

*Energy prices, consumers and market stability. In search of a viable equilibrium. A synthetic approach to the Greek market case study*

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# ELPEDISON SA

ELPEDISON is a leading company in Greece, both in electricity production and supply, and gas supply.

It aspires to always be one of the most important players in its sector, offering energy services of the highest quality, at competitive prices, with stability and consistency.

Two privately-owned, natural gas fired combined cycle power plants  
Over 350.000 clients in the supply of electricity and natural gas

Solid shareholding structure:  
HELLENiQ ENERGY HOLDINGS SA 50%

EDISON SpA 50%



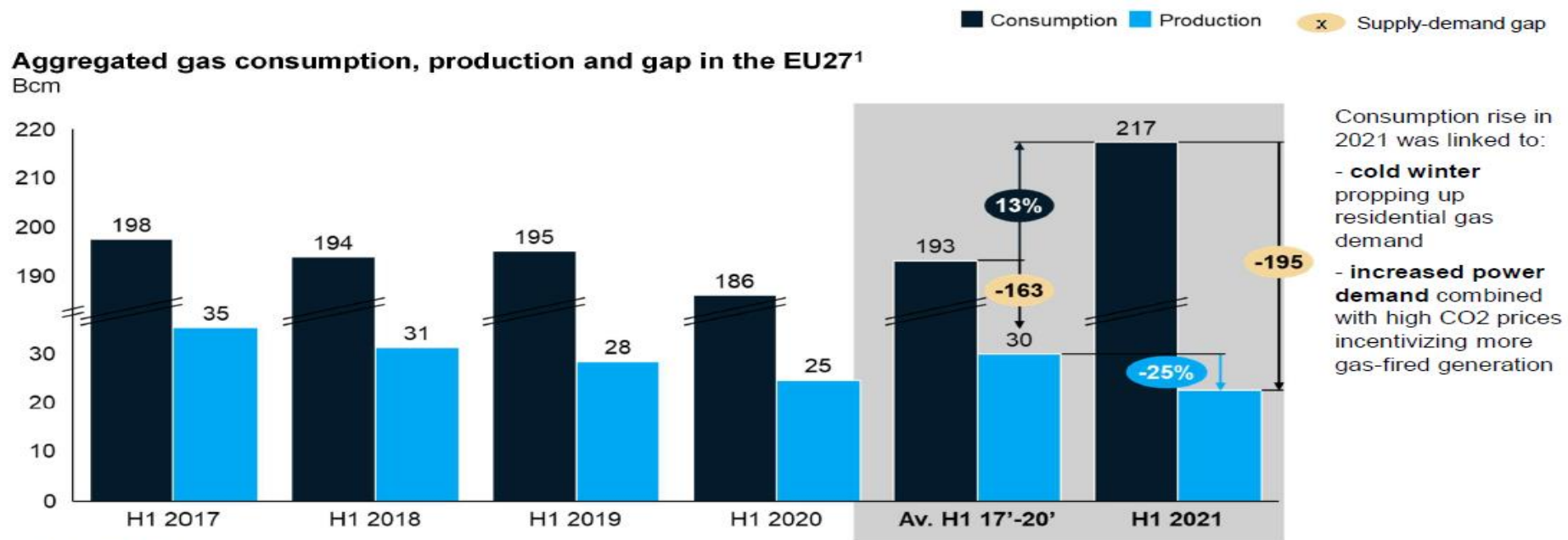
# An overview



- Greece – full scale part of the EU energy market – Target Model mechanisms active since November 1<sup>st</sup>, 2020
- First signs of the energy crisis – start in 2021
- Energy companies face increased wholesale prices
- NG global prices increase
- Enhanced consequences by the war between Russia and Ukraine
- The readjustment clause in energy contracts
- The state reaction

