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SNAPSHOT OF COLOMBIA'S FIRST LONG-TERM ENERGY AUCTION

AUCTION BACKGROUND

Colombia's Ministry of Mines and Energy (MME) plans to hold the country's first variable renewable energy (VRE) auction on February 26, 2019. This auction is projected to bring in US\$400M of private investment and plans to allocate 1.2 TWh/yr of long-term electricity contracts. A following auction plans to award a total of 2.2 TWh/yr of energy through 12-year contracts. Given that renewable energy (RE) auctions have resulted in decreasing prices around the world, these auctions have the potential to significantly lower the cost of electricity for Colombian consumers and serve as a crucial step in meeting Colombia's clean energy goal of 1,500 MW of installed capacity by 2022.

While the MME was satisfied that Colombia's vibrant private sector would provide plenty of developer participation in the auction, they were unsure about the demand side – would utilities participate in the new approach against a background of past financial challenges? Therefore, the MME requested USAID support in educating potential purchasers on the auction process, risks, and opportunities. USAID's Scaling Up Renewable Energy (SURE) project organized seven workshops that have reached more than 40 Colombian utilities and government partners, including Electricaribe, EMCALI, EPM, CODENSA (ENEL), and CELSIA.

KEY DESIGN FEATURES

Policymakers designed the upcoming auctions to achieve four key objectives. Projects will be rated on how well they advance these goals, with each area given equal weight.

Increase resiliency through diversification of generation mix: The highest scores will go to projects that add new sources of generation, or increase generation from sources that currently account for a smaller percentage of the overall generation mix.

Reduce GHG emissions: The highest scores will go to projects that do not emit GHGs. Projects that reduce emissions via technological changes, will be scored proportional to their emissions reduction. Projects that emit GHGs will receive zero points for this objective.

Contribute to regional system security:

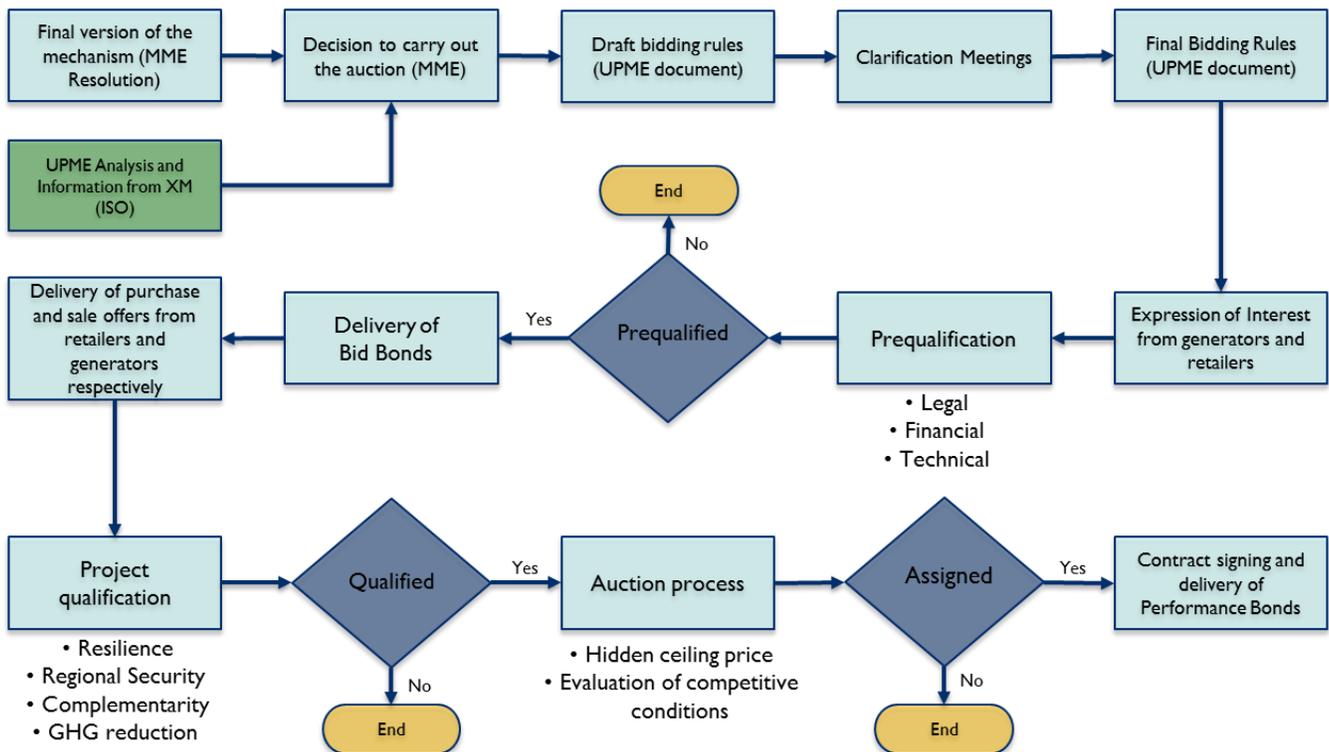
The highest scores will go to projects that improve the regional balance between demand and supply, and/or reduce costs in terms of operation restrictions (e.g. network congestion).

Balance Colombia’s current hydro-dependent energy mix: The highest scores will go to proposed projects that better complement hydro resources, both in terms of location and time (hourly, daily, monthly, seasonally, and annually).

AUCTION HIGHLIGHTS

- Technology neutral
- Product: annual average energy (MWh)
- Contract duration: 12 years
- Currency: Colombian pesos
- Ceiling price: undisclosed
- Demand volume (target): 1.2 TWh/year
- Energy delivery date: December 1, 2021
- Only new projects allowed to participate

COMPETITIVE PROCUREMENT AND AUCTION PROCESS



RESOURCES

Colombia's Long-Term Power [Auction Documents](#) (Spanish)
[Bidding Documents](#) (English, USAID unofficial translation)