CÁMARA
CHILENO BRITÁNICA
DE COMERCIO

Doing Business in Chile
Guide 2025

ENERGY

Executive Summary

The Chilean government's energy policy focuses on promoting efficiency, competitiveness, security, and sustainability across the energy sector, all within a regulated legislative framework. The policy is supported by government authorities who encourage active participation from private companies in developing projects, providing services, and operating within the electricity market. This collaboration between the public and private sectors aims to drive growth while ensuring a stable and sustainable energy future for the country.

Chile's energy legal framework is governed by Decree with Force of Law No. 4/20,018 of 2006, issued by the Ministry of Economy, Development, and Reconstruction. It consolidates and coordinates the Decree with Force of Law No. 1 on Mining 1982, and the General Law on Electrical Services commonly known as the Electricity Law. It also aligns the regulations contained in DS No. 327 of 1997 and additional regulations referenced in Section II below.

The three main segments of the electricity sector are Generation, Transmission and Distribution. Private companies which are involved in the system participate under the coordination of the Independent Coordinator of the National Electricity System (CEN), and all of them are part of the National Electricity System (SEN).

The Electricity Law and Electricity Regulation establishes the different requirements and conditions for the execution of all energy projects. All power related projects must comply with the legal requirements applicable to any other type of investment or infrastructure project, such as environmental licenses.

The Electricity Law and Electricity Regulation establish the application of fixed tariffs or other forms of remuneration for energy and capacity sales, depending on whether the sales are made to regulated or unregulated (free) clients.

Recent years have marked a pivotal period for renewable energy generation (ERNC)[1] in Chile. Law No. 20,257, enacted in April 2008 (the ERNC Law), and its amendment, Law No. 20,698, enacted in October 2013, introduced key modifications to the Electricity Law. These changes established the obligation for electricity companies supplying energy to final consumers to incorporate a specific percentage of ERNC into their energy mix.

There has also been substantial growth in the deployment of small-scale power plants, significantly driven by regulatory incentives which provide financial and policy support to achieve their development. This trend is part of the country's strategy to diversify its energy sources and encourage the use of ERNC, aiming to transition to a more sustainable and resilient energy system.

Generation companies (GenCos) holding power purchase agreements (PPAs) with distribution companies (DisCos) have recently been impacted by a series of legal reforms aimed at stabilizing public electricity prices, commonly referred to as Precio Estabilizado para Clientes Regulados (PEC).

1 Chile uniquely uses the acronym ERNC (Energía renovable non convencional) to describe renewable energy sources excluding large scale Hydro.

POWER MATTERS.

GOVERNMENT POLICY ON ENERGY.

Chiles energy sector is regulated within a legislative framework by several different authorities depending on the nature of the activity. A common factor across the generation, transmission and distribution segments is the emphasis on efficiency, competitiveness, security and sustainability. Given that the sector is predominately served by private enterprises, the regulators role is mostly focused on monitoring, supervision, and compliance.

Several amendments and new laws have been introduced recently to streamline the industry and facilitate environmental improvements:

In January 2015, Law No. 20,805 was enacted to improve the tender processes for the supply of energy to regulated clients. The intention was to promote the participation of new players, including ERNC (renewables), and to lower the price of energy.

In July 2016, Law No. 20,936 (the "Transmission Law") was enacted, establishing a new electricity transmission system and creating an independent coordinator for the National Electricity System (SEN). The law also redefined the regulatory framework for the electricity industry, particularly in the areas of transmission and system coordination.

In November 2022, Law No. 21,505 was enacted promoting electricity energy storage and electro-mobility. Following this, in June 2024, an amendment to the Power Regulation (Reglamento de Potencia) was enacted and published, to further advance the incorporation of these new technologies in the SEN.

The Power Regulation is a regulation within the electricity sector that governs how capacity is managed and remunerated. It defines the criteria and methodologies used to ensure that the power generation and storage facilities have enough capacity to meet demand, especially during peak times or under stress conditions.

