

UNOFFICIAL TRANSLATION FROM GREEK

To

RAE

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

Cc

ADMIE

89 Dyrachiou & Kifissou St.
104 43, Athens
Attn: Mr. Chairman & CEO, Dr. M. Manousakis

SUBJECT: RAE's Public Consultation regarding ADMIE's proposals relating to the establishment and launching of the Transitory electricity Flexibility Remuneration Mechanism (TFRM)

Athens, 27.08.2018

Dear Mr. President,

Within the context of public consultations and discussions, the Hellenic Association of Independent Power Producers (HAIPP) has repeatedly stressed out the need for a well-designed and organized available capacity/flexible capacity market in our country. In a longer perspective, available capacity/flexible capacity market will act as the necessary supplement of energy and ancillary services markets by creating adequate and sufficient economic signals for the development of the necessary infrastructure (i.e. generating units, demand response and electricity storage systems, and, of course, transmission networks). Apart of that, the available capacity market in our country, as well as in other regions of Europe, is a necessary condition for the security of supply.

This position of HAIPP appears to be a common place in our country, although market participants and competent bodies treated it with skepticism and reluctance in the past - despite the fact that integrating available capacity market in the holistic design of electricity markets is becoming a reality in numerous European regions. During the sixteen months that have elapsed since the expiry of the previous transitory flexible capacity availability mechanism in our country, the European Commission has approved the implementation of some 10 available capacity mechanisms - in various forms - in several European countries, such as in France, Italy, Poland and Ireland. This trend is likely to continue and be further strengthened over the next years due to the commitment of the EU countries to reduce greenhouse gases by 40% in 2030 compared to 1990 and the participation of renewable energy sources by 32% in the coverage of final gross demand. Those two objectives entail a very high penetration of renewable energy sources, mainly of fluctuating production and very low variable cost, into the energy mix of electricity generation, and, combined with other historically established characteristics of the electricity sector, such as political sensitivity to the appearance of very high prices once in a while on the wholesale market, they make it necessary at the moment or they will make it in the near future to establish available capacity markets in

many regions of the European Union.

In this context, the Hellenic Association of Independent Power Producers expresses its satisfaction for putting in public consultation the long awaited texts, the adoption of which is necessary regarding the implementation of the market-oriented available flexible capacity mechanism which has been approved by European Commission on 30 July 2018. We also hope that the competent bodies in Greece will promptly implement –and without any further doubts- this mechanism and proceed with the planning for the permanent available capacity market which shall be operational as of 2020. We believe that the complete status of the regulatory framework under consultation, as well as the existence of the necessary infrastructure allow the first auction procedure to take place within the first ten days of September 2018 so as not to waste any additional valuable time. This shall signal to the market and potential investors the determination of the State and the competent authorities to include from now on and without any discontinuity the available capacity market of any form in the overall planning for the reform of the Greek electricity market and its integration into the single, coupled and adequately interconnected European electricity market.

With regard to the specific points of the draft amendment to the Grid Code and the draft of the Auction Regulation contained herein, HAIPP's remarks are as follows:

- 1) Grid Code, Article 298: It should be clearly stated that the Contractual Period of Provision of Flexibility Services of the first auction expires on the day preceding the Effective Day of the Provision of Flexibility Services of the second auction and so on. This will ensure that no time gap is created in the implementation of the approved measure. We think that the sixteen-month period that has elapsed without a capacity market, as well as the resulting significant economic impact on available flexible capacity providers, constitutes a sufficient reason to avoid any new time discontinuities.
- 2) Grid Code, Article 301: The penalties imposed in accordance with paragraph 6 of this Article should be proportional to the excess portion when the F-factor exceeds 10% and not proportional to the total percentage of F. Otherwise, we have a penalty system which lacks any sense of proportionality, where, for example, a unit with a value of $F=9,99\%$ will be subject to zero sanction, while a unit with $F=10,01\%$ will lose 10,01% of the compensation to which it is entitled. In addition, HAIPP considers that the Transmission System Operator (TSO) shall keep Flexibility Service Providers informed on the F1, F2 and F3 rates on a monthly basis.
- 3) Grid Code, Article 296. In order to avoid any misinterpretation and contradiction, a sub-paragraph should be added in paragraph 8 of this Article specifying that the Grid Code prevails over the Auction Regulation.
- 4) Auction Code, Section 2: In the definition of the Provision of Flexibility Services Contract, it should be specified that it produces results which are valid from the day of the auction's conduct without being subjected to any type other than the registration in the Flexible Providers' Record and the auction results' awarding .
- 5) Auction Code, Section 4: We believe that the deadline for submitting an application for registration in the Flexible Providers' Record may be shortened from ten to eight business days prior to the date of the auction's conduct.
- 6) Auction Code, Section 5: We believe that the reference at the end of point 5.1 as regards to the notice to interested parties on the date of the auction's conduct twelve calendar days prior to the auction may

be omitted for the sake of the procedure's simplification and acceleration; Informing interested parties will take place through the foreseen publication of the Invitation on ADMIE's website at least 5 business days prior to the auction conduct date. This publication is a reasonable and adequate form of informing the interested parties.

- 7) Auction Code, Section 5: In point 5.5. a sub-paragraph should be added stating that, in case of auction's postponement, the new date for the auction conduct cannot be later than seven calendar days from the original date.

Sincerely,

Giorgos Stamtsis
General Manager