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## EU and EnC

### Market

#### EU: Agreements on Governance of Energy Union, Energy Efficiency and RES

by Paraskevi Res (Athens)

Ambitious political agreements on the governance of the Energy Union (reached on 20 June 2018) on new rules for improving energy efficiency in Europe (reached on 19 June 2018) and on increasing renewable energy use in Europe were concluded between negotiators from the Commission, the European Parliament and the Council. These agreements on the Regulation on the governance of Energy Union, on Energy Efficiency Directive and on the Renewable Energy Directive means that four out of the eight legislative proposals in the 2016 Clean Energy for All Europeans package have been agreed by the co-legislators. Following these political agreements, the text of the first Regulation and two Directives will have to be formally approved by the European Parliament and the Council.

Concerning the first agreement, Member States should be equipped to govern the Energy Union, a common project aimed at ensuring that all Europeans have access to secure, affordable and climate-friendly energy. The draft Regulation, which European Commission announced on 20 June 2018, will ensure that the objectives of the Energy Union, especially the EU's 2030 energy and climate targets, i.e. reduction of 40 percent of greenhouse gas emissions, a minimum of 32 percent renewables in the EU energy mix and the 32.5 percent goal of energy efficiency savings, are achieved by setting out a political process defining how EU countries and the Commission work together, and how individual countries should cooperate, for achieving the Energy Union's goals. The draft Regulation calls for each Member State (MS) to prepare a national energy and climate plan for the period 2021 to 2030, covering all the five dimensions of the Energy Union and taking into account the longer-term perspective. These national plans would be comparable throughout the EU. Assessments of the draft plans, and recommendations by the Commission, will result in final plans that ensure that the 2030 climate and energy targets will be reached in a coherent, collaborative and least-cost way across the EU. The Regulation should equally promote long-term certainty and predictability for investors and stress the importance of regional cooperation in the development and implementation of energy and climate policies. EU MSs are also called on to encourage their citizens to participate in the preparation of the plans. The Regulation aligns the obligations of the Energy Union and with the Paris Climate Agreement, significantly enhancing transparency and delivering a reduction of the administrative burden for the MSs, the Commission and other EU Institutions and ensures EU and MSs cooperation for that purpose.

The draft Energy Efficiency Directive includes an energy efficiency target for the EU for 2030 of 32.5% with an upwards revision clause by 2023. This new objective shows the EU's high level of ambition and demonstrates the pace of change of new technologies and reduced costs through economies of scale. This Directive should extend the annual energy saving obligation beyond 2020, deliver real energy savings in the next period 2021-2030 and beyond. Energy efficiency will have to be increased at all stages of the energy chain, from generation to final consumption.

The draft Renewable Energy Directive includes a binding renewable energy target for the EU for 2030 of 32% with an upwards revision clause by 2023. Also, the Directive aims to improve the design and stability of support schemes for renewables, lead to the reduction of administrative procedures and improve the sustainability of the use of bioenergy. By boosting renewable energy, which can be produced from a wide variety of sources including wind, solar, hydro, tidal, geothermal, and biomass, the EU lowers its dependence on imported fossil fuels and makes its energy production more sustainable.

#### EnC: Guidelines on National Energy and Climate Plans

by Maria Faka (Athens)

On 21 March 2018, the Energy and Climate Committee released the National Energy and Climate Plans (NECPs) Guidelines. These Policy Guidelines published by the Secretariat of energy Community, after a close cooperation with the European Commission and should, in accordance with Recommendation 2018/01/MC-EnC, cover the period from 2021 to 2030, including a perspective until 2050 in order to ensure consistency with long-term relevant policy objectives at EU, UNFCCC and EnC. National plans should: i) include the current situation in each subsector of the energy system, ii) define objectives for each dimension, in line with the five pillars of the Energy Union and iii) entail a separate section on projections as an analytical basis of the plan, including reference and policy scenarios assessing the relevant impacts of the policies and measures proposed. The Recommendation 2018/01/MC-EnC is not legally binding, therefore does not impose obligations on Contracting Parties and it does not establish any deadline. However, as indicated in Article 5 of the above Recommendation the preparation of national plans should be an iterative and dynamic process starting in 2018.

