

Greek Power Market – What lies ahead?

Energy Commodities 2014

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Greek Power Market

'I have a dream'



ESEPIE

Hellenic Association of Energy Trading and Supply Companies (ESEPIE)

- ✓ Created on September 2014
- ✓ Aiming to actively contribute to the development and strengthening of collective dialogue in the Greek electricity market
- ✓ Eight founding member companies (Alpiq Energy Hellas, EFT Hellas, GEN-I Athens, GREEN, NRG Trading House, Sentrade, Volterra and WATT + VOLT)
- ✓ Full & Associate membership

As markets are our “natural habitat” we welcome the efforts for the convergence of Greek market to the major European ones

Current Market Conditions

Limited Market Possibilities

- ✓ Day-ahead mandatory pool
- ✓ Lack of forward price visibility
- ✓ Very limited possibilities for short-term optimisation
- ✓ Market structure which does not provide incentives for major actors in the supply and demand balance to participate

Previous Restructuring Experiences

... a long and winding road

- ✓ Delays
- ✓ Overextension of transitional schemes
- ✓ Lack of visibility/ clarity
- ✓ Details that undermined the objectives

Liberalising a market with a large number of inherent distortions is proving very challenging

Previous Restructuring Experiences

...in a very difficult economic environment

- ✓ Greek economic crisis (Country risk, banking sector)
- ✓ Major drop in disposable income
- ✓ Major drop in electricity demand
- ✓ Complex decision making process



Previous Restructuring Experiences

...and with some significant achievements

- ✓ wholesale market solvency
- ✓ regulatory changes rationalising wholesale market operation and decreasing total system cost



... and hope for the future

- ✓ Greek country risk has been reduced
- ✓ Banking sector has stabilised
- ✓ Economic activity seems to be picking up

Future Developments

- ✓ Power Exchange
- ✓ Forward Market
- ✓ Intra-day/ Real-time/ Balancing Market
- ✓ Bilateral contracts
- ✓ Market Coupling
- ✓ Retail Market Opening (NOME)
- ✓ TSO (ADMIE) privatization
- ✓ 'Small' PPC spin-off
- ✓ PPC privatisation

Cataclysmic events are about to take place in the Greek Energy Market



What do well functioning markets offer to participants?

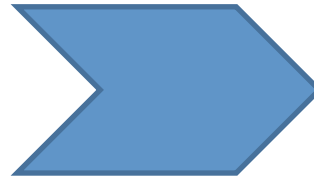
- ✓ Offer price insurance to hedgers / compensation to speculators for bearing hedgers risk
- ✓ Reduce transaction costs by:
 - ✓ raising liquidity through standardisation
 - ✓ minimising counterparty default risk
- ✓ Help resolve contract preference differences between counterparties

**A well-functioning market is
in the best interest of
well-functioning companies**

What do well functioning markets offer to society?

Creation of adequate price signals

- ✓ Rewarding Efficient Supply (or Demand in the electricity case)
- ✓ Rewarding Innovation

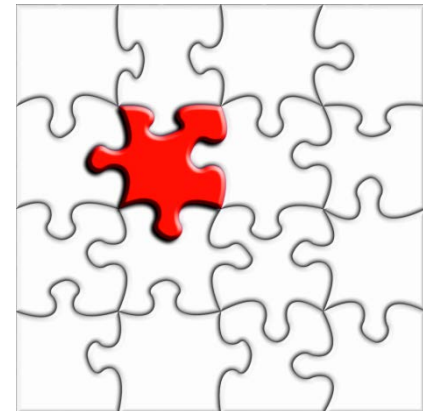


Adequate Resource Allocation

**A well-functioning market is
in the best interest of
the economy as a whole**

What do markets need in order to perform their objectives?

- ✓ Efficient System to Facilitate Trading
(removing obstacles, unnecessary complexity, delays)
- ✓ Availability of Information
(timely and accurate info)
- ✓ Adequate liquidity
(participation of all major actors)
- ✓ Low Transaction Costs
- ✓ Information Processing Efficiency
(Market that quickly reflects new information)
- ✓ Adequate supervision
(Avoiding Market abuse)



