

MAIN POINTS OF THE SPEECH BY MR. GEORGE PERISTERIS

1. Most of the speakers who took the floor before me have already made references to the proposed, for the umpteenth time over the past 15 years, deregulation of the domestic energy market, particularly of the long-suffering electricity market, and its gradual adaptation to the European Target Model, as well as the realisation of the necessary reforms. A very important ingredient in this critical course, an element of immense developmental added value for the country's economy but which has been confronted long-term and by all governments in a fragmentary way, with a lack of comprehensive and valid information, I would say with bewilderment and spasmodically is, of course, renewable energy sources (RES). Now more than ever before, the need for comprehensive planning and effective application, using careful, well researched and structured steps, of a new framework for the support of RES in Greece is more important than ever. A framework which will be compatible with:
 - (a) Current, as of July 2014, EU Directives for State Support in the Energy and Environment sector,
 - (b) Relevant (time and planning) forecasts defined in the recently ratified by the Greek Parliament new agreement between Greece and the institutions (Law 4336/2015), and
 - (c) The European Commission, approved since 2010, National Action Plan for RES and the individual targets per RES technology.

This new framework for RES must ensure, beyond the aforementioned compatibility with national and European commitments, investment stability and financial sustainability of new projects in the RES sector, a sector that has been hit, almost irreparably by deep economic recession and the massive difficulties in access to all forms of funding (banks, NSRF, development law), but also by the drastic, in a negative way, changes that have occurred in the institutional and operational framework of existing RES projects ("New Deal" – Law 4254/2014), high deficits of the RES Special Account, significant delays – over 4 months – in RES producer payments, capital controls, etc.).

2. The combined result of all these adverse factors is the massive negative divergence that exists for all RES technologies except photovoltaics, between their current installed power and the respective intermediate (for 2014) but also final (for 2020) quantitative targets for the National Action Plan for RES (NREAP). For example, while the country's binding target for 2020 includes, according to the NREAP, the installation of 7500 MW of wind farms, to this date (September 2015) only 2100 MW have been installed, in other words a lot less than the NREAP target for wind farms for 2014 which was 3700 MW (!). The average annual growth rate of the installed power of wind farms in Greece for the period 2009-2014 was just 145 MW/year. If this rate remains at roughly the same levels as previous years, only 2800-3000 MW of wind power will have been installed by 2020. A total wind power that is recorded in the most conservative forecasts by the Operator but which remains almost 3 times below the officially calculated target of 2020 (7500 MW).
3. A basic precondition for the successful implementation of the new support framework for new RES projects, according to article 3.3.2 of the Directives is the existence of measurable and substantive competition in the domestic electricity market, which is not currently the case, and, at the same time, the establishment of an intraday market with satisfactory liquidity which will make possible, for example, the ownership of obligation balancing by new RES stations. Therefore, the implementation of the new support framework must be gradual (with a suitable transition period) and must be coordinated, timewise and in its planning, with the relevant calculations in the new agreement between Greece – institutions (Law 4336/15). Article 4.3 notes:
"... the authorities will begin the implementation of the road map by following the EU Target Model for the electricity market which will have to be completed by December 2017 (key deliverable)...".

4. At the core of the new electricity support framework for power produced by RES stations (in this case new projects) will be the mandatory sale of the total of this energy to the day-ahead market at a representative price formulated hourly within this market. The total reimbursement for the RES produced will occur with the additional payment beyond the market's top price, of a market premium (€/MWh) so that the final price of the electricity produced always reaches the administrative predefined (at least during the early years of implementation) "reference price or strike price which will be different for each RES technology." This is the well-known sliding Feed-In Premium (sFIP) system already implemented in several EU countries. sFIP is a relatively easy system in its implementation and administration which offers satisfactory predictability and security for the planning of new projects by investors, while it also introduces electrical energy from RES to the daily wholesale market and at the same time it reduces its exposure to drastic ripples of the limit value due, mainly, to external factors beyond the control of RES producers.
5. Over the first years of the implementation of the new system the reference price will be defined administratively, via ministerial decision. This price, which will be different per RES technology, will reflect the average power production cost for a specific RES technology by taking into account the following parameters:
 - Adequate IRR and corporate risk margin which can act as a sufficient motive for the planning, development and realisation of new RES projects, given the country's current (negative) financial conditions particularly for RES technologies whose installed power is way behind respective national RES targets for 2020 (wind power, small hydroelectric, and others).
 - Increasing average reduced investment cost (CAPEX, €/KW) and the diluted average capacity factor for RES technologies dependent on location (e.g. wind farms), because of the gradual saturation of available locations with easy access and high capacity factor.
 - The additional administrative costs for RES producers from their direct participation in the daily market (cost of balancing market services, administrative expenses connected to power transactions in the wholesale market, etc.). These costs must be covered by a management premium, beyond the market premium.
6. At least during an initial transitional period the responsibility (and cost) of balancing must remain with IPTO (ADMIE) until an intraday market is established in Greece. This must have satisfactory liquidity and strong competition free of the current distortions and monopoly conditions; it must be a market that makes the undertaking of balancing responsibilities by new RES stations possible and financially viable. Clearly, in this case the full cost of balancing services must be taken into account in the administrative definition of the sFIP reference price.
7. In reference to the funding of the new RES support system, it is clear that what is required is a distinct support mechanism (special account) for projects entering sFIP rather than the one currently in place for projects that will remain in FIT. This new mechanism must be free of current distortions and free from calculations that significantly diminish the value of power from RES which suppliers get from the System and which artificially increase the deficits of the Special Account creating the need for continuous increases of the Special Greenhouse Gas Emissions Reduction Duty (ETMEAR). Debts to HTSO, high duties and taxes on electricity bills create an explosive mixture of inability by customers to pay their bills and continually increasing debts mainly towards PPC, creating financial asphyxiation to this state company that forms the central pillar of stability of the country's entire energy system. The financial pressures on PPC are transferred onto all the other links in the country's energy chain (HTSO, IPTO, producers, suppliers, etc.), threatening the system with complete collapse respectively (or perhaps even worse) of the one experienced (and avoided literally at the last moment) in 2012.

