

November 22, 2022

LEGAL ALERT

Law No. 21,505 on electric energy storage and electromobility is published

On November 21st 2022, Law No. 21,505 that promotes electric energy storage and electromobility (hereinafter, the "Law") was published, which is a relevant element for Chile to reach the goal of carbon neutrality by 2050.

The Law, approved unanimously by the National Congress of Chile, promotes the participation of NCNE in the electric matrix, allowing its storage and avoiding the dumping of production.

The main issues established by the Law are the following:

- Regarding to storage, the Law provides for the following provisions:
 - Promotion of storage technologies in the electricity market. In order to maximize the integration of variable NCNE, the Storage and Electromobility Law allows pure storage systems (i.e. those that are not part of a generation plant) to participate in the balance of energy injections and withdrawals in the National Electric System ("SEN"), being paid as follows: (i) in the wholesale market (i.e., at the level of generation connected to transmission), for the energy injected to the SEN or for their availability to inject energy at times of higher demand; and (ii) in the retail market (i.e., at the level of generation not connected to transmission), for the energy injected to the SEN.
 - The storage systems qualifies as a "coordinated" entity.
 - Enabling the connection of infrastructure that combines generation and consumption. The Law defines a new category of Generation-Electricity Consumption System, as a "productive infrastructure intended for purposes such as hydrogen production or water desalination, with its own generation capacity, through renewable generation means, which is connected to the electricity system through a single connection point and can withdraw energy from the electricity system through a supplier or inject its surplus".

The Law allows this category of projects to withdraw energy from the SEN or inject their surpluses into the grid, promoting an efficient connection of this type of facilities to the SEN, establishing that they will only pay the charges associated to their energy and power withdrawals, and not for the self-supplied energy and power.

Likewise, the Law makes applicable to the Generation-Consumption Systems the same provisions applicable to generating plants, free and final clients. For these purposes, the Ministry of Energy must issue a regulation within one year from the publication of the Law.

- Regarding to electromobility, the Law provides the following provisions to encourage the purchase of electric vehicles:

- Transitory reduction in the value of the circulation permits for electric vehicles. The Law provides an exemption, within a period of 2 years from February 1, after the publication of this Law, of the payment of the circulation permit, which corresponds to electric and hybrid vehicles, as well as others qualified as zero emissions.

In addition, a progressive reduction in the payment of the circulation permit is established, however, this benefit will decrease during the 6 years following the exemption mentioned above. The reduction will be adjusted to the following schedule: (i) during the third and fourth year after the publication of the Law, they will pay 25% of the corresponding vehicle registration tax; (ii) during the fifth and sixth year after the publication of the Law, they will pay 50% of such tax; and (iii) during the seventh and eighth year after the publication of the Law, they will pay 75% of the corresponding tax. As from the ninth year after the publication of the Law, the payment of the circulation permit will be normal.

- Promotion of new business models for electromobility. The Law enables electric vehicles to participate in the electric distribution grid as storage equipment that can inject energy into the grid and be paid for such injections, increasing the profitability of their acquisition.

In addition, the Law allows the use of vehicle batteries as storage equipment to deliver services to the grid, reusing these instruments and contributing to the penetration of NCRE.

Authors: Juan Francisco Mackenna; José Miguel Bustamante; José Tomás Hurley; Pablo Morales; Octavia Figueroa