

Energy Exchange operations expected in 2018

January 15 2018 | Contributed by [Rokas Law Firm](#)

Introduction

Energy markets

Energy Exchange and clearing company

Licensing

Supervision

Introduction

In 2016 the government launched a legislative procedure to reform the energy market in compliance with the EU Target Model by passing Law 4425/2016 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 (known as the 'Target Model Law' in the energy sector), published in the *Official Journal of the European Union* (A'185/30/09/2016).

The law is the result of several years of preparation and analysis to reform the wholesale electricity market in order to ensure its harmonisation with the EU regime, particularly with regard to:

- EC Regulation 714/2009 on the conditions for access to the network for cross-border exchanges in electricity; and
- EU Regulation 2015/1222 on establishing a guideline on capacity allocation and congestion management.

The Target Model Law introduced significant changes to the wholesale electricity market, which – at present – functions as a day-ahead market with a balancing mechanism and is organised as a mandatory pool and a recently developed term products market. The law provides for the gradual introduction of the following electricity wholesale markets in 2018:

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

However, further and more detailed regulation is required in order to provide the basis for the establishment of the Energy Exchange.

In February 2017 the electricity market operator (LAGIE) and the Athens Stock Exchange (ATHEXGroup) signed a memorandum of understanding regarding their plan to join forces in relation to the organisation and functioning of the Energy Exchange. They agreed to establish joint venture companies which would provide clearing and settlement for the above electricity markets and support LAGIE with information systems and technologies for complex financial products.

During 2017, a group of experts worked on the modelling and organisation of the Energy Exchange with the intention that it would be established and begin operating in the first half of 2018. Subsequently, in December 2017, the Ministry of Energy and Environment presented, through a public consultation, the draft Energy Exchange Law, which would amend the Target Model Law and the main Energy Law 4001/2011.

AUTHOR

[Mira Todorovic Symeonides](#)



The draft Energy Exchange Law amends the scope of the Target Model Law to include compliance with and implementation of:

- EU Regulation 1227/2011 (October 25 2011) on wholesale energy market integrity and transparency; and
- EU Regulation 600/2014 (May 15 2014) on markets and financial instruments and amending EU Regulation 648/2012.

The main changes expected to be introduced under the draft law are outlined below.

Energy markets

The Energy Exchange, to be established in compliance with the draft Energy Exchange Law, will operate:

- the day-ahead and the intraday electricity markets;
- the energy financial market;
- the natural gas market, including the natural gas balancing market; and
- the environment market.

With regard to electricity, there will be four organised markets under the interconnected system:

- the day-ahead market;
- the intraday market;
- the balancing market; and
- the energy financial market.

Transactions involving energy financial means may be concluded bilaterally. The day-ahead market will operate sales with a physical delivery, including products purchased on the energy financial means market and other wholesale products with physical delivery. Producers will be obliged to offer products for the total of their capacity not already bound by energy financial means or other wholesale products involving a physical delivery.

The balancing market will be operated by the Independent Power Transmission Operator (ADMIE) in compliance with the balancing code. ADMIE will be the regulated operator of the balancing markets for the balancing of electricity and capacity and should also:

- secure compliance at borders with Regulation 714/2009 and the Regulation on Wholesale Energy Markets Integrity and Transparency;
- calculate the quantities of balanced energy and respective prices, as well as the debts and credits of participants in the balancing market; and
- cooperate with the Energy Exchange in compliance with the balancing code and the respective Energy Exchange regulation.

Energy Exchange and clearing company

A new company, Hellenic Energy Exchange SA, will be established by dividing (splitting) of the main sections of LAGIE. The new company will undertake the role of market operator in Greece. In regard to its shareholder structure, the draft Energy Exchange Law regulates that direct or indirect participation of the state in Hellenic Energy Exchange must be at least 35%. Various sections of LAGIE will be separated and become part of the Hellenic Energy Exchange within three months of the law's enactment. The value of LAGIE's contribution was determined by September 30 2017. The Regulatory Energy Authority (RAE) will approve, in regard to the adequacy of the shareholders, the first sale of Hellenic Energy Exchange shares and any subsequent share transfers.

