

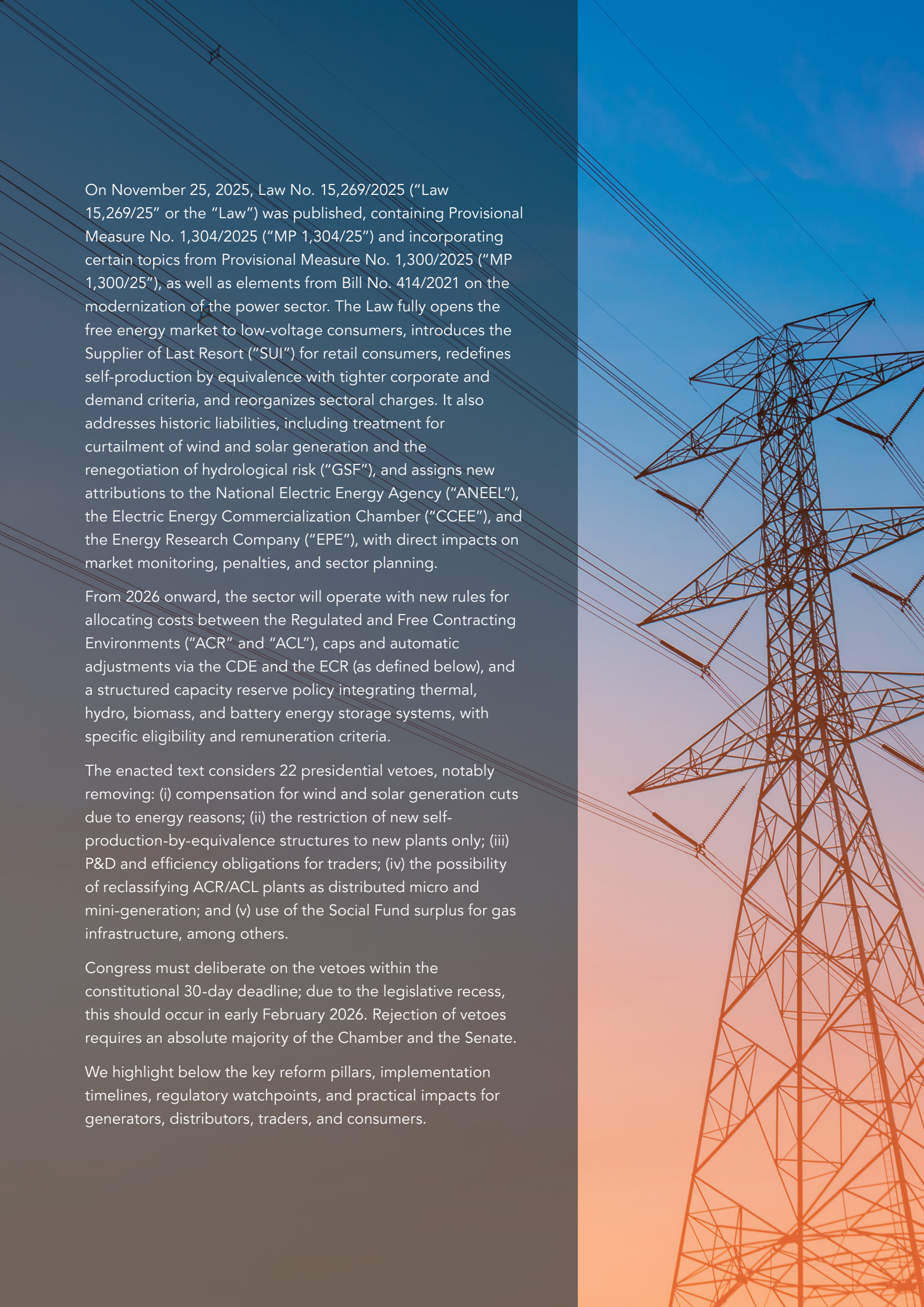
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# NEW GUIDE TO THE BRAZILIAN REFORM OF THE POWER SECTOR

Law No. 15,269/2025







On November 25, 2025, Law No. 15,269/2025 ("Law 15,269/25" or the "Law") was published, containing Provisional Measure No. 1,304/2025 ("MP 1,304/25") and incorporating certain topics from Provisional Measure No. 1,300/2025 ("MP 1,300/25"), as well as elements from Bill No. 414/2021 on the modernization of the power sector. The Law fully opens the free energy market to low-voltage consumers, introduces the Supplier of Last Resort ("SUI") for retail consumers, redefines self-production by equivalence with tighter corporate and demand criteria, and reorganizes sectoral charges. It also addresses historic liabilities, including treatment for curtailment of wind and solar generation and the renegotiation of hydrological risk ("GSF"), and assigns new attributions to the National Electric Energy Agency ("ANEEL"), the Electric Energy Commercialization Chamber ("CCEE"), and the Energy Research Company ("EPE"), with direct impacts on market monitoring, penalties, and sector planning.