# NG prices increase in 2021 – debate about the roots of the problem

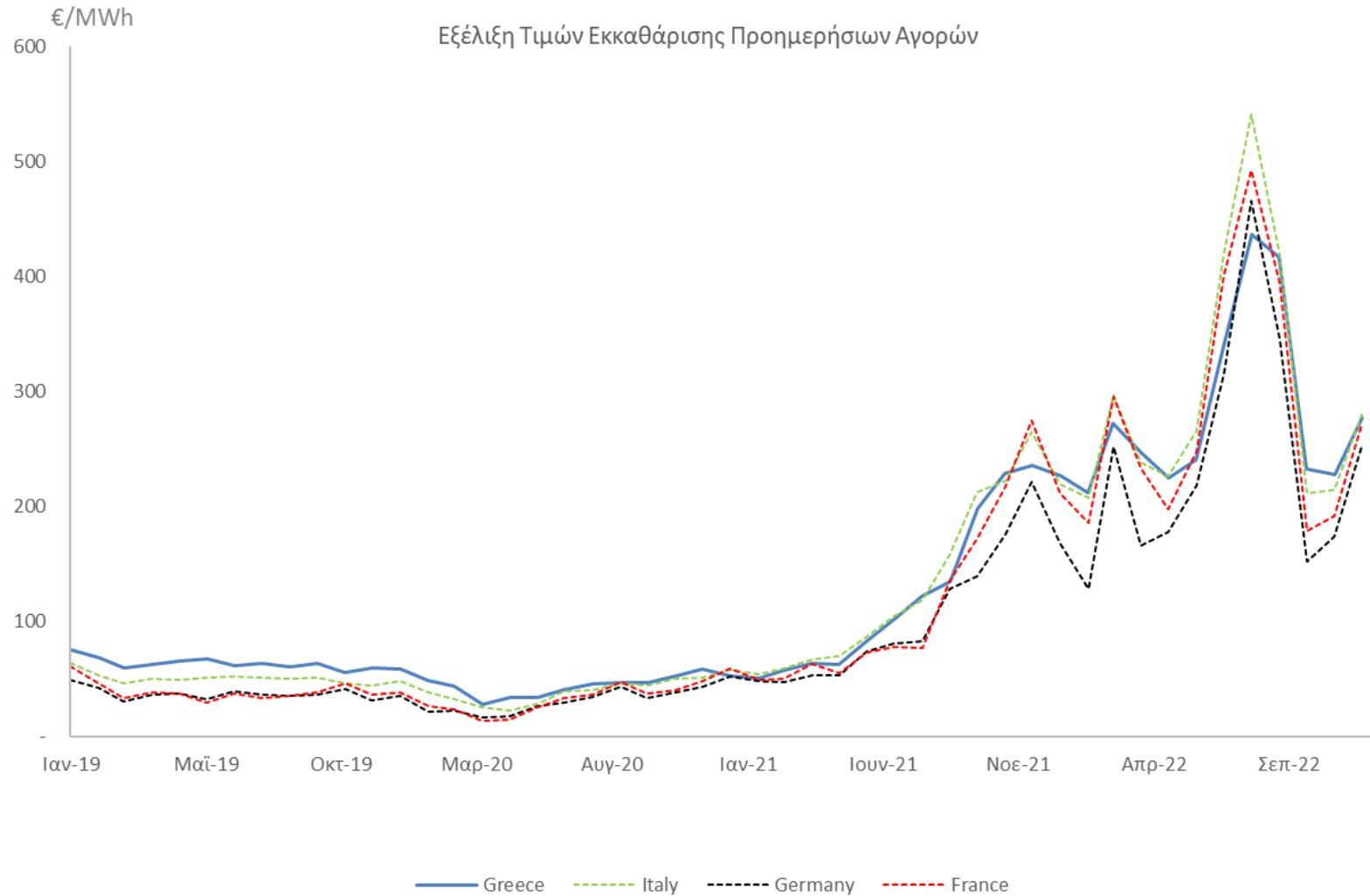
H1-2021 Increase of natural gas needs by 30 bcm



