

Natural gas distribution and supply sector is undergoing reform

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Introduction

The Greek natural gas market is dominated by:

- the public natural gas company DEPA, which is 65% owned by the Hellenic state and 35% owned by Hellenic Petroleum SA; and
- DESFA, the national natural gas transmission system operator, which was legally unbundled from DEPA in 2007.

In 2018 66% of DESFA's shares (31% of which were held by the Greek Privatisation Fund and 35% of which were held by Hellenic Petroleum SA) were sold to a consortium of companies: Snam SpA, Enagás Internacional SLU and Fluxys SA. The remaining 34% of DESFA's shares were transferred back to the Hellenic state. In December 2018 DESFA was certified as the natural gas transmission system operator (RAE Decision 1220/2018).

DEPA consists of a group of companies actively engaged in the wholesale trading, supply and distribution market for natural gas. The distribution and supply of natural gas to retail consumers was initially provided by three DEPA subsidiaries: EPA Attica, EPA Thessalonica and EPA Thessaly, established in 2000 and 2001. These subsidiaries monopolised the distribution and supply of gas to non-eligible consumers in their respective administrative boundaries, in accordance with the derogation granted to Greece under Article 49.8 of the Gas Directive 2009/73/EC. DEPA kept the majority share (51%) in the three companies, while Attica Gas BV (100% subsidiary of Shell Gas BV) had a 49% in EPA Attica and ENI SA had a 49% share in EPA Thessaloniki and EPA Thessaly SA.

Unbundling distribution and supply of DEPA subsidiaries

Law 4336/2015, and subsequently Law 4414/2016 (passed in August 2016), provided for the unbundling of distribution from the supply of natural gas. The laws also provided for the abolishment of the monopoly over supply services and the legal and functional unbundling of distribution from supply in the three EPA companies.

Following the implementation of the 2016 law, each EPA company was divided into one natural gas distribution company (EDA) and one natural gas supply company (EPA). In 2016 two of the EDAs and two of the EPA companies (ie, the Thessalonica and Thessaly regions) were merged. By January 2017 EDA Thess and EPA Thess were in operation. In addition, DEPA used its new legal right to set up a new EDA by spinning off the natural gas distribution sector which it operated in the rest of Greece (ie, outside Attica, Thessalonica and Thessaly). Therefore, since January 2017 three EDAs (Attica, Thess and DEDA (covering the rest of Greece)) and the respective three supply companies have been operational. Further, while DEPA owns the distribution networks that it and the EPAs constructed before the unbundling, any new distribution networks or works aimed at extending existing distribution networks are exclusively owned by the relevant EDA.

In July 2018 DEPA and Attica Gas BV (100% subsidiary of Shell Gas BV) entered into an agreement under which DEPA purchased 49% of the share capital in EPA Attica and EDA Attica from Attica Gas BV.

Regulation of distribution and supply market

Between 2016 and 2018, most of the legal acts regulating the Greek natural gas distribution and

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supply market were passed, including as follows:

- The RAE approved the Regulation on Natural Gas Distribution Network Tariffs in September 2016 (OJ B' 3067/2016), which provided a uniform methodology for four natural gas distribution networks.
- Tariffs for distribution services in four distribution networks were approved in October and November 2016, respectively, by RAE Decision 345/2016 for the Attica network, RAE Decision 346/2016 for the Thessalonica network (OJ B' 3490/2016), RAE Decision 347/2016 for the Thessaly network, and RAE Decision 348/2016 for the rest of Greece network (OJ B' 3537/2016), which regulate a four-year period between 2017 and 2021.
- The RAE approved the regulated tariffs for non-eligible consumers in two decisions: one for EPA Attica (RAE Decision 22/2017) and one for EPA Thessalonica and Thessaly (RAE Decision 23/2017) (OJ B' 498/2017). The RAE's decision resulted in reduced prices for consumers (up to 11% in some areas) in order to increase the number of consumers by January 2018, as planned.
- The Natural Gas Distribution Network Code was issued in February 2017 following RAE Decision 589/2016 (OJ B' 487/2017). In general terms, the code regulates the management, maintenance and development of distribution networks. It established a third-party right to access the distribution networks without discrimination by introducing a standard agreement to be approved by the RAE.
- The minister of environment and energy issued the Natural Gas Supply Code in June 2018 (OJ B' 1969/2018). It regulates the obligations and rights of natural gas suppliers and their clients (consumers) during the negotiation and conclusion of supply agreements and the implementation of contractual obligations and changes to suppliers for the first time in Greece.
- The minister of environment and energy issued the New Natural Gas Licensing Code in August 2018 (OJ B' 3430/2018), replacing the 2010 Natural Gas Licensing Code.

Next steps

A draft law on the further unbundling and privatisation of DEPA was submitted to the Parliament on 1 March 2019 and is currently being discussed. The draft law sets out that DEPA should be divided into two companies: DEPA Infrastructure and DEPA Trade. While the state currently owns 65% of DEPA (with Hellenic Petroleum owning the remaining 35%), if DEPA is divided into two companies, the state will still have strong presence in DEPA Infrastructure, as only 14% of its shares are planned for privatisation. That said, the majority of DEPA Trade's shares (50% plus one share) will be privatised, with the state retaining only 14%. DEPA Infrastructure should absorb the gas distribution networks of EDA Attica, DEDA and 49% of EDA Thessalonica and Thessaly and several international projects (eg, the Greece-Bulgaria interconnector and the East Mediterranean gas pipeline) will temporarily be transferred to DEPA Infrastructure. Subsequently, DEPA Infrastructure will establish a new subsidiary and transfer these projects to that subsidiary. On the other hand, DEPA Trade will perform provide trade and supply either directly or through its subsidiaries and will undertake international agreements on natural gas imports and DEPA's capacity reservation at the Greece-Bulgaria interconnector and Gastrade's floating, storage and regasification unit.

The main opposition to the above plan seems to be centred on the fact that the state will retain a 14% stake in DEPA Trade. Those who oppose this plan have argued that allowing the state to retain such a share would give the state too much control and allow it to potentially veto strategic policy issues, such as the renewal of long-term contracts with existing upstream suppliers. Further, the current plan may discourage potential investors and create problems for investors seeking to exercise their commercial policies.

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