From 2026 onward, the sector will operate with new rules for allocating costs between the Regulated and Free Contracting Environments ("ACR" and "ACL"), caps and automatic adjustments via the CDE and the ECR (as defined below), and a structured capacity reserve policy integrating thermal, hydro, biomass, and battery energy storage systems, with specific eligibility and remuneration criteria.

The enacted text considers 22 presidential vetoes, notably removing: (i) compensation for wind and solar generation cuts due to energy reasons; (ii) the restriction of new self-production-by-equivalence structures to new plants only; (iii) P&D and efficiency obligations for traders; (iv) the possibility of reclassifying ACR/ACL plants as distributed micro and mini-generation; and (v) use of the Social Fund surplus for gas infrastructure, among others.

Congress must deliberate on the vetoes within the constitutional 30-day deadline; due to the legislative recess, this should occur in early February 2026. Rejection of vetoes requires an absolute majority of the Chamber and the Senate.

We highlight below the key reform pillars, implementation timelines, regulatory watchpoints, and practical impacts for generators, distributors, traders, and consumers.

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## 1. MARKET OPENING

The Law provides for the complete opening of the free energy market to allow low-voltage consumers to freely choose their electricity supplier.

The schedule, previously anticipated in MP 1,300/25, is maintained but conditioned on prior compliance with requirements, including: (i) a consumer awareness plan for migration to the ACL; (ii) tariff transparency segregating ACR and ACL costs; (iii) regulation of the SUJ; (iv) standard product design and a reference price; and (v) regulation of the involuntary overcontracting/exposure.

The opening will occur in two stages:

- **Up to 24 months from the Law's effective date** → For all industrial and commercial consumers.
- **Up to 36 months from the Law's effective date** → For all remaining consumers.

### CLASSIFICATION OF INDUSTRIAL AND COMMERCIAL CONSUMERS

Currently, the classification adopted by the National Electric Energy Agency ("ANEEL"), as established in ANEEL Normative Resolution No. 1,000/2021, considers the economic activity of the consumer unit, covering several subclasses within the "industrial" and "commercial" classes.



The market opening impacts 90 million consumer units, which are responsible for approximately 60% of the energy consumed in the country.

Currently, only consumers classified as Group A can migrate to the free energy market (as a rule, consumers with a load above 75 kW served by high or medium voltage, except for consumers served by an underground system).



It is possible that the criteria currently used by ANEEL to classify consumer units into the "industrial" and "commercial" categories are not the same as those adopted to define who will be able to migrate to the free energy market in the next 2 years.

If these criteria are maintained, units classified as "rural" or "public services" would not be included in the migration to the free market over the next 2 years.



## 2. SUPPLIER OF LAST RESORT - SUI

As a consequence of market opening, the Law establishes that the granting authority shall regulate the supply service in the last resort, including with regard to the economic and financial conditions for the viability and sustainability of this activity.

The SUI is an agent designated as responsible for supplying electricity, on an exceptional basis, to consumers who have been disconnected by their initially contracted representative (retail agent).

The Law determined that, at the discretion of the granting authority, the SUI activity will be carried out, with or without exclusivity, by electricity distributors, as defined in the regulations. The designation of distributors as SUI reflects positions previously defended by ANEEL and CCEE.



SUI is an innovation in the Brazilian legal framework, since no agent has been formally established as SUI.

However, this designation already exists in other markets, such as the Provider of Last Resort (POLR) in the United States and the Supplier of Last Resort (SOLR) in Europe.

### ISSUES AWAITING REGULATION

- Definition of the responsible entity for SUI provision
- Consumers entitled to this supply
- Mandatory supply situations
- Maximum supply period
- Possible temporary use of reserve energy
- Possible waiver of backup for contracting
- Cost calculation and allocation
- Price of the tariff to be included by ANEEL

### 3. SELF PRODUCTION

#### PREVIOUS RULE

Under the terms of Article 26 of Law No. 11,488/2007, a consumer who participates in a special purpose entity ("SPE") established to operate electricity generation, through the granting of a concession or authorization, is considered equivalent to a self-producer. This equivalence is limited to the portion of energy intended for the consumer's own use, or to their share in the project, whichever is less.

The qualification of the consumer as an equivalent self-producer is not conditional on the consumer holding a minimum percentage of the SPE's share capital.