## EU and EnC

### Electricity

#### EnC: Guidelines on Unification of Distribution Network Tariff Regulation

by *Andriani Kantilieraki (Athens)*

On 04 April 2018, the Energy Community Secretariat published its Policy Guidelines for the unification of distribution network tariff regulation. Distribution network tariff setting is a key competence of national regulatory authorities according to the Energy Community's legal framework which requires regulatory authorities to ensure that network tariffs are transparent, cost-reflective and allow for the necessary investment in networks. Furthermore, the Third Energy Package (adopted by virtue of Decision 2011/02/MC-EnC of the Energy Community Ministerial Council), additionally requires regulated tariffs or the methodologies for their calculation to ensure that system operators are granted appropriate short- and long-term incentives to increase efficiency, foster market integration as well as security of supply and support related research activities.

The present Policy Guidelines aim to provide guidance to the Contracting Parties' regulatory authorities, but also the regulated industry, as regards to substantiated best practises in applying the principles of objectivity, non-discrimination, transparency, stability, predictability, cost effectiveness, cost recovery as well as cost reflectivity in distribution tariff setting with a view of lowering the cost of capital. To that end, the Policy Guidelines emphasise on the necessity of a clear definition of the principles, procedures, criteria and parameters for tariff setting and the consistent appliance of the tariff methodology. In addition to the above, the procedure and methodology for setting tariffs have to be made public sufficiently in advance of their entry into force and effective implementation, whereas public consultations best serve the purpose of collecting views from the broader public. Further, the regulation method should generally reflect the specificities of each country with regard to the network structure, the maturity of the regulatory framework and other country characteristics. Finally, the Policy Guidelines go on to suggest the most efficient methods for initial regulatory assessments and the setting of efficiency targets.

The objective of the Guidelines is to improve the predictability of the legal and regulatory environment for network operators, ensuring fairness, consistency and coherence of the overall framework, providing incentives to increase efficiency and removing any reasonable concerns of distribution system operators.

#### EU: Guidance on Capacity Hoarding could Constitute Market Manipulation

by *Mira Todorovic Symeonides (Athens)*

On 22 March 2018, the Agency for the Cooperation of Energy Regulators (ACER) issued a Guidance Note in regards with capacity hoarding in intraday electricity markets that could constitute market manipulation under REMIT (EU Regulation on Wholesale Market Integrity and Transparency). Guidance Notes complement the ACER Guidance on application of REMIT (the first being issued on 3 July 2012 and the forth one being updated on 22 March 2018). The capacity hoarding consists of the acquisition of available transmission capacity without using it or without using it effectively. This Guidance Note aims to advise National energy regulatory authorities on how to assess the hoarding of valuable transmission capacities under REMIT. It only covers the electricity intraday market although hoarding of capacity may occur in regard to other markets and products as well. Some instances of the capacity hording do not constitute breach of REMIT but may be considered as a breach of some other EU or national regulation.

The Guidance Note first defines the capacity hording and illustrates capacity hoarding in the intraday market on the implicit and the explicit auctions for capacity allocation. Further it analyses the legal aspects of potential breaches and concludes that if a decisive part of the available transmission capacity (ATC) is acquired and non-used or non-effectively used, then the acquisition of the transmission capacity does not actually reflect the supply and demand fundamentals in the two bidding zones and the signals which the ATC acquisition sends to the market are misleading or even false. For the capacity hoarding to be considered attempted market manipulation, it is not necessary that it actually gives (is likely to give) false or misleading signals or places (attempts to secure) the price at an artificial level, since the mere intention of a market participant to give these signals or position the price artificially is sufficient for attempted market manipulation.

Finally, the Guidance Note sets the main indicators for the identification of suspicious capacity hoarding as follows: a) price difference across bidding zones; b) portion of the ATC acquired; c) time span between transactions from the same market participant; and d) direct or indirect reversal of the transaction. The main indicators in the context of implicit capacity allocation only are: a) use of wash trades across bidding zones; and b) introduction of inconsistent orders.



