

OPINION: DEREGULATION OF THE WHOLESALE ELECTRICITY MARKET

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The delay in the process of liberalisation of the Greek electricity market for over a decade has an adverse effect on the development of trade between domestic or foreign producers and suppliers causing significant economic disadvantages, leaving Greece behind rapid exchanges in European and non European markets.

A discussion has thus started on the organization of the short term wholesale electricity market and ancillary services market (Daily Ahead Scheduling (DAS) – Energy and Ancillary Services Market) which along with the long term capacity market (Capacity Market) constitute the basis of the Greek electricity market. DAS, operated and controlled by the independent Hellenic Transmission System Operator (HTSO), is actually the wholesale electricity market that aims at the better planning and dispatching of power plants (conventional and renewable) and the necessity of energy imports, so as to cover the daily consumer demand, the demand for exports and the necessary ancillary services. In other words, DAS is the market where the total amount of electricity and electricity derivatives are exchanged, which are produced, consumed and traded on the following day in the Greek electricity market. The suppliers are obliged to buy the amount of electricity estimated to be consumed at a specific single price, i.e. the settlement price for energy from DAS (the so called System Marginal Price - SMP) on the basis of which producers are paid.

The above model of a mandatory pool at a fixed settlement price differentiates itself from models applied to other countries where the trade activity is deregulated and the transactions take place both in regulated markets and through bilateral agreements between electricity producers and suppliers who freely determinate the price and the other terms of the contract (Contracts Over the Counter- OTC). The Greek model of regulation of the wholesale market does not allow transactions outside DAS in Greece, thus every power plant unit has to offer its total energy capacity and ancillary services to DAS. The issuance of this model was due to the need to control the market and to ensure transparency by HTSO during the early stages of the liberalization, when more regulation was considered necessary in order to avoid abusive monopolistic behavior and speculative tactics of the new players to the detriment of consumers and competitors (e.g. price increases, jeopardy of the security of supply, securing power supply).

However, many years after the beginning of liberalisation, without the process being completed in the country, the legal framework remains restrictive and the conditions uneconomical for newly entered suppliers and producers. Mainly, because of the importance of the wholesale electricity market in determining prices for the retail electricity market and the cross border nature of the transactions, flexible practices must be applied for transactions through regulated markets or other systems (such as e.g. a multilateral trading system), which will address both agreements on trade with electricity

with physical delivery and agreements on trade with financial settlement only. A further step could be the creation of a new market operator or even the strengthening of the HTSO in its identity as an operator of a new market, including energy derivatives market. This would be in accordance with the role which HTSO will undertake after the forthcoming harmonization of national legislation with EU rules on unbundling. According to these rules the HTSO will remain the operator of the daily electricity market with the obligation to take the necessary measures for the creation of the internal electricity market of the EU, particularly through the implementation of the single European market model until December 2014. In particular, initiatives to develop alternative markets for energy derivatives supported by current national legislation (Law 3606/2007) in compliance with the EU legislation (MiFID Directive) would form the basis for further development of the Greek electricity market and of the transactions with neighboring and other EU - member states. Thus, even after a ten - year delay, developing measures should be taken immediately and incentives should be given in order to enhance competition and rationalization of market prices to the interest of final consumers.

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