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Opportunities in Uruguay's energy plan

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Uruguay has become a regional leader in shifting its electric power generation matrix to renewable sources, but it has reached a saturation point due to falling demand, which has made President Luis Lacalle Pou's administration rethink the original goal of adding 800MW of photovoltaic and 400MW of wind capacity by 2030.

His industrial, energy and mining minister Omar Paganini talks about the country's energy plan, which will be unveiled early next year, in an interview with BNamericas ahead of the [Madrid Energy Virtual Conference](#) on September 28-October 2.

BNamericas: Where does the expansion plan for renewables stand amid the dropping demand?

Paganini: Demand has slowed down a lot in the last two years and in 2020 it will decrease a bit more due to the effects of the pandemic. We have a significant overcapacity, as the transformation decisions were all made in a short time and Uruguay has PPA contracts that generate surpluses.

All of this means that our need for greater capacity can wait. We have to review the original plan. Our models are giving us that we have to start installing additional capacity starting in 2025, no earlier than that.

We are still going to make small pushes with photovoltaic before that time, because the price is going down. In addition, the wind-solar combination generates synergy, as they complement each other well.

BNamericas: What will that push consist of?

Paganini: [Administración Nacional de Usinas y Trasmisiones Eléctricas](#) (UTE) is going to build something small. In addition, we're encouraging distributed generation. Once the low-voltage tolls and others are in force, it's possible to move toward the prosumer model, where you produce and plug the surplus back into the grid. It's not an investment that UTE is going to make, but instead each one on their own.

BNamericas: What are the incentives planned for this?

Paganini: Uruguay already has an incentive plan for companies: an income tax exemption. That's working, but for individuals we have nothing planned.

BNamericas: This requires the installation of smart meters. What are your plans in this regard?

Paganini: We are going to invest in this to move to a better demand management model so that, later on, we can have a range of dynamic and preferential rates during surplus hours. We already have about 300,000 [meters] connected by cellular network, which for Uruguay is a lot. This allows us to know every fifteen minutes the consumption of each client. We are going to use that information to improve the incentive for smart demand.

BNamericas: When do you plan to have it ready?

Paganini: During the term of this government [2020-2025]. We won't go any faster than that. In total, there are approximately 1 million smart meters that will be financed with [UTE's own funds](#) .

BNamericas: The [Salto Grande Mixed Technical Commission](#) launched a plan to modernize the dam last year. At what stage is the [project](#) in?

Paganini: It's going to be executed once the authorities of the Technical Commission that have just been appointed assume their posts. The new officials have to validate it. Everything points to the project moving forward.

BNamericas: What are the upcoming milestones on the plan to make public transport run on electric power?

Paganini: A pilot plan for urban transport is underway that involves the replacement of 5% of the fleet with state subsidies through 2022. The first stretch was Montevideo, with 30 electric buses, which is equivalent to 1% of the total fleet. This will continue next year, for which we're negotiating subsidies, as it depends on the availability of fiscal funds.

What we do is pay 50% of the value of the bus. Obviously, decarbonization is the goal. But so is avoiding future subsidies given to fuels for urban transport over time and replacing them with a one-time subsidy for lower-consumption vehicles.

BNamericas: What incentives are planned for individuals?

Paganini: We are incorporating income tax benefits and other minor benefits into the Investment Law for those who incorporate significant electric vehicle fleets. This is designed more for short-distance delivery and logistic fleets. The idea is that if there are subsidies or incentives, it's for shippers.

Next year we hope to have news and this will progress to the extent that, on the one hand, there is market availability of vehicles at reasonable prices and demand from the public. The pace will depend on the private sector.

BNamericas: You'll need an extended network of electric chargers. What do you plan to do about it?

Paganini: The charger network already exists and is being developed, but it needs to be expanded a lot to present the opportunity and to lower the autonomous range barrier and dispel fears of running out of charge. We need chargers and high-speed chargers. We hope to expand the network in 2021 and 2022. We'll use the public-private partnership model, in which the company installs the charger and recovers the investment by selling the electricity and advertising. At this time we do not have a state investment budget that can take care of this, so we are going to resort to that model.

BNamericas: What type of companies will be able to provide these services?

Paganini: There will be total freedom. If a shopping center wants to put one, then they can, just like a gasoline station can.

BNamericas: What will be the impact on consumption?

Paganini: Today we have idle generation capacity, so we are not very concerned. The entire Uruguayan electricity park does not reach 25% of total electricity consumption. In other words, that problem is going to be very long-term. Once we have advanced with smart metering, we're going to try to favor nighttime consumption to recharge the car — at a time when there is availability or even strong surpluses and with a preferential rate.

BNamericas: You'll also need better transmission lines.

Paganini: We are closing the high voltage ring in the north. Uruguay has a centralized distribution network in Montevideo and this will allow for greater redundancy. Part of the ring will be [UPM's](#) second pulp mill, will be [operational in three years](#). The [Tacuarembó-Chamberlain](#) and [Chamberlain-Salto](#) sections will allow it to reach the dam and close the ring.

In addition, some high voltage sections are being added to incorporate the wind farms that are in the interior of the country, because the distributed generation system requires stabilizing the network with the sections that were missing. We will be starting to do this now in the next few months.

BNamericas: What is the total investment amount?

Paganini: About US\$250 million. The largest work will be financed with a trust that has some contributions from the [IDB](#) and there is a part that will be contributed by UTE.

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