## EU and EnC

### RES / Energy Efficiency

#### EnC: Joint Guidelines for Renewable Energy Auctions

*by Eleftheria Charalambous (Athens)*

In March 2018, the European Bank for Reconstruction and Development (EBRD) and the Energy Community (EnC) Secretariat in cooperation with the International Renewable Energy Agency (IRENA) jointly prepared Policy Guidelines under the title “Competitive Selection and Support for Renewable Energy” with aim to assist countries design and implement common competitive selection processes for supporting renewable energy. The Guidelines are divided into four broad areas namely; (1) the overall framework for the competitive process, (2) choices relating to what is being procured, (3) choices relating to the selection process and (4) the mechanism for the delivery of RE support. The Guidelines are primarily intended for countries which are both parties to the EnC Treaty and EBRD countries of operation. These include Albania, Bosnia and Herzegovina, FYR of Macedonia, Georgia, Kosovo, Moldova, Montenegro, Serbia, and Ukraine. The policy guidelines are already being reflected in the work of the EBRD and EnC Contracting Parties– most notably in Albania and FYR of Macedonia, where the EBRD is providing assistance underpinned by the policy guidelines to competent authorities; and in Ukraine, where the policy guidelines are informing discussions on the policy framework for supporting renewables.

#### EU: The Revised Energy Performance of Buildings Directive

*by Ilias Marafekas (Athens)*

On 19 June 2018, Directive 2018/844/EU amending the Energy Performance of Buildings Directive (EPBD) was published in the Official Journal of the Union, following the signature of the Directive by the President of the European Parliament and of the Council on 30/5/2018. Although, the building sector constitutes the largest single energy consumer in Europe absorbing 40% of final energy, approximately 75% of buildings are energy inefficient. The said Directive is the first part of the 8 legislative



proposals of the ‘Clean Energy for all Europeans’ package of the European Commission to have been voted. It aims to accelerate the rate of refurbishment of buildings upgrading them into energy efficient systems and to make new buildings smarter and more energy efficient. More specifically, the main achievements of the new revised Energy Performance of Buildings Directive are the following: a) the decarbonisation of the national building stocks by 2050, b) the use of Information and Communication Technology (ICT), c) the promotion of e-mobility infrastructure to all buildings, d) the introduction of a “smart readiness indicator” measuring the buildings’ adaptability to new technologies and electronic systems, e) the establishment of long-term renovation strategies by the EU countries, f) the mobilization of public and private financing and investment, g) the elimination of energy poverty and the reduction of household energy bill through the refurbishment of older buildings. To that end, the Smart Finance for Smart Buildings Initiative, together with other EU policy initiatives for smart buildings, aims to unlock €10 billion of public and private funds for energy efficiency projects. The revised provisions will enter into force on 9 July 2018, and Member States will have 20 months to transpose them into national law.

## EU and EnC

### Infrastructure

#### EU: Investigation into German Grid Operator

*by Ifigeneia Argyri (Athens)*

On 19 March 2018, the European Commission opened a formal investigation into German grid operator TenneT TSO GmbH (TenneT) for limiting cross border electricity capacity with Denmark. TenneT is the largest of the four German transmission system operators. In the context of this investigation the Commission adopted a Preliminary Assessment pursuant to Article 9(1) of Regulation (EC) No 1/2003 setting out its competition concerns. According to the Commission's assessment conclusion TenneT may have breached EU antitrust rules on the abuse of its dominant position on this market in infringement of Article 102 TFEU and Article 54 of the EEA Agreement by discriminating between network users according to their place of residence which results in a partitioning of the internal market. Concomitantly, according to the aforementioned conclusion TenneT gives priority access to its network to German electricity producers during the hours when the domestic wind-based electricity production is high by limiting access of electricity coming via the interconnector with West Denmark (DK1 interconnector). This practice could raise barriers to the free flow of electricity within the internal market.

After the opening of the formal investigation Commission and TenneT had discussions to design a set of commitments that could address these concerns. On 4 April 2018 these commitments, signed the 19 March 2018, were published on the Official Journal of the EU. Although TenneT did not accept that there is a breach, it offered commitments pursuant to Article 9 of Regulation (EC) No 1/2003, to meet the Commission's competition concerns. TenneT has proposed to ensure that the maximum capacity of the interconnector between Denmark and Germany would be made available to the market, while preserving the security of the German high-voltage electricity network. In particular TenneT would offer a minimum guaranteed hourly capacity of 1 300 megawatts on the interconnector, corresponding to the capacity that can be made available on the interconnector under normal operating conditions. Also, TenneT would only be able to reduce the capacity offered below the minimum guaranteed level in a limited number of exceptional circumstances, when required to ensure security of the high-voltage electricity network. These commitments would remain in force for 9 years while a trustee would be in charge of monitor commitments. On 27 March the Commission invited all stakeholders to submit their observations within one month of their publication in the Official Journal. When the Commission has a final view on these comments it will decide whether the commitments address its competition concerns. If the aforementioned indications are proven, the Commission subject to market testing, may adopt a decision under Article 9(1) of Regulation (EC) No 1/2003 to make the commitments legally binding on TenneT.



