Undertaking # ___________________

Submitted by Toby D. Couture, E3 Analytics.

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Q: Could you clarify Spain's fuel adjustment mechanism for biomass CHP?

A: For cogeneration plants (CHP) using biomass and/or biogas as the main fuel, Spain's Royal Decree 661/2007 adjusts the feed-in tariff price *annually* for changes in the CPI, minus twenty five (25) basis points. This applies for all biomass cogeneration plants eligible under its FIT policy until 31 December 2012; after this point, the annual adjustment is scheduled to be CPI minus fifty (50) basis points.

Spain does not index biomass prices separately: it simply adjusts the tariff price itself, as indicated above. There is no indexation to coal or natural gas prices. This indexation to fossil prices comes from the feed-in tariff policy's treatment of natural gas CHP, not biomass CHP: under Spain's FIT, natural gas is indexed quarterly both to CPI and to reference values for the market price of coal, which are included in a set of schedules in Annex VII of the Royal Decree.

Reference:

Spain. (2007). "Royal Decree 661/2007, of 25th May, regulation the Electricity Production under the Special Scheme." Official State Journal No 126. May 26, 2007. Available at: http://www.boe.es/boe/dias/2007/05/26/pdfs/A22846-22886.pdf

See Section 44 (1) & Additional Provision 1.