In July 2023, the Ministries of Energy, Treasury, and Environment submitted an energy transition bill to the Senate. This initiative, currently under congressional discussion, seeks to further promote ERNC and storage, and position the transmission segment as a key enabler of carbon neutrality, addressing the delays in its development over recent years.

The Energy Ministry has also developed, in collaboration with the private sector, a decarbonization roadmap for Chile's electricity matrix. The roadmap focuses on progressively reducing greenhouse gas and other emissions from the electricity sector. A key part of this plan is the accelerated retirement or conversion of coal-fired power plants in the SEN, with the goal of fully decommissioning this technology by 2040.

LEGAL FRAMEWORK AND THE FUNCTION OF THE REGULATORS.

The legal framework relating to the energy sector in Chile is primarily based on the Electricity Law, along with the Electricity Regulation and various ancillary regulations. In recent years, this framework has undergone substantial reforms, transforming the electricity market into a more competitive, dynamic, and modern system. These modifications have enhanced the sector's efficiency and adaptability, aligning it with contemporary energy demands. Further new reforms are being actively discussed to further support the country's energy transition and accelerate its shift toward a more sustainable energy future.

The key regulatory and advisory bodies overseeing the energy sector are:

(i) the Energy Ministry,
(ii) the National Energy Commission (CNE),
(iii) the Superintendence of Electricity and Fuels (SEC),
(iv) the Independent Coordinator of the National Electricity System (CEN),
(v) the Panel of Experts.

The Energy Ministry is the top authority. It is responsible for setting government policy for the energy sector, in collaboration with the President of the Republic. It publishes tariffs, and rubber stamps the concessions recommended by the SEC.

The CNE implements policy and handles technical matters such as tariffs and energy policies. It also coordinates public tenders for regulated energy supply and plays a key role in modifying or terminating supply contracts, a crucial function in recent years.

The SEC deals with technical matters. Its main role is to be the competent authority to interpret the laws and regulations applicable to the sector, and how they should be applied. It can apply fines and other sanctions for non-compliance. It reviews and approves the granting of definitive concessions for thermal and hydroelectricity power plants, substations, and transmission and distribution lines. These concessions allow the interested parties to force easements on private land. The SEC also supervises quality and continuity in the distribution segment.

The CEN is an independent technical entity, which acts as the energy market administrator. It oversees the power grid, and coordinates dispatch from the various power plants in order, to most efficiently and securely match system demand.

The Panel of Experts is a special jurisdictional body that reviews and rules on disputes among the key players about the application of the laws or certain regulatory issues within the sector.

GENERATION, TRANSMISSION AND DISTRIBUTION - A COORDINATED ENERGY SYSTEM.

The private companies involved in Chile's electricity market operate across various systems. The two principal groupings are:

1. The National Electricity System (SEN): This system encompasses most of the country's electricity generation, transmission, and distribution, connecting most regions of Chile. The SEN allows the GenCo's to injects power into a node of the system, or into their local system. They can also draw power from the same node to match the demand of its final customers.

2. Medium-Sized Systems: These are systems with an installed generation capacity between 1,500 kW and 200,000 kW. Chile has 10 such systems, primarily located in isolated geographic areas. They are: Aysén, Palena, General Carrera, Punta Arenas, Puerto Natales, Porvenir, Cochamó, Hornopirén, Puerto Williams, and Isla de Pascua (Easter Island). These medium-sized systems generally serve areas that are too remote to be efficiently connected to the SEN and operate under a basic supply / demand model.

1.1. Generation.

The generation market in Chile is non-monopolistic and characterized by an open competitive framework, with no legal barriers preventing third-party entry. Historically, the market was dominated by a few large companies such as Enel, Colbún, Engie, and AES Andes. However, this landscape has been evolving due to the entry of new players leading to greater diversity and competition within the sector.

