INFRASTRUCTURE AND ENERGY

MME PROPOSES GUIDELINES FOR RESERVE CAPACITY AUCTIONS

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On August 22, the Ministry of Mines and Energy (MME) opened two public consultations aimed at receiving contributions to the draft ordinances that will establish the rules for the next reserve capacity auctions (LRCAP). The intention of the auctions, scheduled for March 2026, is to reinforce the security of the National Interconnected System (SIN) by contracting available capacity at times of higher demand.

Public consultations 194/25 and 195/25 express the recommendation of the Energy Research Company (EPE) and the National Electric System Operator (ONS), which identified the need to incorporate an additional 5,500 MW to the Brazilian matrix as of 2028, aiming to ensure systemic reliability as a result of the growing participation of intermittent sources in the Brazilian electricity matrix.

Public Consultation 194/25 admits natural gas-fired thermoelectric plants – whether operational or not –, existing coal-fired plants and expansions of hydroelectric projects. The start of supply will take place between 2026 and 2030 and the reserve capacity contracts have a 15-year term. The remuneration will be fixed, calculated "by available capacity", with rebates in the event of unavailability or non-compliance with the reliability indexes established by the ONS.

Public Consultation 195/25, on the other hand, focuses on operational oil or diesel-fueled thermoelectric projects, whose power purchase agreements have ended or are about to expire. The start of supply is scheduled for 2026 and 2027. The contracts will last for three years and were designed to ensure immediate response in critical events, typical of periods of adverse hydraulicity or low wind and solar generation.

To mitigate risks of delay in the delivery of projects and optimize existing assets, the MME chose to enable the recontracting of plants that are already operational, which have installed connection infrastructures, valid environmental licenses and secured access to the transmission grid. This regulatory design favors short-term solutions that contribute, without additional friction, to the robustness of the system.

The technical qualification requires that all projects meet minimum operating flexibility parameters – maximum time for departure, stoppage and input variation. In the case of thermoelectric plants, the Unit Variable Cost (CVU) cannot exceed the higher CVU of natural gas plants contained in the Monthly Operation Program (PMO) in force in the month of publication of the ordinances.

Hydroelectric plants, in turn, will offer capacity calculated according to EPE's methodology that considers representative hydrological series. Bidders must present contracts for the use of transmission or distribution systems. In the case of gas-fired thermoelectric plants, the submission of firm gas transportation contracts is also required when there is connection to gas pipelines.

The following projects are prevented from participating in the auctions, among others:

- projects whose inflexibility profile implies advance dispatching;
- plants that do not meet flexibility requirements;
- expansions of hydroelectric projects that do not result in actual increase in dispatchable capacity;
- winners of regulated auctions not yet awarded with overlapping supply periods; and
- projects whose connection to the grid has insufficient contracted input for the capacity offered in the auctions.

Once the consultations are concluded, the MME will consolidate the contributions received and issue the definitive ordinances, defining – among other points – the total amount of capacity to be contracted in each auction. Subsequently, the National Electric Energy Agency (Aneel) shall publish the bid notices and conduct the auctions.

The anticipation of the guidelines shows the commitment of the granting authority with regulatory transparency and provides predictability to the agents that need to structure themselves to compete in the auctions.

At the same time, the effective realization of the LRCAP is an essential condition to ensure the adequacy of the SIN's capacity in an expansion horizon increasingly guided by variable renewable sources. The timely disclosure of the rules, therefore, is not only welcome, but indispensable for the sector to mobilize, ensuring that the auctions fulfill their essential role in maintaining the country's energy security.