Consumers who participate in the share capital of the entity holding a concession, or in a company that holds an interest in the share capital of the entity holding a concession, may be considered equivalent to self-producers of electricity, provided that each consumption unit for which the electricity is intended has a power demand of at least 3,000 kW.

#### NEW RULE

Only consumers with an aggregate contracted demand of at least 30,000 kW, comprised of one or more consumer units each with an individual demand of at least 3,000 kW, may be considered equivalent to self-producers of electricity, provided that they: (i) participate, directly or indirectly, in the share capital of the entity holding the concession; or (ii) are under common corporate control, whether direct or indirect, or are controlling, controlled, or affiliated companies, directly or indirectly, with the companies described in item (i). In both cases, the shareholding must carry voting rights.

The identification of the consumer shareholder equivalent to a self-producer and their respective shareholding in the company holding the concession must be kept up-to-date, in accordance with ANEEL regulations.

If the SPE issues non-voting shares that grant economic rights in an amount greater than those granted by voting shares, the minimum required participation of each shareholder's economic group in the SPE's share capital, whether direct or indirect, may not be less than 30% of the total share capital of that company, weighted by the proportion of voting shares of the economic group.

#### POINTS OF ATTENTION

The limits on contracted demand and the minimum share capital participation criteria mentioned earlier won't apply to consumer units that:

1

Have already been equated to self-production, with agreements submitted to CCEE before the Law's publication.

2

Are part of an economic group that holds 100% of the shares of the legal entity holding the authorization.

3

Have submitted to the CCEE, within three months from the date of publication of the Law, agreements for the purchase and sale of shares or quotas, or agreements granting options to purchase shares or quotas (provided that the COD of the project did not occur before the publication of Law No. 11,488/2007), it being understood that the following must be submitted to the CCEE within 36 months of the execution of the aforementioned agreements: a) amendment to the articles of association filed with the competent board, together with proof of participation in the economic group, or b) registration in the share transfer book and proof of participation in the economic group, demonstrating the effective transfer of the shareholding.

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Despite the increase in consumer load requirements, the other changes in the Law will enable the development of new corporate structures for future self-production projects by equivalence, especially given the possibility of equivalence for consumers who are under common corporate control, direct or indirect, or who are controllers, controlled entities, or affiliates of the equivalent company.

The Law preserves the previous legal regime for self-producers with self-production structures by equivalence that have already submitted corporate documents and the respective electricity purchase and sale agreements (“PPAs”) to the CCEE before the publication of the Law, establishing a transition period for the preservation of the previous legal regime of 3 months for the signing and presentation of agreements for the purchase and sale of shares or quotas to the CCEE, in addition to a period of 36 months after such signing for the closing of transactions.

It is important to note that the provision restricting new self-production arrangements to projects whose commercial operation began after the publication of the rule was vetoed.



## 4. REALLOCATION OF SECTORIAL CHARGES

### A. OVERCONTRACTING AND INVOLUNTARY EXPOSURE OF DISTRIBUTORS

#### PREVIOUS RULE

Distributors had neutrality regarding recognized involuntary exposure and overcontracting, with pass-through via tariffs to captive consumers of each concessionaire.

#### NEW RULE

The charge from involuntary overcontracting and exposure will be shared via tariffs among all consumers, captive or free, proportionally to energy consumption.

### B. SUI

#### PREVIOUS RULE

Not applicable. The SUI designation was introduced into the Brazilian electricity sector by the Law.

#### NEW RULE

The costs of the SUI and the financial effects of the involuntary deficit resulting from serving consumers entitled to last-resort supply will be shared among consumers in the free contracting environment through a tariff charge, as will be stipulated in regulation.

### C. ENDING OF TUSD AND TUST DISCOUNTS FOR CONSUMPTION

#### PREVIOUS RULE

Article 26 of Law No. 9,427/1996 establishes a discount of no less than 50% on the tariffs for the use of electrical transmission and distribution systems ("TUST" and "TUSD"), applicable to hydroelectric, solar, wind, biomass, and qualified cogeneration projects, levied on production and consumption.

Until the enactment of Provisional Measure No. 998/2020, converted into Law No. 14,120/2021, the discount was automatically granted to projects that met the technical criteria established in that law.

Law No. 14,120/2021 eliminated this discount, but preserved the discount for concessions requested by March 1, 2022, subject to compliance with certain requirements.

#### NEW RULE

First, it is important to note that the Law has substantially relaxed the elimination of the consumption discount. MP 1.300/2025 established that the discount on TUST/TUSD in the consumption portion would be preserved only until the end of the electricity commercialization agreements with amounts registered with the CCEE until December 31, 2025. The Law did not maintain this criterion and determined that the discount will not apply to (i) new consumers who migrate to the free market after its publication; and (ii) consumers who have already migrated and who increase their use of distribution and transmission systems after the Law comes into force, with the discount continuing to apply to the amount already contracted on that date.