## EU and EnC

## Competition - State Aid

## EU: Recovery of State Aid for Large Electricity Users in Germany (SA.34045)

*by Viktoria Chatzara (Athens)*

On 28 May 2018, the European Commission published a press release in correlation with its decision on the state aid case No. SA.34045, concerning the exemption from network charges for large electricity users, that was effected in Germany for the period 2012 – 2013. To be noted in this relevance that the non-confidential text of the Commission's decision on this case has not yet been published on the Official Journal of the EU. The case under examination by the Commission, concerned the payment of network charges, a part of the usual electricity costs paid by all electricity users that are connected to the grid, the purpose of which is to remunerate the network operator for the services it provides, and for the maintenance of the grid. In this case electricity users in Germany having an annual consumption exceeding 10 gigawatt hours, and a particularly stable electricity consumption, were fully exempted, under German law, from the payment of network charges. Said exemption was mainly justified due to the fact that large electricity users may generate lower network costs, due to the fact that their electricity demand is predictable. In this relevance it should be noted that in 2012 the above mentioned large electricity users did not pay an estimated amount of €300 million in network charges; an amount that was compensated by the imposition of a special levy on the final electricity consumers.

Following a number of complaints, the Commission concluded that the revenues not collected due to the above described exemption constituted State resources, in the sense of the EU state aid provisions, as electricity consumers are obliged to pay the surcharge under German law and the funds are in the control of the German State and, as such, that the exemption granted to large electricity users in 2012 – 2013 by virtue of the applicable German law, constituted state aid. Furthermore, the Commission resulted that the exemption under examination could not be objectively justified under the applicable EU law provisions, as it was a full exemption from network charges for electricity users, even if their electricity consumption was stable. Although the German State proved that large and stable electricity users generated fewer costs in 2012-2013, according to the Commission this could justify a partial exemption from the payment of network charges. As a result, the German State is now obliged to calculate the amount of network charges generated by each beneficiary of the exemption described above and recover the amounts of the illegal state aid from each beneficiary. It is further noted in this relevance that the exemption from network charges for the year 2011 was not considered by the Commission to constitute state aid, due to the fact that the costs were borne by the network operators themselves and, as such, the exemption was not found to be financed from State resources.

## EU: Investigation of Romanian Restructuring State Aid Scheme (SA.43785)

*by Viktoria Chatzara (Athens)*

On 04 May 2018, the European Commission's decision to initiate in-depth investigation proceedings with the object of restructuring aid granted by the Romanian State to an electricity and heat producer (case No. SA.43785), issued on 12 March 2018, was published on the Official Journal of the European Union. The case concerned the aid granted by the Romanian state to the company Complexul Energetic Hunedoara (CE Hunedoara), a Romanian state-owned electricity and heat producer, which at the same time operates hard coal mines in order to fuel its power plants. In order to provide the full historical background it is noted that CE Hunedoara was established in 2012 by the use of assets, which previously belonged to other Romanian state-owned companies that had become insolvent and were liquidated, namely the companies Electrocentrale Paroseni and Electroncentrale Deva, and later on Compania Nationala a Huilei S.A. Petrosani. The new company, CE Hunedoara, however, begun making losses since 2013 and in January 2016 it entered into formal insolvency proceedings in accordance with the applicable Romanian law provisions. Due to an appeal filed by trade unions, the insolvency proceedings were suspended.

In the meantime, in 2015 the European Commission approved a temporary rescue aid equal to the amount of €37,7 million to the company CE Hunedoara, in accordance with the applicable EU state aid rules particularly for companies in financial difficulty, according to which state aid may be granted to such companies under certain conditions, among which the filing of a restructuring plan with the aim of ensuring the future viability of the beneficiary company. The Romanian State committed to submit such a restructuring plan aimed at ensuring the financial viability of CE Hunedoara, in the event that the company could not repay the amount of the rescue aid within a period of six months. Following the above history, the Commission has expressed its doubts on whether the proposed restructuring plan could restore the long-term financial viability of the company, taking into account: (a) that the company entered into insolvency proceedings in 2016 with more than €500 million debt to State bodies, including the amount of the rescue aid approved and other loans, and (b) that the restructuring plan does not foresee a discernible contribution of CE Hunedoara to the costs of restructuring, nor measures to limit possible distortions of competition, as a result of the significant State aid. Taking the above into account, the Commission has launched in-depth investigation proceedings, while at the same time examining the alternative ways in which the company's assets will continue supplying electricity, reducing costs for consumers and limiting the burden on Romanian taxpayers.



