

Electricity market harmonisation with target model

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Introduction

After several years of preparation and analysis of different solutions for the reform of the electricity wholesale market and its harmonisation with EU law, (particularly with regard to Regulation 714/2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation 1228/2003, and Regulation 2015/1222 on establishing a guideline on capacity allocation and congestion management), Greece has undertaken the necessary regulatory measure and enacted Law 4425 on the Urgent Regulation of the Ministers of Finance, Environment and Energy, Infrastructure, Transport and Networks, and Employment, Social Security and Social Solidarity for the implementation of the agreement on fiscal goals and corrective reform and other provisions, published in the *Official Journal* (A'185/30.09.2016). Before the law was enacted, studies of the Greek electricity market were carried out while the Regulatory Energy Agency (RAE) conducted public consultations on the implementation of the target model.

Structure

The new law introduces significant changes in the wholesale electricity market, which:

- functions as a day-ahead market with a balancing mechanism;
- is organised as a mandatory pool market; and
- recently developed a term products market with limited application.

The new law regulates the development of four electricity wholesale markets:

- the term products market;
- the day-ahead market;
- the intraday market; and
- the balancing market.

The markets will function in regard to transactions in the interconnected system, excluding the non-interconnected islands. Development of these markets should pave the way for the establishment of the Greek energy exchange. Under the law, term product agreements may be concluded bilaterally, without participation in the organised market.

The law provides general regulation of the four markets, leaving the Ministry of Environment and Energy to decide when to begin operation of each market, which may occur only after the RAE's opinion has been received and the relevant codes have been passed.

Operators

LAGIE, the market operator of the day-ahead market, will undertake operation of the term products market and the intraday market. It will also be in charge of the settlement of these markets, and the

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covering, settlement and set-off of the respective transactions. After three years of operation, the RAE may propose that the Ministry of Environment and Energy appoint other entities, apart from LAGIE, as operators of the term products market, taking into consideration relevant developments in the European and Greek markets.

There will be only one nominated electricity market operator with a monopoly position, which will perform duties under Regulation 2015/1222. At present, LAGIE is appointed to this position, but the new law creates the possibility for this to be altered or for LAGIE to cooperate with other entities in order to fulfil the necessary requirements.

Further, a separate entity which meets certain criteria provided by the law may be appointed to cover, settle and offset the transactions of all four markets. Such entity must be appointed within 12 months of the law's enactment and subsequently certified by the RAE. The market operators must propose to the RAE – within four months of the law's enactment – whether they will establish and participate as this entity or whether such entity will be selected on the basis of a competitive procedure, to be organised by the operators and supervised by the RAE. If the operators propose the first solution, the RAE will consult the Securities Commission before issuing a decision.

The transmission system operator (ADMIE) will be in charge of operating the balancing market, as well as the settlement of the markets that it operates. If the settlement of all markets is assigned to a third party, ADMIE may retain some settlement activities.

Several new codes will be enacted and the existing codes will be amended in order to comply with the law. Thus, there will be one code for each of the four markets. The RAE will issue the respective rulebooks for the implementation of each code.

Next steps

The signing of a memorandum of understanding between LAGIE and the Athens Stock Exchange (ATHEXGROUP) on February 15 2017 was the first step towards implementing the new law. The memorandum provides that the parties' intended goals include:

- establishment of a joint company to cover, settle and offset the transactions of electricity markets;
- establishment of a joint company to support LAGIE in information technologies and in regard to the operation of the electricity markets; and
- undertaking initiatives related to coupling the Greek market with other EU markets, as well as with neighbouring non-EU markets.

According to an official announcement by the Ministry of Environment and Energy, the next step will be to prepare a business plan which complies with the memorandum of understanding. One of the two companies to be established jointly by LAGIE and ATHEXGROUP will cover, settle and offset the transactions of the three electricity markets, and the other company will support LAGIE with information systems and technologies regarding complex financial products, to enable LAGIE to perform its duties as the operator of the three markets. The business plan must be approved by the RAE.

Operations for at least some of the markets are set to begin in 2018. According to the ministry's official announcement, other activities have also been undertaken with the aim to meet the announced deadline. The Greek authorities have established cooperation with the European Commission and its Joint Research Centre regarding the implementation of the target model.

The RAE is coordinating several working groups so that the market codes, technical specifications of the markets and studies necessary for the reform will be delivered by October 2017. On January 27 2017 the RAE issued Decision 67/2017: Guidelines to the Competent Operators for setting up of the Market Codes for the reform of the Greek electricity market as implementation of the legislation for integration of the European electricity market, published in the *Official Journal* (B'774/13.03.2017). The guidelines provide the main characteristics of the markets and the respective purchase and sale procedures.

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