

REGULATORY AUTHORITY FOR ENERGY

132 Piraeus St

11854 Athens

Attn: M. Aslanoglou/ 2nd Vice-Chairman

Athens, 02 March 2015

Subject: Transitional Capacity Assurance Mechanism

Dear Mr Aslanoglou,

The regulatory authority has held 2 consultations on the capacity assurance mechanism in the Greek interconnected electricity system. The consultations were completed on 17 September 2015 and 26 January 2015 respectively. In fact, at the second consultation the RAE asked for comments on its final proposal. On 29 January 2015 the RAE presented the 'results' of the second consultation, i.e. the letters it received from the participants.

According to the consultation paper, the final proposal of the RAE was based on:

- The results of the first public consultation held from 29 July 2014 to 17 September 2014, on the original proposal to restructure the capacity assurance mechanism.
- The European Commission communiques: a) 'Delivering the internal electricity market and making the most of public intervention' (C[2013] 7243 final/5.11.2013), the working document 'Generation adequacy in the internal electricity market - guidance on public interventions' (SWD[2013] 438 final/5.11.2013), and b) 'Guidelines on State aid for environmental protection and energy 2014-2020' [2014/C 200/01];
- The conclusions of the recent electricity generation adequacy study report for the Greek interconnected system for 2015-2024, dated November 2014, which was submitted by the system operator ADMIE SA to the RAE [attached]. This study discusses scenarios formed on the basis of the uncertainties seen in the evolution of demand, the development of RES and the structure of the country's production capacity, while it assesses the needs of the system in production availability and flexibility, by using appropriate indicators.
- The detailed discussions held between the RAE and the European Commission/Directorate General for Competition during the period October-November 2014, so that the principles and main provisions of the new mechanism are fully aligned with the above Commission guidelines on State aid.

Moreover, the consultation paper stated that *'the permanent mechanism proposed by the RAE, which will be based on auctions for the purchase of the flexibility services that the system needs, requires complex and careful planning, especially with regard to the numerous technical details that those auctions involve, therefore a transitional mechanism will operate until 31 October 2015 to compensate flexibility. In the context of that 10-month transitional*



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mechanism, the capacity unit price for the provision of flexibility will be determined by decision of the RAE in consultation with the European Commission/Directorate General for Competition which is already examining this proposal and is expected to deliver their decision towards the end of January 2015.

Therefore, based on the consultation paper, market participants expected the implementation of a transitional mechanism until the end of October 2015, which would be replaced by a new mechanism based on auctions. Specifically, in the consultation paper the RAE stated that it had already discussed the proposed mechanism in detail with the European Commission/Directorate General for Competition so that the principles and main provisions of the new mechanism would be fully aligned with the Commission's guidelines on State aid, and participants were expecting the delivery of the decision from the above Directorate towards the end of January 2015.

In informal telephone conversations between ESEPIE members the ADMIE and the RAE in February 2015, we were informed that the permanent mechanism would become effective as provided for by the system management code, since the existing transitional capacity assurance mechanism expired on 31 December 2014 and no new mechanism has been established.

Of course this came as a surprise to our members, since the paper for the 2nd consultation posted on 7 January 2015 (that is after the transitional mechanism ceased to apply) made no reference (as it ought to) to the fact that the provisions of the permanent mechanism would apply until a new transitional mechanism is established.

ESEPIE expresses its total opposition to the application of the permanent mechanism provisions, especially since its key parameters were not timely communicated to the participants.

Finally, significant market disruptions have been observed lately, and therefore ESEPIE requests that a meeting be held as soon as possible for detailed discussions.

Sincerely,

Konstantinos Athanasiadis

Chairman of the BoD