

Attachment:

Trial Measures for Pricing and Cost Sharing Management for Renewable Energy Power

Chapter I General Provisions

Article 1 These Measures have been specially formulated in accordance with the Renewable Energy Law and Price Law of the People's Republic of China for the purpose of promoting the development of the renewable energy power industry.

Article 2 These Measures are applicable to: wind power, biomass power (including power generation from both the direct combustion and gasification of agricultural and forest waste, municipal waste incineration, landfill gas, and biogas), solar power, ocean power and geothermal power.

For the moment, the pricing of hydropower shall be implemented according to existing provisions.

Article 3 Renewable energy power projects within the territory of the PRC approved by the responsible government department in or after 2006 will implement these Measures; projects approved by the responsible government department before December 31, 2005, will implement the relevant existing regulations.

Article 4 The pricing and cost sharing standards for renewable energy power are formulated on the principles of promoting development, enhancing efficiency, standardizing management and sharing burdens fairly.

Article 5 The pricing of renewable energy power adopts two forms: government fixed pricing and government guided pricing. Government guided pricing is the pricing selected through a public request for tenders.

The price difference between RE power and local desulfurized coal power should be shared across power sales at the provincial level and above nationwide.

Chapter II Establishment of Electric Power Prices

Article 6 The grid-connected power price of wind power projects will be determined by government guided pricing, the standard of which is set by the responsible pricing department of the State Council in accordance with the price selected through a public request for tenders.

Article 7 The grid-connected power price of biomass power projects will be determined by government fixed pricing, the benchmark power price being set by the responsible pricing department of the State Council according to the region, and

calculated as the 2005 desulfurized coal power price of the province, autonomous region, or directly administered municipality plus the power subsidy price.

The standard for the RE power subsidy price is 0.25 Yuan per kilowatt-hour. The RE power subsidy price is enjoyed for the first 15 years of operation. After 15 years of operation, the RE power subsidy price will be canceled.

Beginning in 2010, the RE power subsidy price for new power projects approved each year will be 2% less than those approved in the previous year.

If conventional energy sources supply more than 20% of the power generated by a multi-fuel biomass power project, the project is not eligible for the RE power subsidy price.

Article 8 The grid-connected power price of biomass power projects when the investor has been selected through a public request for tenders will be determined by government guided pricing, that is, it will be based on the price decided through bidding, but should not exceed the local benchmark power price.

Article 9 The grid-connected power price for solar power, ocean power and geothermal power projects will be determined by government fixed pricing, the standard of which is set by the responsible pricing department of the State Council according to the principle of reasonable production costs plus reasonable profit.

Article 10 The power price offered to users by off-grid public renewable energy power systems will be the local provincial power grid's classified sale price.

Article 11 To encourage electric power consumers to voluntarily purchase renewable energy power, its price will be set as the renewable energy power generation price plus the average transmission price of the power grid.

Chapter III Payment and Sharing of Expenses

Article 12 The difference between the grid-connected power price of renewable energy projects and of local desulfurized coal power, the difference between the operating and maintenance costs of off-grid public renewable energy power systems constructed with state investment or subsidies and the average sale price of the local provincial power grid, as well as the cost of connecting RE power facilities to the grid, will be met by levying an additional surcharge on end users.

Article 13 The surcharge for RE power will be collected from end-users served by provincial or inter-provincial power grid companies (including wholesale customers of provincial power grid companies, users running their own power plants, and users buying power from power plants directly). Temporarily not included are: cities and counties with their own power grids, power users in Tibet, and agricultural power users.

Article 14 The surcharge for renewable energy power will be decided by the responsible pricing department of the State Council, and will be collected based on a unified national standard according to the actual amount of power consumed by the user.

Article 15 The formula for calculating the renewable energy power surcharge is:

RE Power Surcharge = Aggregate RE Power Surcharge / Nationwide sale quantity of surcharged power

Aggregate RE Power Surcharge = Σ [(RE power price – local desulfurized coal power price of provincial power grid) \times quantity of RE power purchased by power grid + (cost of operating and maintaining off-grid public RE power systems – average sale price of provincial power grid \times quantity of power sold by off-grid public RE power systems) + cost of connecting RE power facilities to the grid and other reasonable expenses]

In which,

- (1) Nationwide sale quantity of surcharged power = Planned nationwide sale quantity of RE power at the provincial level and above – Quantity of power used in agriculture – Quantity of power sold in Tibet.
- (2) Quantity of RE power purchased by power grid = Planned quantity of RE power generated – Quantity of power used by the plant itself.
- (3) Cost of operating and maintaining off-grid public RE power systems = Operating costs of off-grid public RE power systems \times (1 + VAT rate).
- (4) Cost of connecting RE power facilities to the grid and other reasonable expenses refers to the investment in construction and the operation and maintenance costs incurred in connecting RE power projects to the grid, and is based on formal design documents approved by the relevant government departments. Before the country is certain of the cost of power transmission, these costs will temporarily be included in the RE power surcharge.

