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HELLENIC UNION OF INDUSTRIAL CONSUMERS OF ENERGY



## 13<sup>TH</sup> SE Europe Energy Dialogue

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Greek electricity market

June 7 2022

# Existing structural distortions in the electricity market

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- ❑ Greek electricity market still retains the characteristics of an oligopoly.
- ❑ The energy crisis magnifies the structural deficiencies of the design and of the operation of the market.
- ❑ 100% of the energy passes through the DAM.
- ❑ There is an urgent need to take immediate structural measures on the market, such as the introduction of mandatory bilateral contracts by producers

## 100% of the wholesale prices pass through to the retail

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- ❑ Vertical suppliers, as producers, are now indifferent to the prices they set themselves in the wholesale market, after transferring their risk 100% to their tariffs.
- ❑ This creates conditions for possible price manipulation in the wholesale market.
- ❑ The transfer of their profits from the wholesale market in the form of discounts to their tariffs offered to consumers distorts competition.

## Greek industry found itself unarmed in the crisis

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- ❑ It is not possible for small suppliers and large industries to offset the risk of sudden price changes through bilateral contracts..
- ❑ Since July 2021, the increase in the prices of the Greek wholesale market has passed 100% in the retail
- ❑ In contrary in the rest of Europe today 50% of the price increase has passed and 1/3 of the contracts in the medium-long term horizon, as 50-80% is covered through bilateral contracts.

## Market reform plan needs to be adjusted

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- ❑ There is no possibility of concluding bilateral contracts with physical delivery with producers (also valid for RES PPAs).
- ❑ Demand response is still in demand.
- ❑ The assumption of full balancing responsibility by RES has been postponed to the end of the year.
- ❑ Redispatching ( balancing market ) is still pending, despite RAE's announcement

## Proposed measures

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- ❑ Producers should be obliged to dispose of 50% of their production through bilateral contracts with physical delivery. Development of a forward market.
- ❑ Prerequisite for those RES producers who want to be subsidized with fixed price contracts, to have 50% of their production bilaterally with industry
- ❑ Net metering mechanism for industries in HV.

## Guidance on Article 5 of the Electr. Dir. during current situation

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- ❑ 2. **Reasons to intervene in price setting in response to the current energy market situation.** While the exact impact will differ across Member States, there are several ways in which the current energy market situation with high and volatile wholesale gas and electricity prices may restrict competition and harm customers, including:
  - ❑ preventing suppliers from accessing hedging products or longer term markets that enable them to make offers to consumers;
  - ❑ passing price increases and volatility on the wholesale market directly onto retail markets; - this would mean that the retail market is failing to protect consumers against volatile prices to the extent that those consumers are not able to adjust their demand,

## Spain market reform ????

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- ❑ Some Member States are envisaging temporary measures to subsidise the input costs of marginal power generation technologies (e.g. to introduce a reference price for gas used for electricity production) with a view to lowering prices on the electricity market.
- ❑ Such measures can be designed in a way compatible with EU Treaties, in particular with regard to the absence of restrictions to cross border exports, and State Aid rules.
- ❑ Member States deciding to introduce such measures should also consult affected neighbors and stakeholders, avoid penalising market participants which secured their electricity with forward contracts and determine and monitor the additional gas consumption and increased CO<sub>2</sub> emissions resulting from the intervention.





Thank you