This transition has resulted in a more atomized market, with many new companies contributing to the matrix. Some of the key new players in the industry include: Acciona, Sonnedix, Grenergy, Statkraft, Prime Energía, Atlas Renewable Energy, Pacific Hydro, EDF, Generadora Metropolitana, among others.

These newer companies are primarily involved in renewable energy projects, which align with Chile's push toward more sustainable and diversified energy sources. This shift in market dynamics encourages greater competition, innovation, and investment in the sector, creating a more resilient and flexible energy market.

The energy report published by the CEN in April 2024, showed that the SEN had an installed generation capacity of 35,091.5 MW, of which 35.7% corresponded to thermoelectric; 21% to hydro; 28.4% to solar PV; 14% to wind; 0.2% to geothermic; and 0.2% to thermal solar.

The CEN is responsible for coordinating energy dispatch across all power plants connected to the system. The dispatch is based on a merit order, which prioritizes plants by their operational efficiency, specifically the variable cost of production. This system aims to minimize costs, with the spot prices set based on the short-term marginal costs of the grid at each node, rather than the prices proposed by each individual generator.

Spot prices for electricity at each node are determined by the short-term marginal cost of the most expensive plant required

to meet demand. This reflects real-time grid conditions and operational efficiency. Power plants with the lowest variable production costs are dispatched first. The CEN updates the dispatch order every 15 minutes, ensuring that the most efficient plants are used to meet demand at any given time.

Regardless of the actual amount of energy injected into the grid, GenCos are compensated not only for the energy they sell but also for their available capacity. This compensation is based on the plant's ability to supply electricity during peak demand periods. The capacity is calculated based on the plant's potential to inject power during these peak times, as outlined in specific procedures.

GenCos may also enter contracts with other GenCos for supply, to guarantee their obligations with third parties. This possibility opens commercial activity within the generation sector, due to the adding of value to contracts, which may be agreed at regulated or unregulated prices.

A new business model is becoming increasingly relevant, whereby "Brokers" are trading power. Unlike the GenCos, which own and operate power plants to supply their clients, the new "brokers" have limited or minimal generation capacity of their own. Under current regulations, they must have some capacity, as having zero generation capacity would disqualify them from participating in the spot market.

The brokers are subject to the same regulatory conditions as GenCos, meaning they can participate in the electricity market on equal terms. They rely on PPAs with various GenCos. They contract energy and capacity from these producers and then resell it to free clients, who are large consumers with the freedom to choose their supplier.

The regulations consider the following types of final clients or consumers:

Regulated Clients: whose contracted capacity is equal to or less than 5,000 kW. Their prices for energy and capacity are set by the authority. The CNE organizes tenders in which GenCos submit offers to supply energy and capacity. When one of the GenCos is awarded a contract through the tender process, it enters a power purchase agreement (PPA) with a DisCo, which formalizes the commitment for a specified period. The DisCos use the energy and capacity secured through these PPAs to deliver electricity to its end consumers (residential, commercial, and industrial).

Free Clients: whose contracted capacity exceeds 5,000 kW, have the option to source electricity via self-generation or direct supply of energy and capacity from GenCos through PPAs (power purchase agreements), in which they negotiate the price for the energy and capacity to be supplied.

Others: whose contracted capacity is between 500 kW and 5,000 kW can opt for the free client regime, provided they comply with a minimum period of permanence of 4 years. The change of option must be communicated to the DisCo at least 12 months in advance.

Note that in December 2023, the Energy Ministry in Chile submitted a request to the Chilean Antitrust Court (Rol NC-525-2023) to seek its opinion on the competitive effects of the current minimum threshold required to qualify as a free client.

Concurrently part of the market has been advocating a reduction of the threshold from 500kw to 300kw, expanding this category and potentially the demand for brokers.

1.2. Transmission.

The transmission system in Chile consists of all installed and interconnected transmission lines and substations. These substations act as hubs that link Generation Companies (GenCos) to final clients, facilitating the injection of electricity from the generators into the grid and the withdrawal of electricity by consumers. The system is divided into three distinct transmission subsystems, which, although privately-owned, are subject to intensive regulation to ensure reliability, efficiency, and fairness in the market.