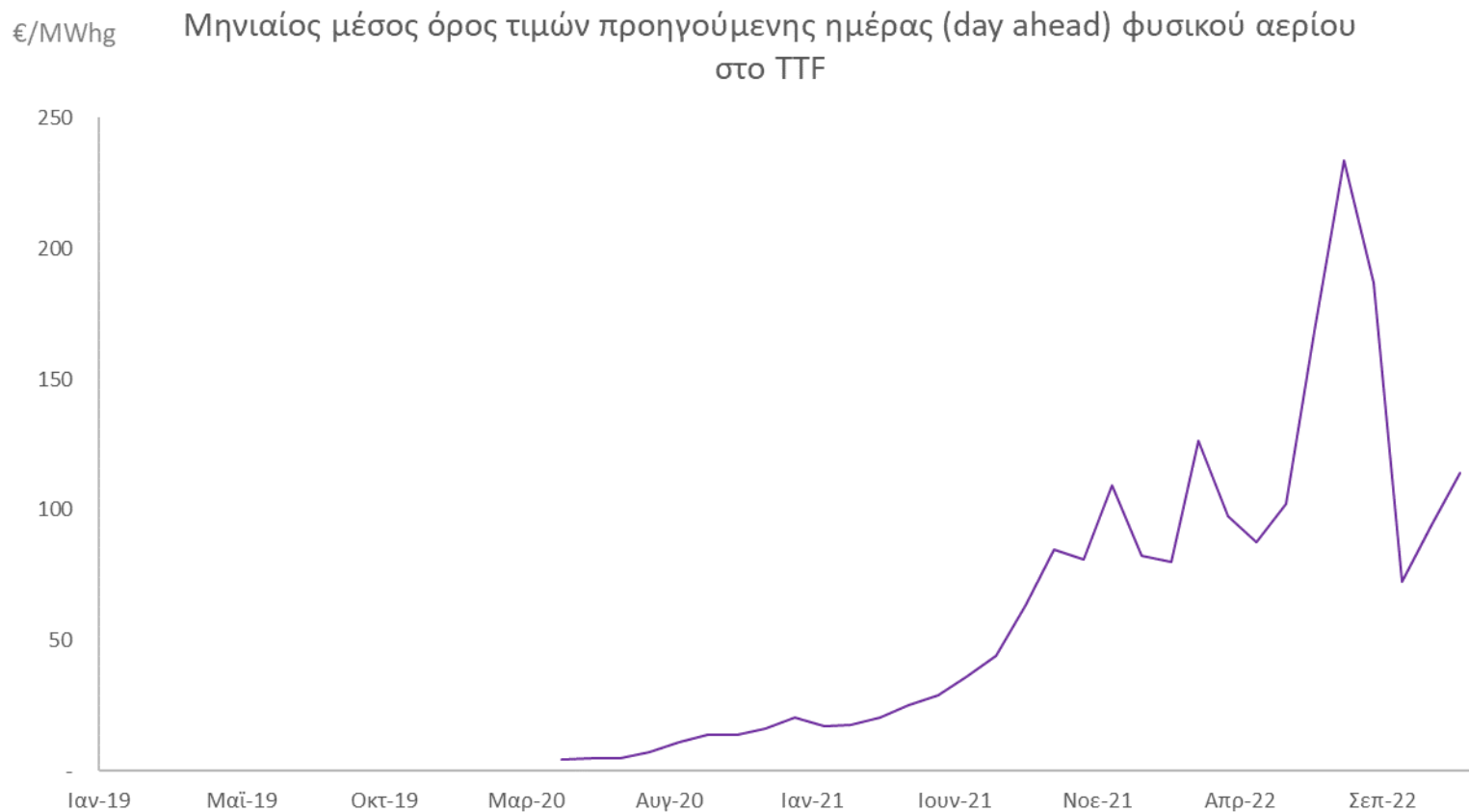
1. EU27 excludes the UK

Source: EUPipeFlow by McKinsey Energy Insights, ENTSOG

# 2019-2022 Day-ahead electricity prices evolution GR, ITA, GER, FR



# 2019-2022 NG Day ahead prices in TTF



# Legislative & Regulatory response



- Law 4839/2021, art. 61, creation of the “Energy transition fund” – “**TEM**”
- Sources: Special RES Account, regulatory levies on the production market, state budget
- Under legislative authorization, series of Ministerial decisions have completed the framework
- Special levies on the production market. Special levy on the gas used in gas turbines
- Law 4951/2022 introduces a cap in the wholesale el. Markets (day-ahead, intra-day). The Regulator calculates the cap per technology on a monthly basis.
- Law 4951/2022 introduces the Suspension of the re-adjustment clause – intervention in the retail market organization
- Extraordinary taxation on producers and suppliers (alleged “windfall profits”)
- Introduction of special supply security measures (Preventive Action Plan – “**ΣΠΑ**”)