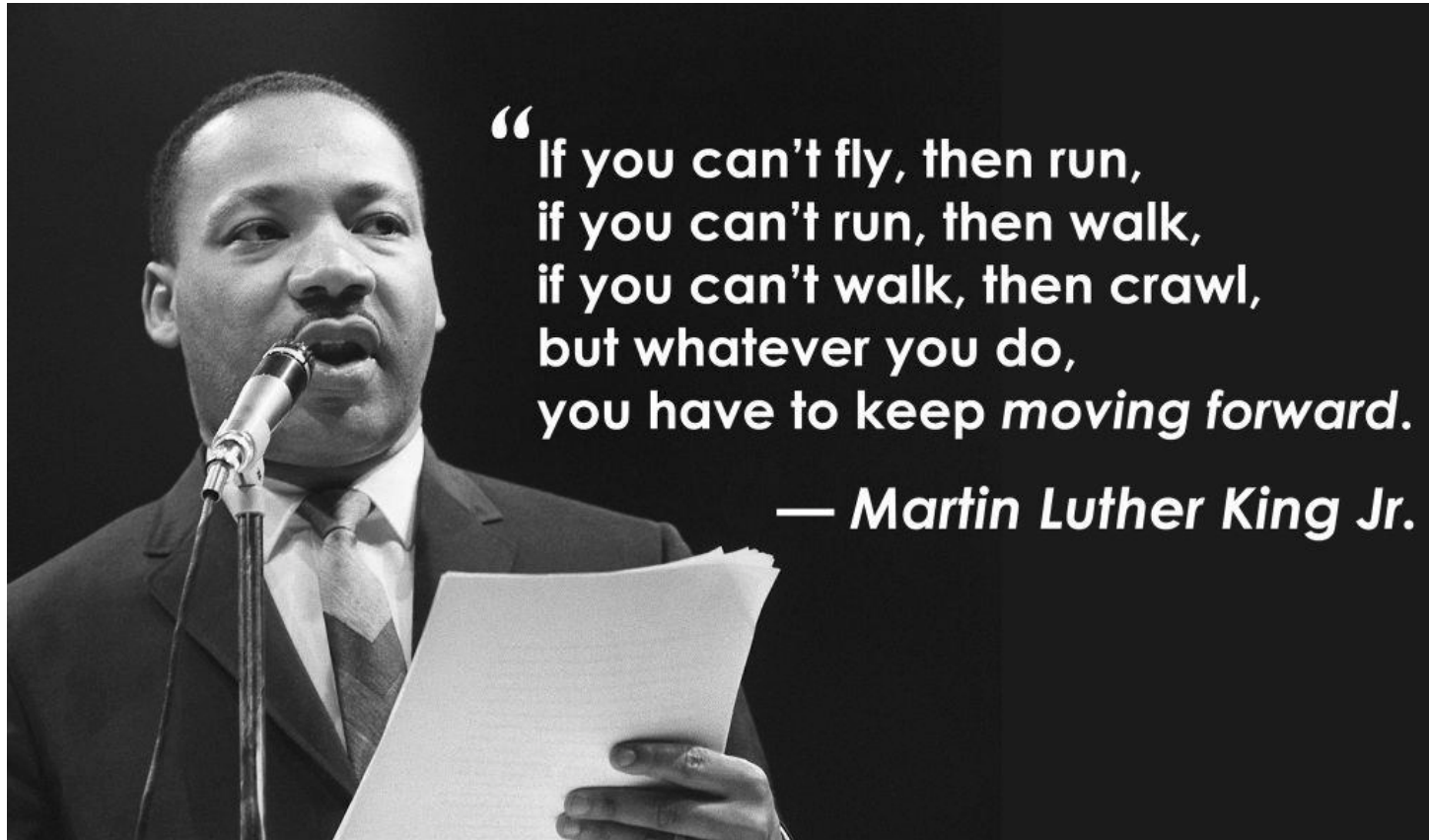
Narrowing the gap

- ✓ Seek “quick wins”
- ✓ Avoid ‘re-inventing the wheel’
- ✓ Pay attention to details that may derail the process
- ✓ Allow market forces to play their role
- ✓ Involve all market participants in the market restructuring process
- ✓ Provide and try to follow road-map of market restructuring process.
- ✓ Provide timely information on changes to road-map implementation

Why is it worth it ?

- ✓ Greece's strategic location can attract and has had attracted in the past interest of major European and regional market participants
- ✓ Even during the crisis the number of registered market participants increased
- ✓ The nascent financial trading market is picking up steam
- ✓ The efforts to liberalise production and supply will most likely fail if a well-functioning market is not in place
- ✓ **Energy stands at the heart of economic activity. Achieving efficient allocation of resources is critical for the well-being of the Greek economy as a whole**

Greek Power Market



**“ If you can't fly, then run,
if you can't run, then walk,
if you can't walk, then crawl,
but whatever you do,
you have to keep *moving forward*.**

— *Martin Luther King Jr.*

Thank
You



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