Recent Developments in the natural gas market in Greece

IENE 22nd National Energy Conference – "Energy & Development 2017: Energy Markets in Transition"

23-24 November 2017, Athens

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Greek Natural Gas Market Liberalisation - Background

1. Wholesale natural gas market in Greece was initially regulated by **Law 2364/1995** regarding the import, transmission, trade (supply) and distribution of natural gas in Greece.

2. The first significant step towards liberalisation was the adoption of **Law 3428/2005** on “The Liberalization of the Natural Gas Market“ which transposed the provisions of the 2nd Energy Package.

   → Prior to that, **Law 3175/2003** (Art. 24) which **provided electricity producers with the right to freely choose their supplier** of natural gas also contributed to the gradual opening of the natural gas wholesale market.

3. The most significant milestone was the enactment of **Law 4001/2011**, which replaced in its majority Law 3428/2005 and ensured compliance with the provisions of the 3rd Energy Package, aiming at the completion of the internal natural gas market and the creation of a level-playing field.

4. **Law 4001/2011** was **subsequently amended by Laws 4336/2015, 4337/2015 and 4414/2016** which provide for the full liberalization of the natural gas market in Greece.

*1. Opening of the **wholesale** natural gas market in Greece*

Milestones towards opening of wholesale natural gas market

1. **Unbundling of transmission activities from production/supply activities → In Greece, this was already achieved in 2007, when DEPA unbundled its transmission arm.**

   → **Law 4001/2011 imposes obligation for unbundling of transmission activities through** the 3 options of OU, ISO and ITO model.

   → **Greece opted for the ITO model for DESFA.**

   → DEPA had proceeded**, already in 2007, to the legal and functional unbundling of its transmission arm**.

   → Specific provisions of **Law 4001/2011 ensure the effective unbundling of DESFA (Supervisory Board, Compliance Program, Compliance Officer**) under RAE's constant monitoring.

2. **Widening of the "Eligible Customers" category**

3. **More quantities of gas available on the secondary wholesale market through auctions**

   →Suppliers and Eligible customers can procure natural gas at very low cost due to **DEPA's gas electronic auction program** through which DEPA makes available at the market a certain percentage **of the total quantity** DEPA supplied to its Customers during the year preceding the auction.

Milestones towards opening of wholesale natural gas market

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4. **More flexible downstream contracts -vs. the non-flexible upstream long-term contracts- allowing customers to better plan and adjust their commercial strategy to their real needs.**

5. **Increased network capacity**

→According to RAE, **capacity** of the transmission network in Greece is **3 times larger than total gas consumption needs** (amounts to approx. 9 bcm).

→The **upgrade of the LNG terminal in Revithoussa** island will further increase the existing capacity (by 95,000 cubic meters).

→**Increased capacity at entry points**.

→In 2017, **DEPA's total reserved capacity** at "Kipoi" and "Sidirokastro" entry points does not exceed 55% and 67% respectively of the respective total capacity, while at the "Agia Triada" entry point (Revithoussa – LNG Terminal) DEPA's maximum reserved capacity does not exceed 40%.

→**New PCI projects** in the region (i.e. IGB pipeline, Alexandroupolis FSRU, East Med, IGI pipeline, compression station at Kipoi as part of TAP's Greek section) **will further increase capacity** and **will allow new players** from the wider region **to enter the Greek market** as well as Greek players to have cross-border activities.

→**Reverse flow** of natural gas from Greece to Bulgaria at the Kulata-Sidirokastro IP will also promote bilateral trade and security of supply in Southeastern Europe.

*2. Opening of the **retail** natural gas market in Greece*

Milestones towards opening of retail natural gas market

1. **Retail market in Greece will be fully liberalized as of January 1st, 2018.**

2. **Completion of legal & functional unbundling of distribution activities from supply activities of VIU by January 1st, 2017.**

3. **Widening of the "Eligible Customers" category** (all customers will be eligible as of 1/1/2018)

Milestones towards opening of retail natural gas market

4. **End to EPAs' and DEPA's exclusivity**

5. **Creation of a level-playing field & opportunities for new players.**
   - → **Increase in the number of market players holding a license for the supply** of natural gas (up to date: over 30 supply licenses)
   - →**EPAs can now freely choose their supplier** for the quantities destined for their Eligible Customers.
   - → Numerous press releases on **new players' entry into the market and plans of more to enter** (inter alia via combined product offers), **even companies which are not active at all in the energy sector (e.g. telecoms companies).**

6. **Secondary law and regulatory framework** has significantly contributed to the opening of the gas retail market and in the coming months more decisions/codes/regulations are expected to be issued regarding i.a. the Natural Gas Supply Code, the Licensing Regulation.

Full liberalization is a process in progress.
Natural gas market in Greece is already a liberalized market, open to competition, offering multiple opportunities for existing and new players in the region.