National Transmission System: This subsystem covers the most extensive and interconnected portion of the grid, connecting most power generation facilities to the main consumption centers from north to south of the country. It is crucial for ensuring the stability of the National Electricity System (SEN).

Zonal Transmission System: These transmission lines primarily connect regions within specific geographic zones, linking generation within those areas to local distribution networks. It helps manage the distribution of electricity to more localized demand centers, including smaller cities or industrial zones.

Dedicated Transmission System: This subsystem refers to lines dedicated to specific clients or generators, typically connecting a power plant directly to a single, large final consumer or serving a particular generation facility. It allows for customized delivery and management of electricity for specialized needs.

Although the transmission infrastructure is owned by private entities, the National and Zonal systems are considered as priority public services. They are heavily regulated by the government to ensure they operate efficiently and fairly. The dedicated systems are "open access", and as such are regulated differently.

The owners of the infrastructure in the National and Zonal systems must give open access to their networks to any competent interested party. A toll must be paid as defined in the relevant decrees.

Although Dedicated Systems are not classified as public services, open access is possible under specific conditions, still protected by law, and subject to limitations based on available capacity. The system owner can oppose access under specific circumstances.

The development of transmission facilities often involves the need to use public property or impose easements on private properties to establish necessary infrastructure like transmission lines and substations. In such cases, a concession can be obtained from the Energy Ministry, based on a report from the SEC. Importantly, obtaining an electricity concession is not always required. If transmission system developers can voluntarily negotiate access to property with landowners (whether private individuals or the state), they can proceed without needing a formal concession.

The Transmission Law in Chile also introduces a separate transmission subsystem known as "poles of development for

electricity generation." These poles refer to geographically identifiable areas located within regions covered by the National Electricity System (SEN), where there are significant resources for generating electricity, particularly from renewable energy sources. The development of these poles is of public interest, as it is seen as economically efficient for the country's power supply.

In May 2024 the Energy Ministry published the identification of the poles in two key provinces. Three "polygons" were defined in Antofagasta and two in Tocopilla, with a total surface of 112,440 hectares. According to the Long-Term Energy Planning (2023-2027), these areas have a potential installed capacity of 10,445 MW, which will contribute significantly to the country's renewable energy capacity.

1.3. Distribution.

In contrast to the transmission sector, in which the granting of concessions is not always required, the distribution sector in Chile operates under a stricter framework that relies exclusively on the granting of concessions.

In the distribution sector, companies are granted exclusive concessions over specific areas, allowing them to use public and private property for building and maintaining electricity infrastructure. These rights include establishing easements, crossing roads and watercourses, and utilizing public spaces.

The market is dominated by major players like Enel, CGE, SAESA, and Chilquinta, each holding a natural monopoly in their concessioned areas. Concessions do not typically overlap, limiting competition within each territory.

Given this monopoly structure, distribution tariffs and service quality are permanently regulated by the National Energy Commission (CNE) to ensure fair pricing and reliable service.

Distribution concessionaires in Chile are legally required to allow third parties to access distribution capacity within their concession area, including the injection of surplus energy from small-scale distributed generation systems (PMGD). A PMGD is a project that generates up to 9 MW and connects to the distribution grid to supply power.

DisCos must allow PMGDs to connect to their grid without discrimination, provided that technical and safety regulations are met. The PMGD must cover the costs for necessary technical studies and any required infrastructure upgrades to connect to the grid, and for the connection.

ENERGY PROJECTS: PERMITS, REQUIREMENTS, AND TARIFF SCHEMES.

1.4. Generation.

To build and operate a generation facility with an installed capacity over 3 MW, it is usually necessary to obtain an environmental permit. This Environmental Assessment Resolution" or "RCA" (Resolución de Calificación Ambiental) must be approved prior to any construction activity.