Electricity generation concessions that obtained, under the terms of Provisional Measure No. 1,212, of April 9, 2024, a 36-month extension for the start of commercial operation to enjoy the discount on TUST/TUSD may, at the request of the entrepreneur, made within 30 days of the publication of the Law, be revoked by ANEEL without the application of any penalties or sanctions, provided that no Transmission/Distribution System Use Agreement ("CUST/D") has been signed. In such cases, the performance bond may be enforced.

Projects that requested a 36-month extension to start commercial operations in order to



benefit from TUST/TUSD discounts under Provisional Measure No. 1,212, dated April 9, 2024, that have signed CUSTs and whose energy has not been traded on the ACR, may freely and without cost adjust the start date of their CUST, respecting the extended deadline for the projects to start operating as defined in their concessions. For those projects whose CUSTs have been signed without a Prior Guarantee for the Execution of the CUST ("GPC"), the postponement will be granted upon presentation of the aforementioned guarantee, under the terms of the applicable regulation. This legal provision changes the exceptional treatment for the CUSTs of the aforementioned projects provided for in ANEEL Normative Resolution No. 1,128/2025, guaranteeing exemption from payment of the progressive monthly charge for the extension of the start of execution of the CUSTs.

Finally, discounts on TUST/TUSD for beneficiary projects will now apply to power plants from the date their concessions are issued, and will no longer apply in the event of failure to comply with the 48-month deadline from the date of the concession to begin trial operations of all generating units of the respective project, where applicable. The previous rule provided for the application of the discount only after the commercial operation of the last generating unit of the project within the period established in the concession and in the regulation.

#### **D. RESOURCE SUPPLEMENT CHARGE ("ECR") FOR THE CDE**

##### **PREVIOUS RULE**

There was no provision for ECR previously.

##### **NEW RULE**

New charge intended to cover the difference between the budgeted amount and the maximum limit per CDE expense item (see

item 5 below on the CDE cap). The ECR payment will be implemented by reducing each benefit funded by the CDE, in proportion to the difference between the budgeted amount and the ceiling for that expense item, in accordance with ANEEL regulations. The ECR comes into effect with the 2027 Budget and acts as an automatic adjustment mechanism linked to the ceiling.

#### **E. CAPACITY RESERVATION CHARGE ("ERCAP")**

##### **PREVIOUS RULE**

Cost allocation among all end users of the National Interconnected System ("SIN"), including distributors, consumers in the ACL, self-producers (in the portion purchased), in proportion to consumption, as well as generators with a consumption profile, in proportion to generation.

##### **NEW RULE**

(i) The granting authority may incorporate the load profile as an additional apportionment criterion; (ii) battery storage systems contracted as capacity reserves will have costs apportioned only among generators, according to ANEEL regulations; and (iii) projects that request access to transmission or distribution systems after the publication of the Law are subject to paying for capacity reserve in proportion to the energy generated, for as long as they do not meet the technical requirements (control, flexibility, storage) established by ANEEL.

#### **F. SYSTEM SERVICE CHARGE ("ESS")**

##### **PREVIOUS RULE**

There was no express provision for coverage of external unavailability, referring to events caused by unavailability at transmission facilities external to the respective plants.

It also provided for coverage of operating capacity reserves made available by generators for regulating the system frequency and its autonomous start-up capacity.

#### **NEW RULE**

The Law includes ESS coverage of costs related to: (i) operating capacity reserve (ancillary service) provided by “energy facilities” to meet inertia, frequency regulation, and autonomous start-up capacity requirements; (ii) external unavailability due to unavailability events at transmission facilities external to the respective plants or group of plants (i.e., compensation for generation outages to meet electrical reliability requirements of the operation – see item 7 for more information on compensation for generation outages).

### **G. NEW INTRA-SECTOR OBLIGATION FOR TRADERS**

#### **PREVIOUS RULE**

The Electricity Services Inspection Fee (“TFSEE”) was not payable by electricity suppliers.

#### **NEW RULE**

TFSEE is now payable by traders, corresponding to 0.4% of the revenue from energy sold to end consumers.

### **H. WIND AND SOLAR GENERATORS MANDATORY INVESTMENT IN P&D**

#### **PREVIOUS RULE**

Renewable wind and solar projects, as well as biomass projects, small hydroelectric plants, and qualified cogeneration projects, were not subject to mandatory P&D investment.

#### **NEW RULE**

Wind and solar projects that apply for concessions from January 1, 2026, will be required to invest at least 1% of their net operating revenue (“ROL”) in P&D annually. The exemption from contributions for biomass projects, small hydroelectric plants, and qualified cogeneration remains in place.