Article 16 The aggregate RE power surcharge that should be shared by each provincial power grid enterprise is determined by the proportion of the nationwide sale quantity of surcharged power sold by each provincial power grid enterprise. The formula for its calculation is as follows:

Aggregate RE power surcharge that should be shared by each provincial power grid enterprise = Nationwide aggregate RE power surcharge \times Quantity of surcharged power sold within the service area of the provincial power enterprise / Nationwide sale quantity of surcharged power.

Article 17 The renewable energy power surcharge is to be included in the electricity sale price of power grid enterprises. It is collected by the enterprises, and its accounting will be kept independent; it is a special fund for a special usage. The relevant preferential tax policies should be implemented according to the regulations of the State Council.

Article 18 The renewable energy power surcharge shall be adjusted by the responsible pricing department of the State Council when appropriate, according to the actual situation of renewable energy development. The adjustment interval shall be no less than one year.

Article 19 The difference between the power subsidy price actually paid by provincial power grid enterprises and the incurred costs of connecting RE power facilities to the grid, and the aggregate RE power surcharge that it should share, will

undergo unified nationwide reallocation. The specific management measures are to be formulated by the state electric power regulation department, and shall be approved by the responsible pricing department of the State Council.

Chapter IV Supplementary Provisions

Article 20 Renewable energy power enterprises and power grid enterprises must maintain and store full and accurate records of transmitted power quantity, price, and value for renewable energy power, and are subject to inspection and supervision by the responsible pricing department, electric power regulation agency, and the audit department.

Article 21 Those who fail to implement the relevant regulations stated in these Measures and bring about losses to the interests of the enterprise and the state will come under review by the responsible pricing department of the State Council, the electric power regulation agency, and the audit department, and the main person(s) responsible shall be identified.

Article 22 These Measures will come into effect as of January 1, 2006.

Article 23 Rights of interpretation belong to the National Development and Reform Commission.

NON Authorized English-Version of

Chinese RE Law
Management Guidelines

Appendix:

Administrative Provisions for Renewable Energy Power Generation

Chapter 1 General Provisions

Clause 1 The present provisions are made in accordance with the PRC Renewable Energy Law and Electric Power Law to promote the renewable energy power generation industry development.

Clause 2 The renewable energy power generation set forth herein includes hydropower generation, wind power generation, biomass power generation (including power generation through direct combustion and gasification of agricultural and forest wastes, garbage incineration and landfill gas fired power generation and biogas fired power generation), solar power generation, geothermal power generation and oceanic energy power generation etc.

Clause 3 The present provisions are applicable to the renewable energy power generation projects granted administrative licenses according to laws and State Council regulations for connection with power grids and the renewable energy based independent power generation projects in areas beyond the reach of power grids.

Clause 4 Renewable energy power generation projects are subject to the hierarchical administration by local and central government.

The National Development and Reform Commission is responsible for the planning and policy formulation for renewable energy power generation projects across the country as well as the administration of projects subject to state review and approval. The energy regulatory department of provincial government is responsible for the administration of renewable energy power generation projects within the scope of local authority under its jurisdiction.

Renewable energy power generation project planning should be part of the electric power planning of government at the appropriate level.

Chapter 2 Project Management

Clause 5 Renewable energy development and utilization shall observe the principle of construction according to state plan. In formulating the renewable energy power generation plan, it is imperative to adequately consider such factors as resource characteristics, market demand and ecological environmental protection, while focusing on leveraging resource advantages and scale benefits. Project construction should comply with the overall requirements of provincial or above level government for development planning and construction arrangement to ensure the orderly development of resources.

Clause 6 The National Development and Reform Commission is responsible for reviewing or approving hydropower projects along major rivers, hydropower projects with an minimal installed capacity of 250MW, and wind power generation projects with an minimal installed capacity of 50MW. Other projects are subject to review or approval by the investment regulatory department of provincial government with a copy filed to the National Development and Reform Commission for record. The biomass power generation, geothermal power generation and oceanic energy power generation projects requiring state policy and fund support should be filed to the National Development and Reform Commission for approval.