An RCA is secured by submitting either an Environmental Impact Study (EIA) (Estudio de Impacto Ambiental) or an Environmental Impact Declaration (DIA) (Declaración de Impacto Ambiental) to the Environmental Impact Assessment Sistem (SEIA) (Sistema de Evaluación de Impacto Ambiental).

The choice between an EIA or a DIA depends on the specific environmental impacts of the project. An EIA is more comprehensive and requires a longer evaluation period, while a DIA involves a more streamlined review for projects with less significant impacts.

In addition to generation capacity, there are other factors that require a project to undergo environmental assessment. For instance, a project must be evaluated if it is located within protected areas, such as National Parks or other environmentally sensitive zones.

The environmental assessment process, managed by the relevant regional SEA (Servicio de Evaluación Ambiental), includes consultation with other administrative authorities who can make observations on the EIA or DIA applications. Once all the issues are resolved, the SEA issues the RCA. The RCA also outlines other permits required from authorities like the DGA (General Water Bureau), CONAF (National Forestry Service), and SAG (Agricultural and Livestock Service). Once an RCA is obtained the other authorities cannot block the approval on environmental grounds, and construction can commence.

However, there are several other administrative and judicial remedies with which an RCA may be challenged. Any person or entity that participated in the Public Participation Process (or PAC) leading up to the RCA can file an administrative appeal against it within 30 days. There is also a chance for any person—regardless of their participation or not in the PAC—to issue an administrative invalidation request.

After securing the RCA, construction or land use change permits must be obtained, depending on whether the project is in an urban or rural area. For hydropower plants, an electricity concession may be required to establish easements for plant facilities. For solar and wind farms, a land occupation title is necessary, which could involve purchasing, leasing, entering a usufruct agreement, or obtaining a Use Concession from the Ministry of National Assets if the land is state-owned.

Before operations, the project must notify the SEC and get approval from the CEN for the connection point, depending on the transmission facility under open access rules.

1.5. Transmission.

Permitting for transmission lines and substations is like that for generation facilities, especially for lines with voltages above 23 kV. The key difference is that, unlike most generation facilities, transmission projects can always obtain an electricity concession to establish easements for land use. Only hydropower plants among generation facilities can obtain such concessions. As with generation projects, transmission projects must undergo environmental assessment if they affect protected areas. Transmission regulations foster non-discriminatory access to transmission facilities both for GenCos and distributors, even though the CEN may discretionally restrict injections and/or withdrawal of energy into or from the grid, for stability and security reasons.

The Electricity Law regulates tariffs, rates, and conditions for transmission services, which vary by transmission system. It governs National, Zonal, and Dedicated Transmission Systems. For National and Zonal Transmission Systems, the Transmission Law mandates an annual long-term planning process with a 20-year horizon. Tariff setting and expansion of transmission facilities are government-driven under this framework.

The CNE produces the annual plan outlining the necessary transmission works for the upcoming 12 months. Once the plan is approved by the Energy Ministry, the CEN prepares the guidelines for the tender process to award contracts for these works. Typically, these tenders focus on awarding sections of the National and Zonal Transmission Systems, or contracts related to the development of infrastructure to support increases in generation capacity.

The tender process establishes the V.A.T.T. (Valor Anual de la Transmisión por Tramo), which is the annual remuneration that the successful bidder will receive for developing transmission facilities in the National and Zonal Transmission Systems. The costs of using these systems, known as Toll Charges or Cargo Único, are ultimately paid by the final clients, both free and regulated users.

Transmission lines in the Dedicated Transmission System are developed by the interested parties, not through a tender process. Payments for using these systems are determined by private contracts. However, if the system serves clients subject to price regulation, the remuneration regime of the National and Zonal Transmission Systems applies.

1.6. Distribution.

To construct any facility for distribution utilities, a distribution concession must be obtained from the Energy Ministry. Since distribution primarily serves residential and small/medium industries, many necessary permits are issued by the relevant Municipality, as the infrastructure often impacts municipal property.