The legal provision that provided for the allocation of 0.5% of the ROL of traders to P&D and 0.5% to energy efficiency programs was vetoed.





## 5. ENERGY DEVELOPMENT ACCOUNT (CDE)

The CDE is reconfigured along three axes: (i) a collection cap from 2027 with the ECR as a complementary mechanism; (ii) differentiation of costs by voltage level from 2026; and (iii) temporary funding of certain micro and mini distributed generation components.

### A. CDE CAP (FROM 2027)

- The Law limits CDE collection to the total of: (i) specific items required by law ; and (ii) the value of other budget items considered in the 2025 Budget, adjusted by the IPCA.
- If the cap is exceeded, the ECR will proportionally reduce covered benefits, affecting DG II and DG III beneficiaries and generators, self-producers, and ACL consumers involved with incentivized energy, as regulated by ANEEL.

### B. SHARING OF ANNUAL CDE QUOTAS

- From January 1, 2026, the cost per MWh will be differentiated by voltage level as follows:  $\geq 69$  kV pay 50% of the cost applied to  $< 2.3$  kV; and  $\geq 2.3$  kV and  $< 69$  kV pay 80% of the  $< 2.3$  kV cost.

### C. DISTRIBUTED GENERATION (MMGD)

- The CDE will continue temporarily funding non-energy tariff components not paid by the consumer-generator for compensated energy related to DG II and DG III, but cost allotment will extend to captive and free consumers, subject to the cap and proportional benefit reductions when exceeded.
- The veto removed the provision that would have obligated the CDE to cover DG 0 and DG I benefits, which currently are not funded by the CDE and are passed through directly in distributor tariffs.

<sup>1</sup> (i) Universalization of electric power service; (ii) economic subsidy aimed at reducing the cost of electric power supply to end consumers in the Low-Income Residential Subclass; (iii) Fuel Consumption Account ("CCC"); (iv) administration of the CDE, CCC, and Global Reversion Reserve ("RGR"); (v) rural electrification; (vi) small power distribution companies; and (vii) irrigation and agriculture.





## SUMMARY TABLE

## Sectorial Charges

CHARGE	WHO PAYS	ALLOCATION OR CALCULATION CRITERION	OBSERVATIONS
Overcontracting/ exposure	ACR and ACL consumers	Proportional to consumption	New charge for free-market consumers
SUI	ACL consumers	Proportional to consumption	New charge for free-market consumers
ECR	Certain CDE beneficiaries — i.e., consumers holding DG II and DG III and generators, self-producers, and free consumers that generate/purchase incentivized energy — whose 2025 budget cap is exceeded in any year from 2027 onward	Reduction of the benefit in the proportion that exceeds the budget cap for that specific benefit	New charge from 2027 for CDE beneficiaries, to curb the impact of the CDE's growth on certain beneficiaries
ERCAP	Distribution companies; ACL consumers; self-producers on the portion of energy purchased; generators in specific cases provided by law	Proportional to consumption and generation, as applicable. Load profile may be an additional criterion defined in regulation. The cost of contracting batteries as capacity reserves will be allocated only among generators.	New charge for generators (cost of contracting battery capacity reserves or in case of noncompliance with control, flexibility, and storage requirements) and a new allocation criterion for consumers (based on load profile)
ESS	Agents with consumption measured at the CCEE	Proportional to consumption subject to the charge	New coverage for remuneration of certain ancillary services and for compensation for generation curtailment
TFSEE	Generators, transmission companies, distribution companies, and traders	0.4% of the annual economic benefit earned by the agent	New charge for traders
P&D	Transmission companies and generators (hydro, thermal, wind, and solar PV)	1% of their net operating revenue	New charge for wind and solar generators that request concessions as of January 1, 2026
CDE	ACR and ACL consumers, except consumers benefiting from the Social Electricity Tariff	Allocation of CDE quotas by Voltage Level as of 01/01/2026: (i) $\geq 69$ kV pay 50% of the cost applied to consumers at $< 2.3$ kV; (ii) $\geq 2.3$ kV and $< 69$ kV pay 80% of the cost of $< 2.3$ kV	Collection cap for 2025 starting in 2027, with the creation of the ECR to be charged if the cap is exceeded.
			ACL consumers will bear subsidies related to DG II and DG III.