The LAGIE business sections which will become part of the Hellenic Energy Exchange will be those dealing with:

- the implementation of the day-ahead market;

- cooperation with transmission system operators (TSOs), distribution system operators and the grid of Athens Airport;
- the register of participants for the day-ahead market;
- the organisation and implementation of the auctions for the sale of electricity forward contracts (so-called 'NOME' auctions);
- participation in joint companies (such as TSOs and regional energy exchanges);
- the collection of respective fees and levies from market participants relating to the operation of the electricity market in compliance with the Market Code;
- the collection of respective levies from load representatives;
- participation in the associations or companies whose members are electricity market operators and energy exchanges and whose scope is to create a unified EU internal electricity market;
- the assigning of different services within the day-ahead market to third parties;
- the implementation of financial arrangements and transactions within the day-ahead market; and
- the provision of necessary information to market participants.

After the creation of the Hellenic Energy Exchange, LAGIE will become the operator of renewable energy sources and guarantees of origin and will continue to handle the day-ahead market sector's losses which are created before the registration of the division in the Company Register.

The Hellenic Energy Exchange will establish a new company for clearing transactions performed on the day-ahead and intraday markets (the clearing company). The clearing procedures will comprise:

- the calculation of the quantities of energy purchased and sold, as well as capacity and prices;
- the calculation of the financial values of such credits and debts; and
- the undertaking and handling of credit risk and the adjustment of any losses.

The shareholder of the clearing company may be the Energy Exchange or other shareholders which obtain approval from the RAE. The RAE will also approve any transfers of shares in the clearing company which are above 20%, one-third, 50% or two-thirds of its capital.

Licensing

The Hellenic Energy Exchange and the clearing company will obtain operation licences from the RAE which will cover the operation of the day-ahead and the intraday markets.

No later than three months after it commences operating as an energy exchange, the Hellenic Energy Exchange must submit an application to the Securities Commission for a licence to operate the energy financial market, which will include at a minimum, the energy financial means market for products involving a physical delivery, as regulated by the law. In order to perform these operations, the Hellenic Energy Exchange must conclude the respective agreements with ATHEXGroup and its subsidiary company for the clearing of transactions of the Athens Stock Exchange or any other company relating to ATHEXGroup.

With regard to the energy financial means market for products involving a physical delivery, the Securities Commission will, after the RAE's proposal, issue an operation licence. A licence will not be required if the Energy Exchange undertakes to operate exclusively as an organised trading facility and only for derivatives involving a physical delivery of electricity. The clearing of the energy financial market transaction will be performed by an entity which holds the respective licence from the Securities Commission. If such a licence relates to energy financial means for products involving a physical delivery, prior consent from the RAE is required. Such a licence is not required for an organised trading facility for derivatives involving a physical delivery.

Supervision

The draft law proposes the division of supervisory authority over the Hellenic Energy Exchange between the RAE and the Securities Commission, while the Securities Commission and the Bank of Greece will supervise companies with regard to the provision of investment services and credit institutions when participating in the Energy Exchange as members. The Bank of Greece will regulate

the conditions for the participation of credit institutions in the energy markets. Further, in regard to both the Energy Exchange and the clearing company, the RAE will approve the appointment of their members of the board of directors and other persons with managing authorisations.

LAGIE will prepare and submit to the RAE the following new or amended codes for approval:

- the code regulating electricity transactions (day-ahead and intraday market);
- the code for renewable energy source operators and guarantees of origin; and
- the code regulating forward electricity products market.

The RAE will also approve regulations on operations issued by the Energy Exchange and the clearing company.

The draft law authorises the RAE to regulate terms and conditions for the operation of the natural gas, natural gas balancing and the environment markets.

For further information on this topic please contact [Mira Todorovic Symeonides](mailto:m.todorovic@rokas.com) at Rokas Law Firm by telephone (+30 210 361 6816) or email (m.todorovic@rokas.com). The Rokas Law Firm website can be accessed at www.rokas.com.

The materials contained on this website are for general information purposes only and are subject to the [disclaimer](#).