

Recent Incentives for the Development of Energy Storage Projects in Chile

In April of this year, the Government published the Initial Agenda for a Second Stage of the Energy Transition. Among the pillars of this agenda, the Promotion of Storage was considered, whose purpose is to encourage the development of Energy Storage Systems (“SAE”, by its acronym in Spanish) projects in our country. Such agenda included a plan of short- and medium-term measures consisting of:

1. Allocation of fiscal land.
2. Technical Guide for environmental assessment of storage projects.
3. Modification of Decree N°125, Regulation of Coordination and Operation of the National Electric System (“SEN”, by its acronym in Spanish). This regulatory modification was included in Supreme Decree No. 70, dated November 24, 2023, “which modifies Supreme Decree No. 62, Regulation of Capacity Transfers, and introduces modifications to the decrees indicated set forth”.

This Newsletter presents a summary of the measures implemented and the main provisions included in the documents through which they are materialized.

I. PROMOTION PLAN FOR SAE EN IN FISCAL PROPERTY

On December 15 of the current year, the Ministry of National Assets issued Exempt Resolution No. 1,096, dated December 6, 2023, approving the National Plan to promote SAE projects on fiscal property (“Plan”).

The purpose of the Plan is to encourage the allocation of public lands for the implementation of stand-alone SAE projects that connect to some of the substations (S/E) of the SEN), according to the zones identified by the National Electric Coordinator (“Coordinator”) in the study that determined the areas requiring energy storage in the northern part of our country, corresponding to areas near large mining consumption and variable renewable energy generation centers.

With the publication of the Plan, an exceptional process was initiated for those interested in developing SAE projects to apply for direct allocations of onerous use concessions on public lands in the northern part of our country.

According to the study conducted by the Coordinator, 6 macrozones were identified in which interested parties must submit their projects, requiring the installation of a SAE with the following capacities, power, and required duration:

Macrozone	Capacity	Power	Storage Duration
Macrozone 1: Zone S/E Lagunas	3,6 GWh	600 MW	6 hours
Macrozone 2: Zone S/E Kimal	3,2 GWh	400 MW	8 hours
Macrozone 3: Zone S/E Andes	0,6 GWh	100 MW	6 hours
Macrozone 4: Zone S/E Parinas	1,8GWh	300 MW	6 hours
Macrozone 5: Zone S/E Cumbre	2,4 GWh	400 W	8 hours
Macrozone 6: Zone S/E Nueva Cardones	1,6 GWh	200 MW	8 hours

Technical analyses for the proposal selection will consider the following criteria: (i) Availability of connection in the S/E. In the absence of availability, an agreement with the S/E owner for expansion under Article 102 of the LGSE may be submitted; (ii) SAE with storage capacity as required; (iii) Number of storage hours; (iv) Land use efficiency.

It was also reported that the following restrictions will apply: (i) Each interested party may submit a maximum of 4 applications for each macrozone, with only 2 projects per macrozone being accepted, in descending order of preference; and (ii) Only 1 project per S/E will be processed.

The key deadlines for the process are as follows:

Milestone	Date
Consultation Period	December 18, 2023, to January 2, 2024
Responses to Queries	January 9, 2024
Single Application Window	January 10 to February 2, 2024
Accepted Projects	March 4, 2024
Concession Contract	October 2025

The Plan, as well as the KMZ files and the Coordinator’s study, are available at the [following link](#).

II. NEW EVALUATION CRITERIA IN THE SEIA: INTRODUCTION TO ENERGY STORAGE PROJECTS

On December 12, 2023, the Environmental Assessment Service (“SEA”) published document No. 202399101970, titled “Evaluation Criterion in the SEIA: Introduction to Energy Storage Projects” (“Guide for the Evaluation of Energy Storage Projects”).

The purpose of this publication is to establish the criteria for the analysis of entry into the Environmental Impact Assessment System (“SEIA”) for energy storage projects using battery technology. The goal is to determine their relationship with the typology described in article 10, letter c) of Law No. 19,300, complemented by article 3 of Decree No. 40, 2012, of the Ministry of the Environment, Regulation of the SEIA (“SEIA Regulation”). This is without prejudice to the analysis of other typologies of entry that may be applicable in specific cases.

It is important to note that this publication only considers energy storage technology related to batteries. Therefore, the document does not consider evaluation criteria in the SEIA for chemical, mechanical, or thermal energy storage systems (such as hydraulic pumping, compressed air, cryogenic storage, among others).

