

UNOFFICIAL TRANSLATION FROM GREEK

To

RAE

132 Peiraios Ave.,
118 54, Athens
Attn: Mr. President, Dr. N. Boulaxis

Cc

Hellenic Energy Exchange

110 Athinon Ave.
104 42, Athens
Attn: Mr. M. Phillipou, CEO

SUBJECT: RAE's Public Consultation on Hellenic Energy Exchange's (HENEX) recommendation to modify Article 41 of the Transactions Code for Auctions of Electricity Forward Products

Athens, 26.10.2018

Dear Mr. President,

The Hellenic Association of Independent Electricity Companies (HAIPP) systematically participates with proposals in the public debate on the substantial liberalisation of the retail electricity market. From the outset of this debate, the HAIPP has expressed the view that the auctions of electricity forward products could help to open up the retail market only as a transitional tool. Given the implementation of this tool so far, the evolution of the dominant company's retail market share differs fundamentally from the milestones clearly set out in Greek law, i.e. Article 135 of Law 4389/2016, which requires that the specific regulatory parameters be redefined or otherwise improved so that the auctioning tool for forward products can effectively serve its original and basic goal, i.e. the development of competition in Greece's retail electricity market.

In this respect, HAIPP agrees with RAE's finding that the products auctioned in the previous auctions are not always used to contribute to the further penetration of Alternative Suppliers in the retail market. Therefore - as is also rightly highlighted in RAE's letter - the existing regulatory framework needs to be amended to ensure that the key obligation of the Participants in the Auction System for Electricity Forward Products, i.e. the Alternative Suppliers' commitment to develop their retail market (see point 2.1.2 of the KYSOIP Decision 85/2018, Government Gazette B 2266 / 15.06.2018).

From the above point of view, HAIPP believes that HENEX's recommendation, which is under consultation, is in the right direction. Besides, by modifying the Day-Ahead Schedule's (DAS) Supplemental Settlement and focusing on the following points:

- Compliance with the same terms and conditions for Eligible Suppliers and Traders to participate in the Primary and Secondary Market,
- observance of the same terms in DAS' Supplemental Settlement for all Electricity Forward Products

Auctions for Forward Products and Monthly Forward Sub-products, which have been conducted up to the approval's date of this recommendation by RAE,

- Importing an Export Rate [XDAS(m-1)] that continues to benefit from the use of Monthly Forward Sub-products in the DAS' Supplemental Settlement
- Adopt a transitional adjustment period in which someone who holds Forward Products and Monthly Forward Sub-products from auctions that have been conducted until the recommendation's approval can fully export them taking advantage of their value,

HENEX's recommendation allows Eligible Suppliers and Traders to gradually modify their business plans in order to fulfill their obligation to develop their retail market shares without endangering their viability.

At the same time, the large divergence between the Alternative Suppliers' present market share (ca. 20%) and the one (ca. 36%), which is foreseen for the present time by Law 4389/2016, and the very short time remaining to reach the Alternative Suppliers' retail market share final target (ca. 50%), calls for a drastic change in the Base Load Variation's Tolerance Margin. HAIPP believes that this Tolerance Margin should be determined, with a RAE's decision, at a percentage significantly higher than the current price, i.e. at least 75%, in order to allow the rapid development of Alternative Suppliers low-voltage market shares.

Finally, our Association considers that the recommendation, which is under consultation, should be supplemented with the reasonable provision that any advance payment as well as the prepayment of the quantities finally cleared through System Marginal Price (SMP) -in the framework of this Supplemental Settlement- should be returned to the Eligible Suppliers and Traders.

Sincerely,

Giorgos Stamtsis
General Manager