# Funding the *TEM*: Extraordinary taxation upon the production sector



## Extraordinary taxation of electricity supply

On 27.05.2022 has been adopted Law 4936/2022 (National Climate Law) – where within its framework art. 37 has introduced the adoption of an excise tax levy has been imposed to the electricity producers (thermal and RES) – having as base the increase of the gross profit margin from the participation to energy markets – for the period 01.10.2021 – 30.06.2022.

Pursuant to the results of the adopted methodology – the considered as extraordinary, have been taxed by 90%

The final import has reached €344M, as announced in March 2023



# Funding the *TEM*: Wholesale electricity market level

## Regulated operation of the wholesale electricity markets

Pursuant to Art. 122 of Law 4951/2022 has been created a Temporary Mechanism for the Return of Part of the Day Ahead Market Revenue, from 1 July 2022 until 1 June 2023. The mechanism may expire earlier.

A price cap is set per technology, based on production costs and a reasonable profit margin.

Initially pursuant to Law 4994/2022 a €10/MWhg levy on natural gas used for electricity production has been imposed. On 02.03.2023 pursuant to Law 5027/2023, the above levy has been replaced by a 5% on the TTF month-ahead price, corresponding on the NG volumes consumed.

# Funding the *TEM*: Extraordinary taxation upon the supply sector

## Extraordinary taxation of electricity supply

- On 18.11.2022, Law 4994/2022 established a Temporary Mechanism for Returning Part of Revenues of Electricity Suppliers (Article 40). This is an extraordinary tax levy based on "excess revenues" in the domestic retail electricity market. On 02.03.2023, Law 5027/2023 amended the provisions for the extraordinary taxation of electricity supply with improvements on the Law's provisions
- Duration 01.08.2022 – 01.07.2023 (same as the quasi-regulated operation of the retail market).
- The law introduces the concept of the "*Reasonable Maximum Retail Price (RMRP)*", based on the average cost of electricity supply, plus a reasonable maximum profit margin. The RMRP takes into account the percentage of power system losses, operating costs and contingencies.

# Retail market level – intervention upon the contractual link. Suspension of the re-adjustment clause

## Retail Market intervention

Article 138 of the Law no. 4951/2022 (04.07.2022) establishes a transitional emergency mechanism in the electricity supply sector to mitigate the economic consequences of the energy crisis

During 01.08.2022 – 01.07.2023, re-adjustment clauses in retail tariffs do not apply. The mechanism may expire earlier, under the condition that the Wholesale Mechanism (cap) also expires earlier.

Until the 20th day of month (M-1) before the month of application (M), Suppliers upload in their websites the flat fees and electricity tariffs applied to supply invoices.

Throughout its duration the change of supplier as a result of a tariff change does not imply any compensation right of the supplier due to early departure.

Variable tariffs formed after negotiation between customer and supplier (B2B) may still be offered.

The Athens Multimember Court of First Instance – (Judgment 68/2023) declared the in principle legality of the re-adjustment clause (first judgment in a series of expected)