The document outlines the considerations that a project owner must take into account when analyzing the entry into the SEIA for energy storage projects that involve withdrawing energy from the electrical system, storing it, and then, through a reverse transformation, injecting it back into the electrical system. The document states that **these works or projects do not fall under the definition of an electric power generating station**, as established in article 10, letter c) of Law No. 19,300, and letter c) of article 3 of the SEIA Regulation. As a result, **they do not require mandatory entry into the SEIA prior to their execution**.

However, it is emphasized that it is the responsibility of the project owner to review the applicability of other typologies established in article 10 of Law No. 19,300, complemented by article 3 of the SEIA Regulation, which are related to the development of electric energy storage projects. Examples include letters a), b.1), b.2), h), e.8), j), ñ), o.8), o.9), p), and s).

Furthermore, the Guide for the Evaluation of Energy Storage Projects indicates that it should be considered that if the project or activity intervenes or complements a storage system, an analysis should be carried out to determine whether this constitutes a change that requires entry into the SEIA or not, in accordance with the provisions of article 2, letter g) of the SEIA Regulation.

The Guide for the Evaluation of Energy Storage Projects is available at the [following link](#).

III. SUPREME DECREE NO. 70, WHICH MODIFIES THE REGULATION OF CAPACITY TRANSFERS

On November 29, 2023, the Ministry of Energy submitted to the General Comptroller's Office ("CGR", by its acronym in Spanish) Supreme Decree No. 70, dated November 24, 2023, which amends Supreme Decree No. 62, Regulation of Capacity Transfers ("Modification to the Capacity Regulation") and the decrees indicated, for the mandatory ex-ante legality control ("*Toma de Razón*"), before its definitive enactment.

The Modification to the Capacity Regulation considered a public consultation stage, in which it was informed that one of the main aspects refers to updating the current regulation for the development of the SAE, recognizing its contribution to the sufficiency of the system, and granting "*regulatory certainty to the industry and to provide signals for the investment in this type of projects*".

The most relevant changes included in the Modification to the Capacity Regulation for SAE, we highlight the following:

1. **Definitions:** The following definitions are included and/or modified: (i) Renewable Power Plant with Storage Capacity; (ii) Maximum Capacity. A specific definition is included for storage systems and for the storage component of a Renewable Power Plant with Storage Capacity; (iii) Energy Storage System ("SAE"); (iv) Capacity Sufficiency; (v) Generation-Consumption System; (vi) Number of Storage Hours; (vii) Maximum Storage Energy (Modification of Art. 13).
2. **Recognition of capacity to SAE in permanent regime:** Specific methodologies are established for the calculation of initial capacity of the Consumption Generation Systems, SAE, for the storage component of the Renewable Power Plants with Storage Capacity and for Renewable Plants with Storage Capacity (New articles 34 bis, 37, 37 bis and 38).

In this regard, the optimization process is specified for each SAE, without considering the joint effect of the other facilities of the system. It establishes the restriction that the Definitive Capacity of a Renewable Power Plant with Storage Capacity may not exceed the instantaneous capacity it is capable of injecting into the system, according to the technical capacity of its series equipment such as inverters, transformers and/or reclosers, as determined by the Coordinator.

3. **Withdrawals from the SEN:** The withdrawals made by SAE or by the storage component of a Renewable Power Plant with Storage Capacity for its load will not be considered capacity withdrawals (Modification of art. 64.).
4. **Recognition of capacity to SAE in transitory regime:** Since the publication of Supreme Decree N°70 and for a period of 10 years, the calculation of the sufficiency capacity of the SAE and of the storage component of Renewable Power Plants with Storage Capacity, corresponds to the multiplication of the maximum capacity and the percentage of initial capacity recognition, determined according to the following table (transitory art. 1):

Storage capacity (hours)	Percentage of recognition
<1	0
1	36%
2	65%
3	85%
4	98%
≥5	100%

Finally, Decree No. 125, Regulation of Coordination and Operation of the SEN, will be modified, among other aspects, as follows: (i) Modification of the definition of Auto producer, including SAE (art. 2, letter b); (ii) The definition of Renewable Power Plant with Storage Capacity is modified (art. 2, letter d); (iii) SAE are allowed to participate in capacity transfers (art. 30); (iv) The SAE and Renewable Plants with Storage Capacity are allowed to withdrawal energy for the storage process (art. 91); (v) The Coordinator must incorporate in the operation programming the withdrawal program communicated by the SAE and Renewable Plants with Storage Capacity; (vi) It is established that when a renewable plant with storage capacity makes injections, with energy coming from withdrawals from the system, it will be considered as a SAE (art. 110).

The text of Supreme Decree No. 70 submitted to the CGR is available at the [following link](#).

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