At this critical moment it is the State's crucial duty as main shareholder, as I have emphasised on every occasion and as both the chairman of the Greek Association of RES Electricity Producers and as president of the GEK-TERNA Group, to support in every way and by every possible measure the immediate capital reinforcement, financial sustainability, consolidation and growth potential of PPC, by reinstating the public power corporation's financial balance and reliability for the benefit of the entire national economy. A strong, effective and profitable PPC is a necessary condition that can ensure stability, financial health and the smooth and effective operation of the entire energy sector in Greece.

8. Just how undervalued the real value of electricity produced by RES that is effused into the country's electrical system is, is proved in the recent (January 2015) research by the Council of European Energy Regulators (CEER) which relates to the comparative review and evaluation of RES (and energy efficiency) support systems implemented in various European countries. The basis of this comparative review are the accounting data compiled from national Operators and Regulators for the years 2012 and 2013 while the control medium is the numerical difference for every country and RES technology, between on the one hand the average wholesale electricity price and, on the other, the kWh price offered to RES producers (FIT or FIP). This difference, according to the CEER is the actual quantitative measure of the subsidy RES technologies receive in every country.
9. Based on IPTOs accounting reports for 2012 and 2013, the weighted average electricity price for suppliers active in the wholesale market of the Interconnected System was 83.2 €/MWh in 2012 and 70.5 €/MWh in 2013, when respective weighted prices for DAS was 59.1 €/MWh in 2013 and 43.5 €/MWh in 2013. It should be noted that the aforementioned weighted average electricity supply prices for the wholesale market which has been used for years for the calculation of the level of utilities fees paid by Greek consumers, is defined by taking into account the cost the occurs for the suppliers of electricity from the entirety of the wholesale market mechanisms and, specifically, the Marginal System Price, the Marginal Deviations Price, other surcharges (such as Special Consumer tax, Variable Cost Recovery Mechanism cost, Auxiliary services purchase, and others) as well as the Sufficient Power Safeguard Mechanism.
10. According to CEER calculations Greece present the third lowest rate of real subsidy (in €/MWh) in the whole of Europe and for all RES technologies except photovoltaic while at the same time it has the highest electricity supply cost from the wholesale market in Europe.
11. All the above illustrate that in order to avoid the mistakes of the past in the underestimation of the real value of the electricity produced by RES and, as such, the "hidden" subsidy of the cost of the competitive part of the invoicing of suppliers from the RES Special Account, to the detriment, ultimately, of the Special Duty of Greenhouse Gas Emission Reduction (ETMEAR) and Greek consumers, the only rational solution is the incorporation of ETMEAR in the suppliers cost. As an integral element of the cost of electricity (and specifically its production cost), which suppliers sell their customers (end consumers) the ETMEAR should be incorporated into the competitive part of electricity bills since by its nature it is an electricity cost and consequently supply cost. As such it is the exclusive responsibility of the suppliers to collect it from their customers and attribute it, entirely to HTSO as payment for the electricity they have already received from it, which includes RES electricity. In every case, the commercial risk of suppliers in their contractual relationship with their customers clearly relates to the total kWh they sell them, whether they come from lignite or hydroelectric or imports or RES. Cherry picking by suppliers of only part of this risk and specifically only of the risk that relates to conventional kWh is inadmissible logically, methodologically and energy-wise.