Distribution concessionaires are legally required to provide service to any party within their concession area, whether directly or through third-party lines, while adhering to safety and quality standards set by the Electricity Law and technical regulations.

Distribution tariffs are set every four years by the CNE and are based on the node prices at the connection point to the distribution facilities, plus the VAD (Valor Agregado de Distribución), which accounts for distribution costs. These components

are combined to reflect the total cost of generation, transmission, and distribution for end consumers. The VAD is calculated using a model company and includes fixed costs like administration, customer service, average energy losses, and standard investment, maintenance, and operational costs per unit of supplied power.

The tariff calculation process enables the CNE to classify distribution companies based on economic factors like consumer density per square kilometer. These classifications are assigned an efficiency ranking, which is crucial not only for setting tariffs but also for determining the company's revenues from distribution services. The higher the efficiency ranking, the more it can influence the company's earnings in relation to its service efficiency.

ENERGY AND CAPACITY SALES.

For energy and capacity sales, the application of fixed tariffs depends on whether sales are made to regulated or unregulated clients.

Regulated clients include:

1. Those with a connected capacity of ≤5,000 kW, located within distribution concession areas or connected to concessionaire facilities via proprietary or third-party lines.
2. Those with a connected capacity of ≤5,000 kW, supplied by generation or transmission facilities of an electricity company within systems with more than 1,500 kW of installed capacity.
3. Electricity companies without their own generation that withdraw energy to supply regulated clients in systems with over 1,500 kW of installed capacity, for the portion subject to price regulation.
4. Other clients as specified by the Antitrust Court of Chile, in accordance with the Electricity Law.

The supply of electricity for clients in the first two categories above can be contracted at unregulated prices (as free clients) under the following conditions:

1. The contract term is less than 12 months.
2. The service is agreed upon between the distribution company and the municipality for systems with ≤1,500 kW of installed generation capacity.
3. The client's load moment at the primary distribution substation exceeds 20 MW per kilometre.
4. The client's connected capacity is over 500 kW, and they choose to opt for unregulated pricing.

In each case, the end user may choose between regulated tariffs or unregulated prices for a minimum of four years, with a 12-month advance notice to switch. The Energy Ministry can lower the 500 kW threshold with a report from the Antitrust Court of Chile, and ongoing discussions aim to reduce this limit.

Unregulated clients are those with a connected capacity greater than 5,000 kW.

Regulated clients indirectly receive energy through PPAs (Power Purchase Agreements) between DisCos (Distribution Companies) and GenCos (Generation Companies), established via public tenders organized by the CNE. In these PPAs, the energy is paid for based solely on the actual consumption of regulated clients, with no minimum purchase commitments.

In contrast, unregulated clients source their energy through PPAs negotiated freely with various GenCos, allowing for more flexibility in terms and pricing.

INCENTIVES FOR RENEWABLE NON-CONVENTIONAL ENERGY SOURCES.

Over the last decade, the participation of ERNC in the grid has surged due to market drivers and legal incentives. Key to this growth were Law No. 20,257 (the "ERNC Law") enacted in April 2008, and its amendment, Law No. 20,698, enacted in October 2013. These laws modified the Electricity Law, requiring electricity companies supplying energy to final clients to include a specific percentage of ERNC in the energy mix they sell.

The ERNC Law imposes an obligation on electricity companies taking power from systems with an installed capacity greater than 200 MW, requiring them to commercialize it to distributors or final clients. These companies, whether subject to price regulation or not, must demonstrate to the CEN that 20% of their annual energy withdrawals have been supplied through ERNC sources, either proprietary or contracted.

The law's transitory provisions set a gradual implementation: from 2010 to 2014, the required percentage was 5%, with annual increases starting in 2015, aiming to reach 20% by 2025.

If a company exceeds the required ERNC percentages for energy injections within a calendar year, the surplus amount—whether proprietary or contracted—can be transferred to other companies through freely negotiated contracts. These surpluses allow companies that fall short of their ERNC obligations to demonstrate compliance with the ERNC Law, even if the transfer occurs between companies connected to different electricity systems.