## 6. HYDROLOGICAL RISK RENEGOTIATION

The renegotiation of hydrological risk will be limited to up to 12 months after the Law comes into force. Financial amounts not paid in the MCP, resulting from legal actions on hydrological risk, will be subject to negotiation through a competitive mechanism, in which hydroelectric generation agents participating in the MRE may participate:

1

The generator benefiting from an injunction must submit a request to the CCEE, proving withdrawal of the action. <sup>1</sup>

2

Titles will be negotiated, whose face value will represent the amounts not paid in the MCP settlement. <sup>2</sup>

3

The CCEE is responsible for carrying out the competitive mechanism, and may do so more than once if necessary.

4

Winners must pay the bid in the settlement immediately following the competitive mechanism.

5

The amount will be used to settle the MCP and, if there is a surplus, transferred to the CDE.

6

The face value of the title will guarantee the winner compensation through the extension of the concession term for up to 7 years.

<sup>1</sup> The request submitted by the generator to the CCEE proving the withdrawal of the lawsuit may be conditioned upon the full settlement of the amounts through the competitive mechanism.

<sup>2</sup> The sum of the instruments will amount to the total of the unpaid amounts within the scope of the MCP.

The GSF liability composition mechanism was already implemented in practice during the term of MP 1,300/25, in August, with the CCEE conducting auctions and extraordinary settlements that reduced liabilities and restored liquidity in the short-term market.

According to the CCEE, approximately R\$ 1.34 billion was settled and around R\$ 793 million was contracted to reduce the GSF's liabilities.

As GSF liabilities have not yet been cleared, a new competitive mechanism may occur within 12 months of the Law coming into force.

## 7. TREATMENT FOR CURTAILMENT



The Law details the treatment for curtailment of wind and solar photovoltaic plants connected to the SIN for the period **between September 1, 2023, and November 25, 2025** (date of entry into force of the Law). Costs arising from generation curtailment related to external unavailability (compensation already provided for in regulations) and **compliance with electrical reliability** requirements of the operation (new compensation not yet regulated) will be compensated, but curtailment due to energy reasons (i.e., lack of demand) **will not be compensated**.



With regard to compensation for generation cuts to meet operational **electrical reliability requirements**, the Law provides that such cuts will not be compensated (a) **when the documents for generators' access to the system indicate the possibility of restrictions**; and (b) **when generators are operating in non-compliance with the minimum technical requirements for connection to the transmission system**. Considering that this rule was inserted in the article dealing with ESS coverage, it can be interpreted that this compensation refers both to the past period referred to in the item above and to the future period, i.e., generation cuts for reliability can be compensated as long as the access documents have not indicated the possibility of restrictions and the generators are operating in accordance with the technical requirements for connection to the transmission system.



The Law does not settle disputes related to the classification of restriction events by ONS, nor does it provide for changes in the methodology for calculating compensation due.



The Law provides that the **ONS shall calculate the amounts of generation cuts to be compensated** and send them to the CCEE. In turn, the CCEE shall calculate the **reimbursements, with monetary adjustment based on the IPCA** from the date of the cut until its actual payment.



In order to receive compensation, the agent must sign a **commitment agreement** with the granting authority, in which the agent waives the right on which any **legal actions** regarding such compensated cuts are based, with the parties being exempt from paying legal fees.



The Law did not define the deadline for the disclosure of the amounts by ONS and CCEE, nor for the subsequent signing of the commitment agreement and payment of compensation to the agents.



## 8. STORAGE

- ANEEL will now regulate and supervise electricity storage as a sectoral activity.
- The regulation may involve autonomous operation or integration with generation, transmission, distribution, and commercialization concessions. The provision may cover multiple services to the system (flexibility, power, ancillary services, energy commercialization), subject to the restrictions applicable to each agent.
- ANEEL shall also regulate, supervise, and establish rules for remuneration and access for the implementation and operation of storage systems connected to the SIN or Isolated Systems, when used by power generators, transmitters, distributors, trading companies, consumers, or other agents in the sector.

### BIDDING

The Law stipulates that electrical energy storage systems, except for reversible hydroelectric plants, whose planning studies indicate the need to be located in the Basic Grid, must be bid on under the terms applicable to transmission facilities.

### CHARGES AND COST SHARING

Specifically for battery storage systems, the Law stipulates that the cost of contracting reserve capacity shall be borne solely by generators, in accordance with ANEEL regulations.

### INTEGRATION WITH THERMAL PLANTS AND MINIMUM REQUIREMENTS

The Executive Branch may establish control, flexibility, and storage requirements as a condition for contracting coal capacity reserves. It may also require plants to have the capacity to store up to 5% of the average daily inflexibility.

### SOLAR WITH CHEMICAL STORAGE

Solar generation systems enabled in REIDI (including MMGD) must provide for chemical energy storage, in accordance with the regulations.



### TAX INCENTIVES

Energy storage system projects (including BESS) are now part of REIDI, with tax breaks limited to R\$ 1 billion per fiscal year between 2026 and 2030, under the management of the Ministry of Mines and Energy ("MME").

