

July 6, 2021

The Energy and Gas Regulatory Commission (CREG) issued Resolution 075 of 2021 (“Resolution CREG 075”), which defines the provisions and procedures for the allocation of transportation capacity in the National Interconnected System (Sistema Interconectado Nacional - SIN). The purpose of this resolution is to **rationalize the resources of the SIN** and to promote an efficient allocation of the transportation capacity to guarantee the **efficient, sustainable, and continuous provision of the domiciliary public electric energy service**. In this sense, this regulatory adjustment entails the substitution of the rules contained in Resolution 106 of 2006 and aims at defining effective and unified procedures.

The main changes incorporated in the resolution are related to the following matters:

1. Request and allocation of transportation capacity. This chapter regulates the procedure for the allocation of transportation of class 1 projects, which will be carried out annually through the procedure defined and published by the mining and energy planning unit (Unidad de Planeación Minero Energética - UPME) no later than December 31, 2021. The procedure will identify the priority to be given to the criteria for the allocation of transportation capacity, which are mentioned below:

- The guidelines of Resolution 40311 of 2020 of the Ministry of Mines and Energy.
- The highest net **benefit per kW** of transportation capacity requested to the system.
- Obtaining environmental licensing and/or **prior consultation** (consulta previa) process.
- The effects for the operation of the system in terms of **service affection**.

2. Guarantees. The interested party must grant a guarantee to **reserve the assigned transportation capacity**, which may be a bank guarantee, bank guarantee or Stand By letter of credit, and must comply with the criteria established in the annex of Resolution CREG 075 of 2021.

The value of the coverage is calculated in Colombian pesos, multiplying ten (10) United States dollars by the number of kW of the assigned transportation capacity. This value must be updated each time a new year is completed from the date of issuance of the guarantee, with the annual variation of the Internal Supply series of the Producer Price Index IPP, published by National Administrative Department of Statistics (*Departamento Administrativo Nacional de Estadística – DANE*).

The resolution establishes the cases in which the guarantee will be executed and regulates the procedure to do so.

3. Follow-up of class 1 projects. Once the connection concept is issued, the interested party has a term of two (2) months to inform UPME that it accepts the assigned capacity. Along with this acceptance, the following documents must be submitted through the single platform: (i) copy of the approval, by ASIC, of the guarantee mentioned in the

previous numeral; and (ii) the project construction **S-curve** with the dates of the following milestones: obtaining the right to use the project land, prior consultations, environmental permits and licenses, equipment purchase order, **permits and licenses for connection assets** and identification of 50% progress of the project.

4. **UPME´s Platform.** The UPME shall implement and manage a platform / system through which the filing, evaluation, approval, and follow-up of transportation capacity allocation requests shall be processed. The UPME shall implement the platform within a term no longer than twelve (12) months from the date Resolution CREG 075 becomes effective.

5. **Assignment of transportation capacity.** The assigned transportation capacity may only be assigned to another project provided that the projects (i) have not entered operation, (ii) are connected at the same connection point, (iii) the transportation capacity of both projects has been assigned to the same interested party, and (iv) use the same primary generation resource, or the project that is going to increase the assigned capacity uses a resource that causes less variable cost to the system.

The assignment must be approved by the UPME and for this purpose, the projects cannot be in default, i.e., they must be up to date with the milestones contained in the S-curve.

6. **Transition.** CREG´s Resolution 075 contemplates a chapter in which it establishes the **transition regime** of the mentioned resolution, where it is contemplated what happens with (i) the capacity allocation requests that are being processed by the transporters, (ii) the connection concepts where transport capacity is allocated that have expired the date of entry into operation (FPO), (iii) the deadline for the delivery of the approval of the guarantee of those projects that have allocated capacity and have not expired the FPO, among others.

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