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Promoting ESS Development in Korea

2026.10.14

Two major ESS initiatives have been announced in September 2026. The Korea Power Exchange (KPX) announced the "2026 ESS Central Contract Market Competitive Bidding" and the Ministry of Climate, Energy and Environment (MCEE) announced the "2026 AI-utilized ESS Construction Support Project (2nd)".

Key Takeaways

Initiative 1: Fixed-Price Contracts. The KPX announcement sets out a competitive market where KPX secures ESS capacity through 15-year fixed-price contracts (based on bid price with no adjustments for inflation) that compensate operators based on capacity for following dispatch requests. Eligibility is restricted to newly constructed stand-alone ESS facilities that meet technical requirements and do not participate in other programs. Facility operators must be individual corporations or consortium-backed SPVs that meet financial requirements.

- **Updated Requirements:** The latest announcement by the KPX increases the volume to 1,100MW from 500MW in 2025, adds more target grid management substations, strengthens bidding restriction rules, and now requires a Bid Project Data Sheet to be submitted at a separate date from the bid proposal, where any price or volume discrepancy with the bid proposal (even if clerical in nature) may result in disqualification. In addition, the deadline for acquiring the power generation business license is extended to nine months, but the allowable completion delay period is reduced to 30 days.
- **Jeju Bidding Market:** Substations on Jeju Island operate under a separate bidding market. The KPX announcement increases the volume to 80MW from 40MW in 2025 and introduces two distinct contract options. Operators can choose a 15-year contract featuring a 60% fixed settlement alongside arbitrage trading (requiring at least 395 charge cycles annually), or a 25-year contract settled at 100% of the bid price (requiring at least 730 charge cycles annually).

Domestic Supply Chain Contribution. The KPX will award evaluation points for contributions to domestic supply chains contributions under the "Industrial/Economic Contribution" category. Bids are evaluated on the certificates of origin for core materials such as cathode and anode materials, meaning operators using overseas batteries or materials may receive lower scores in this category.

Initiative 2: Construction Subsidies. MCEE subsidises up to 50% of an ESS facility's construction costs, capped at KRW 586 million per 1MWh of rated discharge capacity. Eligibility is restricted to VPP operators that meet certain financial

requirements. The program targets 34 distribution lines designated by KEPCO, selecting one institution per line.

- **Obligations and Limitations:** Selected operators are required to obtain at least 5.7MW of standby renewable energy for connection and commit to 20 years of commercial operation, followed by five years of management. Facilities that have received or are scheduled to receive other subsidies are not eligible, and no fixed profit is guaranteed. As the facility utilises government subsidies, it cannot be transferred or provided as collateral for project financing without central government approval.

If you have any questions or need help with the above, please feel free to contact us. Our dedicated Project & Energy Group is recognised as a top-ranking team in various international publications such as Chambers & Partners. It is the only Korean law firm that provides a one-stop service that can assist project and energy clients with regulatory advice, project finance, construction and operation and M&A.

[Korean version] 2026년 ESS 중앙계약시장 입찰 공고 및 ESS 구축지원 사업 공고

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