Clause 7 Grid connection tariffs of renewable energy power generation projects should be set by the price regulatory department of the State Council according to the characteristics of different types of renewable energy power generation and the circumstances of different localities under the principle of promoting renewable energy development and utilization and securing economic rationality. The price is subject to timely adjustment and publication based on the renewable energy development and utilization technology development.

The grid connection tariff of renewable energy power generation projects under the bidding scheme should be the price determined in the bidding process; the extra costs incurred by the power grids in purchasing and selling renewable energy electricity other than hydropower should be allocated to electricity users across the country subject to specific measures to be formulated.

Clause 8 The National Development and Reform Commission is responsible for formulating the statistic administration measures for renewable energy power generation. The energy regulatory department of provincial government is responsible for performing statistic administration and summary for renewable energy power generation, and reporting it to the National Development and Reform Commission prior to February 10 each year.

Clause 9 The State Electricity Regulatory Commission is responsible for regulating the operations of renewable energy power generation enterprises, coordinating the relationship between power generation and power grid enterprises, and supervising renewable energy power generation, connection with power grids and settlement.

Chapter 3 Power Grid Enterprise Responsibilities

Clause 10 Provincial and above level power grid enterprises should formulate the renewable energy power generation associated power grid facilities construction plan according to the medium and long-term renewable energy power generation plan of provincial and higher level government, and incorporate it into the national and provincial power grid development program. The construction plan should be implemented after approval by the provincial people's government and the National Development and Reform Commission.

Clause 11 Power grid enterprises should vigorously undertake power grid design and research according to the planning requirements, and conduct power grid construction and renovation based on the progresses and needs of renewable energy power generation projects to ensure supply

of electricity to power grids at full load.

Clause 12 Power grid enterprises are responsible for the construction and management of connection systems with renewable energy power generation projects. For the medium and large-scale hydropower, wind and biomass power generation projects directly connected to transmission grids, the connection system should be built by the power grid enterprises at their own costs, with the property rights divided at the point of the first pole of the power plant booster station. In principle, the power grid enterprises should be responsible for building the connection systems for small-scale solar power and biogas power generation projects directly connected to power grids. The power generation enterprises (or individuals) can also undertake investment and construction through consultation with power grid enterprises.

Clause 13 The power grid enterprises are responsible for performing measurement and statistics of renewable energy power generation output purchased. The provincial power grid enterprises should summarize and report it to the energy regulatory department of provincial government prior to January 20 each year, with a copy filed to the National Development and Reform Commission.

Clause 4 Power Generation Enterprise Responsibilities

Clause 14 Power generation enterprises should vigorously invest in and construct renewable energy power generation projects, and assume the obligation imposed by the state on renewable energy power generation quota. Power generation quotas and administrative measures are subject to separate provisions.

Large-scale power generation enterprises should attach top priority to investment in renewable energy power generation projects.

Clause 15 Renewable energy power generation project construction, operation and management should comply with state and power industry regulations, technical standards and process specifications, with an emphasis on saving land use and meeting requirements for environmental protection and safety etc.

Clause 16 Power generation enterprises should conscientiously perform preparatory work such as design, land use, water resources and environmental protection according to state regulations on renewable energy power generation project management, and lawfully obtain administrative licenses. Construction should not be kicked off without license or permit. The projects granted with administrative licenses should be started and completed in construction within the prescribed period. No projects are subject to transfer, auction or investor change without the consent of the original project approval authority.

Clause 17 Renewable energy power generation projects should strictly follow the national regulations on capital construction project management, implement the measures for environmental protection, ecological construction, water and soil conservation, and strengthen

construction management to ensure project quality.

Clause 18 Power generation enterprises should install acceptable power generation metering systems, and report to the energy regulatory department of provincial government the prior year installed capacity, power production and supply to power grids before January 15 each year.

Chapter 5 Supplementary Provisions

Clause 19 Any conflict between power grid and power generation enterprises can be submitted to the National Development and Reform Commission or the State Electricity Regulatory Commission for mediation, or subject to civil proceedings in the event of mediation failure.

Clause 20 In case of any losses caused to the state or enterprises in breach of the above provisions, the National Development and Reform Commission or provincial people's government will entrust a CPA firm to verify such losses, and mete out compensation based on the verified amount of losses. The specific measures for penalty will be provided for separately.

Clause 21 The provisions should be implemented from the date of issuance.

Clause 22 The National Development and Reform Commission are responsible for the interpretation of the above provisions.