The Executive Branch may also reduce the import tax rate applicable to BESS and components to zero.

### POINT OF ATTENTION

Although the wording of the law provides that the REIDI benefit for PIS/COFINS will be in effect between 2026 and 2030, PIS/COFINS will be fully replaced by the Goods and Services Contribution ("CBS") as of January 1, 2027.

## 9. EXTENSION OF CONCESSIONS FOR HYDROELECTRIC POWER PLANTS (UHES)

### PREVIOUS RULE

Since MP No. 579/2012, converted into Law No. 12,783/2013, the quota regime has been in force, whereby the physical guarantee of plants extended or tendered under this regime was not freely traded on the market, but rather compulsorily allocated to SIN electricity distributors in proportion to their markets. Under this regime, power plants are entitled to Annual Generation Revenue ("RAG"), dissociated from the market price of energy, but which was intended to mainly remunerate the costs of operating and maintaining the plant.

### NEW RULE

The Law consolidates and deepens the criteria for extending UHE concessions, creating an alternative to the quota system.

- **UHES > 50 MW (granted before December 11, 2003):** the granting authority may, on a case-by-case basis, choose to extend (with mandatory conditions) or tender.
- **Projects between 5 MW and 50 MW:** costly extension is permitted provided that the concession is in force on the date of publication and has not yet been extended under the terms of the article itself.
- **Quota regime:** no longer mandatory for plants granted before December 11, 2003; renewal or bidding outside the quota regime is permitted for up to 30 years.

### MANDATORY CONDITIONS FOR EXTENSION (UHES > 50 MW)

- **Payment of:**
  - 50% of the estimated value of the concession allocated to the CDE; and
  - 50% of the estimated value of the concession to the granting authority (this amount will also be allocated to the CDE in cases of extensions or bids for concessions expiring by December 31, 2032).
- **Operating regime:** adoption of the Independent Power Production (IPP) regime.
- **Hydrological risk:** fully assumed by the concessionaire; renegotiation prohibited after extension.
- **Physical guarantee:** recalculation of the PG, valid from the start date of the concession extension, with no limit on variation in relation to the previously applicable physical guarantee, but subject to periodic reviews.
- **Extension term:** up to 30 years.
- **Commercialization:** sale in ACR and ACL guaranteed; the Executive Branch may require a minimum percentage for ACR.



### MONITORING POINT

Definition of methodology for calculating the estimated value of the concession.

The current pipeline includes 21 extension processes under review by ANEEL and 5 by MME with recommendations for renewal or rebidding.

## 10. CAPACITY RESERVATION

The Law introduces new rules for specific procurements related to capacity reservation, as follows:



### A. DOMESTIC COAL:

- Contracting through 2040 covering: (i) thermal plants with a CCEAR in force on December 31, 2022 and scheduled to end no later than December 31, 2028; or (ii) plants covered by item V of art. 13 of Law No. 10,438/2002, in an amount corresponding to the consumption of the minimum coal purchase quantity stipulated in agreements in force on December 31, 2022.
- Annualized inflexibility compatible with minimum coal consumption; fixed/variable revenues referenced to the ceiling CVU from Auction A-6/2019, with applicable updates and adjustment rules.
- Requirements for control, flexibility, and storage (up to 5% of average daily inflexibility); in the event of non-compliance with such requirements, the agent must bear the cost of contracting capacity reservation in proportion to the energy generated, pursuant to ANEEL regulations.



### B. SMALL HYDRO AND BIOMASS:

- Capacity reservation contracting of up to 4,900 MW of hydropower plants  $\leq 50$  MW, for a term of 25 years, at a maximum price referenced to Auction A-6/2019, adjusted by the IPCA up to the date of publication of the specific notice. The contracting will also observe the regional split defined by law.
- To this end, by the first half of 2026, a capacity reservation auction of up to 3,000 MW of hydropower plants  $\leq 50$  MW must be held, with a limit of 1,000 MW for each product, providing for start of supply in 2032, 2033, and 2034 (products not covered in the 1st and 2nd LRCAPs of 2026).
- Additional contracting of 3,000 MW of biomass thermal plants through capacity reservation for 25 years.



### C. BATTERY STORAGE:

- When contracted for capacity reservation, costs are allocated only among generators.
- Planning studies that indicate systems on the basic grid must define location and technical conditions, with a specific tender.



### D. PEAK HOURS

- ANEEL will establish a competitive mechanism to incentivize power generation and demand response during the system's peak demand hours, funded by the ERCAP, subject to regulation regarding eligible generation plants and consumers, form, deadlines, and penalties, as well as base and additional remuneration for reversible plants.



