

**Speech by the General Director of Hellenic Association of  
Independent Power Producers (HAIP), Dr George Stamtsis,**

Ladies and gentlemen good afternoon.

The Hellenic Association of Independent Power Producers represents the largest private companies involved in the production and supply of electrical energy which were formed through the collaboration of Greece's 5 largest energy groups that incorporate companies that are leaders in the international arena. HAIP member-companies have realised investments worth EUR 1.5 billion in 6 state-of-the-art, efficient electricity production units using natural gas, adding over 2,500MW of available power to the System.

I emphasise the term available power because in public discussion in Greece there is often the pacifying misconception of evoking installed power when talking about power sufficiency and supply security. It would of course be correct to measure the Electrical System's readiness to face all types of difficult situations (such as peaks in demand or rapid fluctuation due to variable RESs) based on available power.

The impressive penetration of RESs has indeed contributed to the important increase of total installed power in Greece which is already near 17,000MW on the Interconnected System. However, the power available to the Operator at every given moment, the available power in other words, is just over 10,000MW.

Because of the financial crisis, demand for electrical power has shown a decline over previous years mainly, of course, during the early period and had not increased as expected before the start of the economic recession. Respectively the demand peaks over the hot days of the summer and cold days of the winter decreased and these are the days of interest when speaking about power sufficiency. Contrary to overall demand, demand peaks recovered to almost pre-recession levels while in July 2015 and amidst capital controls, maximum demand touched almost 10,000MW.

If we look at the facts in good faith and carefully, we will ascertain that we cannot in any way talk about power surplus; this can be further confirmed by ADMIE whose recent study for the years 2015-2024 concludes that the Greek electrical system will face increased sufficiency needs already by 2016.

The activities of the HAIP member companies in the Greek electricity market did not only contribute definitively to end black-outs thanks to their available power.

HAIP member companies were and remain catalysts for the opening of the electricity market in Greece and its intrinsic deregulation.

A. Deregulation of the electricity market

I spoke about intrinsic deregulation because, let us not kid ourselves, we are long way off the definition of the Greek electricity market as an intrinsically open and competitive market. 16 years after the legislative opening of the market, PPC practically maintains exclusive access to and exploitation of lignite and hydroelectric and controls over 70% of Power Infusion (Production & Imports) and 94% of Electricity Supply.

This is not due to a lack of investment or lack of a spirit of competition. As long as there is no possibility (legislative/practical) for an electricity production company to gain access to all possible sources and decide independently based on business criteria and by undertaking the respective risks on how

to structure its portfolio of production units and energy, there will be no real competitiveness in the electricity market.

The responsibilities of this and previous governments during this period are a given and are the reason why the Greek electricity market continues to be closed and introvert.

Even today we are resorting to half-measures such as the plan for NOME-type auctions for the sale by PPC to third parties of part of its lignite and hydroelectrical production. I don't want to be misconceived, it is a first step but it is not enough to develop competition along all links of the supply chain. True competition requires the monitoring of production costs not simply access to the energy produced and at a price that has yet to be defined since the plan's most crucial point, the starting price for bids, remains a grey zone.

Apart from the production there is also the supply of electricity.

A particularly critical issue in the retail market is consumers' unpaid debts and RAE's consultation on this is recent.

Firstly some admissions:

- Indeed there are consumers who, under the burden of the financial crisis – but also the significant increases to electricity bills caused by additional taxes and fees – are finding it difficult to pay of their obligations.
- Indeed there are serial dead beats in the market who are attempting to be 'energy tourists', moving from supplier to the next, leaving debts in their wake.
- Continuously increasing debts are a serious matter causing concern to the entirety of the market.

At this point I would like to add a few admissions that are often overlooked:

- No prudent supplier pursues the accumulation of debts and no responsible, prudent company targets to attract customers who can only cause damages in order to gain a temporary increase in market share.
- Every supplier is obliged – as defined by the Electrical Energy Supply Code – to ensure the payment of debts and arrange payment issues with its customers within the framework of national legislation.
- Alternative providers with a total market share that does not exceed 6% and an annual turnover which could, by 2015, reach EUR 280 million by 2015 cannot be held responsible for the debt towards the dominating PPC that have risen to over EUR 2 billion.

## B. Energy planning and the role of natural gas

Ladies and gentlemen,

We stand before a reality very different from the one that existed until 5 years ago and which we cannot but take into account when talking about Greece's energy planning.

The European Union's energy policy is encompassed in the basic triptych "affordable prices – supply security – carbon emission reduction". At the same time, at international level – in view of the imminent (Dec. 2015), international agreement on climate change in Paris – there will be ambitious targets for the reduction of greenhouse gas emissions. Such a global environment sets great

challenges for the future of electricity production which is the main sector responsible for greenhouse gas emissions.

Against the 2050 horizon, the contribution of coal, lignite and oil – particularly in developed countries – will be further reduced, while production from renewable energy sources is gradually growing at ever-increasing rates.

In this transitional phase natural gas remains the only fossil fuel that can be used as a main tool for the bridging between today's reality and the future reality of 2050.

This is because of two natural gas main characteristics:

low CO<sub>2</sub> emission per produced MW and the flexibility of natural gas units which is essential for the operation of Electricity Systems with a large penetration of fluctuating RES (such a photovoltaics and wind power).

What does this new reality mean for Greece's energy planning? Almost everyone agrees (past and current governments, market players, non-government organisations, etc.), that the country has already entered a gradual independence from the use of lignite for electricity production and the change will perhaps happen sooner than initially thought.

A basic criterion for the rhythm of reduction in the use of lignite could clearly be its low price as a fuel for electricity production.

Even with today's, relatively low CO<sub>2</sub> emission rights prices, natural gas units in Greece are more competitive than several lignite units. The EU's EUA price for the period 2021-2030 is 25 Euros/EUA. At this price range the natural gas units in Greece will be a cheaper source than lignite even if natural gas prices are significantly higher than they are currently.

Summarising, everyone in the energy market must consider the criticality of the challenges we are called upon to confront and the responsibilities we all have. Reliable, responsible, consistent private initiatives in the electricity market are not the problem but the solution to many of the problems afflicting the Greek electricity market; the quicker this becomes clear the quicker we can find solutions to the problems of the domestic energy market. Thank you.