Suite 4900
Miami, Florida 33131-2352
United States

T +1 305 371 2700

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