## 11. NEW COMPETENCES OF ANEEL, CCEE, AND EPE

The changes in the competences of ANEEL and EPE are new features of the Law in relation to MP 1,300, namely:

### A. ANEEL

- I. **Storage:** express authority to regulate, supervise, and define rules for remuneration and access (SIN and isolated systems), including autonomous operation or integration with the concession, with the provision of multiple services (flexibility, power, ancillary services, and commercialization).
- II. **Administrative penalties:** increase in the limit per violation from 2% to 3% of revenue or the estimated value of energy produced/consumed over the last 12 months.

### B. EPE

- I. **Planning priority:** Manaus–Porto Velho interconnection as a priority project in studies and bidding.
- II. **Hydraulic storage:** authorized to carry out activities for the design of hydraulic storage systems and, at the discretion of the Executive, to promote the necessary actions to obtain a preliminary license, declaration of water availability, and other administrative acts to enable the bidding for such systems.

In contrast, the provisions relating to the CCEE had already been addressed in MP 1.300/25, as follows:

### C. CCEE

- I. **CCEE Monitoring:** The Law maintains the duties of the CCEE, but expressly includes the monitoring of members and operations in the electricity market, with the possibility of initiating sanctioning proceedings, the procedures for which will be approved by ANEEL. It also highlights that the individual or legal entity hired by the CCEE to manage or supervise monitoring is directly liable, civilly and administratively, for losses resulting from acts of willful misconduct or gross negligence, without prejudice to the criminal and subsidiary liability of the CCEE. The CCEE may also participate in other energy markets or provide other services, including the management of guarantees for purchase and sale agreements in the ACL, the management of records, and energy certification. In addition, the Law changes the name of the CCEE to “Energy Trading Chamber,” anticipating its possible involvement in the gas, biofuel, and hydrogen markets.
- II. **Liability of Sector Agents’ Administrators:** Sector agents’ administrators are now directly liable, civilly and administratively, for losses resulting from acts of willful misconduct or gross negligence, or that violate legal, regulatory, or statutory rules, without prejudice to the criminal and subsidiary liability of the legal entity represented.

## 12. OTHER TOPICS

### A. PRICING FORMATION

- In the processes of setting prices and accounting for and settling transactions in the short-term market, previously established time intervals and prices capable of reflecting variations in the economic value of electricity shall be adopted, taking into account the following aspects: (i) the elements for the operation and planning of the SIN, (ii) the MRE, (iii) the treatment of ancillary electricity services; and (iv) minimum and maximum price limits.

### B. SERVICE TO THE ISOLATED SYSTEM

- PPAs backed by thermoelectric plants whose natural gas transportation costs are reimbursable by the CCC will have a term of 12 months from the granting authority's forecast for the start of operation of a supply solution that dispenses with local thermoelectric dispatch.
- If there is a change in the natural gas transportation tariff, the price of the respective PPAs shall be reduced.

### C. EARLY DECOMMISSIONING OF COAL-FIRED POWER PLANTS

- Domestic or imported coal-fired thermoelectric plants may anticipate their decommissioning without penalty. To do so, they must request decommissioning from ANEEL at least six months in advance of the intended date. If the plant has current regulated December 31, 2022, ANEEL must enable the termination, also recognizing the involuntary exposure of distributors if necessary.

### D. NATURAL GAS MARKET

- Gas Maximization: The CNPE shall (i) establish guidelines (and targets, where applicable) for specific programs, including those for the use of natural gas; (ii) establish guidelines to maximize the use of domestic natural gas production; and define reinjection limits for blocks that may be subject to concession or production sharing.
- PPSA Competences: The PPSA may (i) hire a commercial agent, with transfer of possession/ownership of gas and derivatives; and (ii) agree with the commercial agent to transfer the Union's gas directly from Petrobras to the end user. When Petrobras is contracted as a marketing agent, the transfer of ownership/possession before distribution and reacquisition after processing is permitted.

### E. TAX INCENTIVES FOR HYDROGEN

- The tax credits established in Law No. 14,990/24 (Low Carbon Hydrogen Development Program - PHBC) shall come into force as follows:

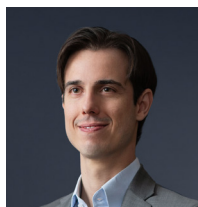


- This tax credit may only be granted for the commercialization of low-carbon hydrogen and its derivatives produced in Brazil between January 1<sup>st</sup>, 2030, and December 31, 2034.

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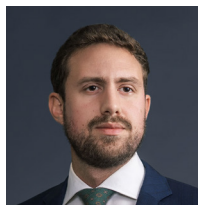
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