The amendment has created a vibrant ERNC market, where ERNC surpluses (often called ERNC Credits) are traded among GenCos to meet the compliance requirements of the ERNC Law. This trading is driven by the penalties for non-compliance, which involve a surcharge for each MWh of shortfall.

Additionally, Law No. 20,805 amended the Electricity Law to reform the tender processes for energy supply to regulated clients, encouraging participation from new players, including ERNC companies, with the goal of reducing energy prices. As such, the law assigns the CNE a pivotal role in tender processes. It is responsible for drafting the tender terms and conditions and guiding the process by incorporating several key elements introduced by the law, including:

1. Flexible supply blocks (e.g., time slots for energy supply).
2. Maximum offering prices, which can be public or confidential.

3. Defining awarding criteria that go beyond purely economic factors.
4. Mechanisms for extending supply start dates or early contract termination for projects not yet operational during the tender.
5. Price review mechanisms, allowing adjustments if significant changes occur in capital or operational costs due to major regulatory, tax, or other changes.

In recent years, some ERNC GenCos have faced market and financial difficulties, leading to refinancing, reorganizations, and even bankruptcies. Several factors have been cited as contributing to these challenges, including:

1. Increased development of renewable projects in remote areas, especially in northern Chile, far from consumption centres.
2. Prolonged droughts affecting the country's hydrology.
3. International conflicts impacting the energy market.
4. The removal of baseload capacity from the grid, particularly coal-fired plants.
5. Delays in developing new transmission infrastructure, causing decoupling of marginal costs.

At present, incentives are being pushed by both the public and private sectors to enable the development of storage as a mechanism to mitigate these circumstances.

SMALL-SCALE GENERATION POWER PLANTS REGULATION.

Chile has recently seen steady growth in the development of small-scale generation power plants, either connected to the transmission system (PMG, "Pequeños Medios de Generación") or to the distribution network (PMGD, "Pequeños Medios de Generación Distribuidos"). To encourage the installation of these small projects, the government introduced legal and regulatory incentives starting in 2006. Initially governed by Supreme Decree N°244 of 2006, these regulations were updated by Supreme Decree N°88 of 2020 from the Energy Ministry.

These incentives apply to generation units with a capacity of 9,000 kW or less. Key benefits include the option to sell energy to the SEN (National Electric System) within a stabilized price regime, regardless of marginal cost fluctuations, and the right to self-dispatch, meaning they are not bound by the dispatch instructions of the CEN (National Electricity Coordinator) based on merit order. These provisions help promote small-scale energy development under more predictable financial conditions.

PEC REGULATION.

Following social unrest in October 2019, the Chilean government quickly introduced Law No. 21,185 (PEC) during the same month to prevent sharp electricity tariff increases for regulated clients. The law established a price stabilization mechanism that allowed GenCos to defer part of the payments due under PPAs with DisCos. This created a system where GenCos accumulated a balance between the stabilized price set by the CNE and the original PPA price, with a cap of USD 1.35 billion, to be repaid by December 31, 2027.

On July 19, 2022, the government introduced PEC 2 under Law No. 21,472, establishing a second tariff stabilization fund with a USD 1.8 billion limit, payable by December 31, 2032. Unlike PEC 1, PEC 2 included a state guarantee and sought to stabilize electricity bills for regulated clients further. However, the debt accumulated under PEC and PEC 2 exceeded initial estimates.

To address this, on April 23, 2024, Law No. 21,667 (PEC 3) was enacted, raising the maximum allowable accumulated receivables to USD 5.5 billion. A public fund, managed by the National Treasury, was created, and a fixed charge was imposed on certain regulated clients to progressively repay the accumulated debt under these mechanisms. PEC 3 is awaiting implementation and is designed to further support the financial stability of the electricity sector while shielding regulated clients from sharp price increases.