UNOFFICIAL TRANSLATION FROM GREEK

To:

Regulatory Authority for Energy

SUBJECT: Public Consultation regarding the evolution of the Variable Cost Recovery Mechanism

Athens, 16/03/2015

Dear Sirs,

Procedures and decisions related to the Variable Cost Recovery Mechanism are a characteristic example of the deviation of the Greek electricity market from a path towards a rational maturity and gradual integration in the internal energy market. The Regulatory Authority for Energy announced in August 2013 a complete package of measures for the actual liberalization of the electricity market, but in the period lapsed since then, the only moves made contribute to the empowerment of the monopoly and the extinction of even this limited competition in power production.

With the decision of RAE for the abolition of the Variable Cost Recovery Mechanism on July 1st of 2014 (and we highlight that we refer to the core mechanism and not in other regulations that had been abolished with earlier decisions of the Regulator) and its non-replacement with another mechanism of similar purpose, the Greek market became the only market worldwide which operates with a mandatory pool model, but lacks a cost/bid recovery mechanism.

This decision created a de facto confiscatory and exceptionally problematic market, where participants – apart from the fully integrated dominant incumbent – are forced, following orders by the TSO, to operate with losses. The implementation of the Study that RAE itself had announced in March 2014, aiming to examine the impacts from the then imminent abolition of the Variable Cost Recovery Mechanism, would have had indicated obviously this crucial issue.

The Greek electricity market should return to a path towards convergence with the maturity level of the rest of the European market, but also with the fundamental practices applying in other competitive markets operating worldwide under the mandatory pool model. For this reason, in the current public consultation it is important to highlight the best available solution and the most suitable for implementation in the Greek market's conditions, in order for the confiscatory character that the Greek market had adopted over the last months, to cease to exist.

With regards to the proposal submitted by the Regulatory Authority for Energy for public consultation, we view that the alternative solutions examined have respective merits but also aspects that have to be further elaborated, in order for the implementation of whichever solution is selected to be able to lead to the best positive results for the entire Greek electricity market.

The member-companies of HAIPP will submit to the public consultation in more detail technical proposals, which our Association supports on principal.

Sincerely,

Anastassios Kallitsantsis

President