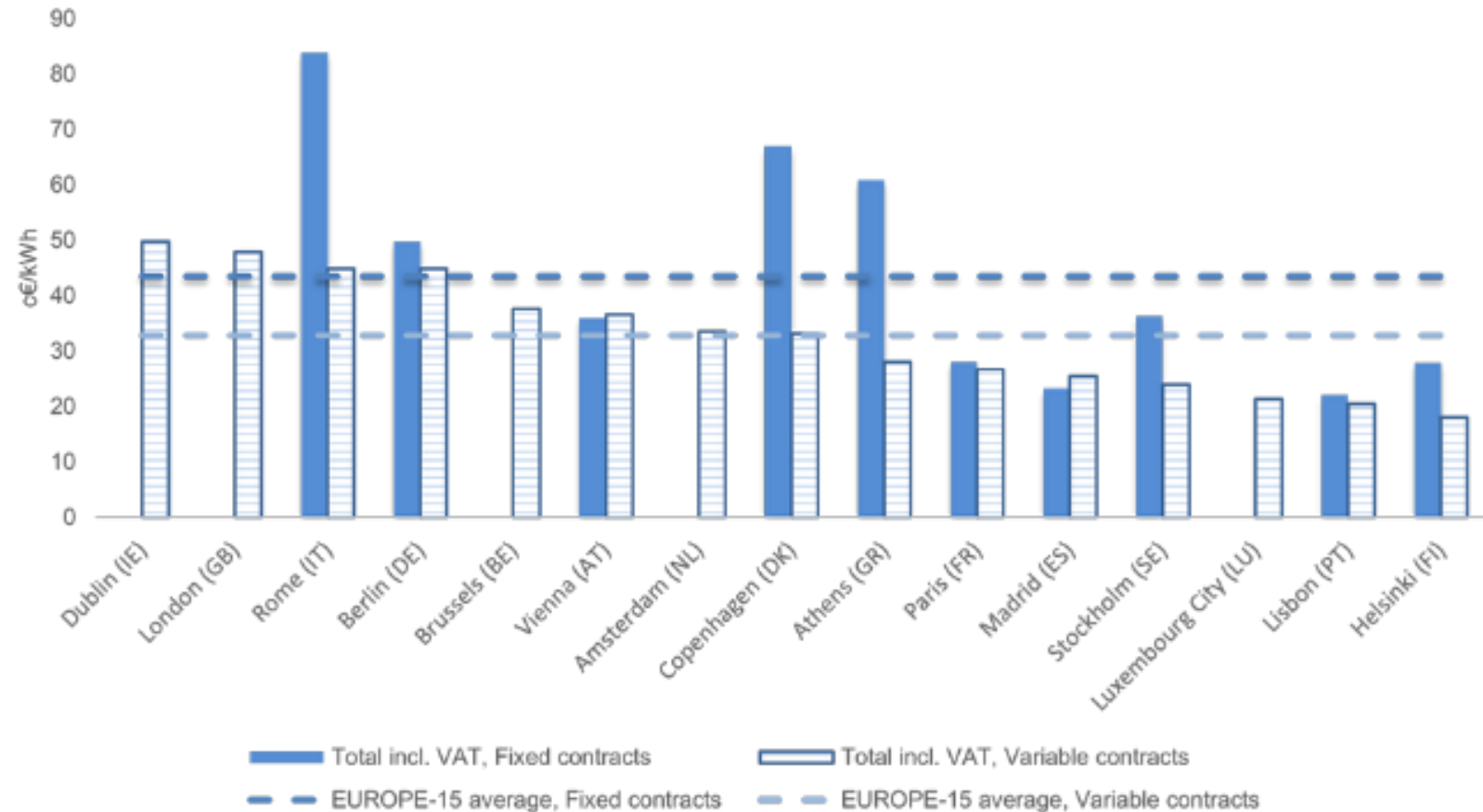
# Perspectives – critics – open dialogue

- Energy crisis => extraordinary situation => extraordinary measures
- Hellenic Republic has shown rapid reflexes
- Pricing has remained at affordable levels
- First year of operation of the TEM=> 8,5 Billion€ / out of which only 1,6 Billion€ has been provided by the State Budget
- Return to normality => lifting of the extraordinary measures
- Market should be left to manage its function
- Variable pricing has proven to be more cost oriented and more fair

# Variable vs Fixed tariffs comparison



All-in electricity end-user price including VAT (c€ / kWh)  
February 2023 (EUR-15, average fixed VS variable contracts)



Source: *Household Energy Price Index (HEPI)*

# Perspectives – critics – open dialogue

## In search of a viable equilibrium

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- European market has proven to be resilient
- Reexamination of the diversification of NG supply
- Rediscover the EU energy law fundamentals => security of supply, consumer protection – just balance
- Just balance between thermal units and RES
- Reintroduce the capacity market – NG power plants offer precious flexibility – i.e. secure the supply
- In constant search of the *viable equilibrium*

*Thank you,  
Merci,  
Bedankt,  
Grazie,  
Gracias,  
Danke,  
Σας ευχαριστώ,*



elpe<sup>d</sup>ison