## EU and EnC

Competition - State Aid (*cont.*)

## EU: Antitrust Investigation regarding gas sold by Qatar Petroleum in Europe

*by Paraskevi Res (Athens)*

On 21 June 2018, the European Commission (EC) opened a formal investigation to assess whether supply agreements between Qatar Petroleum LNG (QP), the bloc's biggest sea-borne gas supplier, and European importers of liquefied natural gas (LNG), have hindered the free flow of gas within the European Economic Area (EEA), in breach of EU antitrust rules. The aim of the investigation is to establish if the sale of gas into the EEA by QP long-term agreements (typically 20 or 25 years) contain any anticompetitive agreements or concerted practices, such as certain clauses denying the importer of the gas in one territory the right to resell into another territory, which directly or indirectly, restrict the EEA importers' freedom to sell the LNG in alternative destinations within the EEA. As a result, these clauses may unduly limit the free flow of LNG sold by QP in the EEA, segmenting the EU's internal gas market and prevent consumers from enjoying the benefits of an integrated European energy market. There are considerable risks ahead for Q.P, who could face fines of up to 10% of its global turnover. The more likely outcome is Q.P to agree and remove all restrictive destination clauses in their supply agreements with European buyers.

There is no legal deadline for bringing an antitrust investigation to an end. In the gas sector, these principles were established, *inter alia*, in the EC's decisions in GDF/ENI and GDF/ENEL. Previously, there was the settlement of a seven-year antitrust case against Russian giant Gazprom, where the EC, in order to remove restrictions in the EU gas market, has investigated territorial restrictions in the gas sector in the form of export bans and destination clauses. The EC, under Article 102 TFEU, has established binding commitments on Gazprom that aim at enabling the free flow of gas at competitive prices in the Central and Eastern European gas markets, such as to remove any restrictions placed on customers to resell gas on cross-border basis, to enable gas flows to and from parts of central and eastern Europe that are still isolated from other member states due to the lack of interconnectors, i.e. the Baltic States and Bulgaria, to assist Gazprom's customers in order their gas price to reflect the price level in competitive western European gas markets, especially at liquid gas hubs and to make sure that Gazprom don't get any advantage concerning gas infrastructure, which have obtained from customers by having leveraged its market position in gas supply.

## EU: Gazprom Obligations to Enable Free Flow of Gas at Competitive Prices in CEE

*by Mira Todorovic Symeonides (Athens)*

On 15 May 2018, the European Commission adopted decision (non-confidential version of which was published on 24 May 2018) in an antitrust Case AT 39816 accepting the Commitments under article 9 of Council Regulation 1/2003 proposed by PJSC Gazprom and Gazprom export LLC (Gazprom) responding to the Commission's competition concerns. The case was initiated by the Commission in April 2015 by sending to Gazprom a Statement of Objections, with a preliminary view that the Company breached the EU antitrust rules by applying a partition gas markets strategy in eight CEE Member States resulting in charging higher gas prices in five of these Member States (i.e. Bulgaria, Estonia, Latvia, Lithuania and Poland).

After the respective negotiation procedure, Gazprom undertook the following main obligations:

- 1) To remove barriers to the free flow of gas in CEE, particularly the territorial restrictions in its supply agreements with wholesalers and some industrial customers (such as export bans and destination clauses). Gazprom should also amend the provisions in its contracts regarding the monitoring and metering of gas in Bulgaria so that the control is transferred to the Bulgarian operator;
- 2) To take active steps to integrate gas markets in CEE particularly in order to "replace" the lack of interconnections in certain Member States, Gazprom should provide relevant customers certain options to deliver gas to and from these countries. Such options will include: swaps for changing of the delivery points for agreements with duration above 18 months under conditions provided in the Commitments, swaps available in both directions to and from isolated market, as well as providing fixed and transparent service fees for the delivery.
- 3) To ensure competitive gas prices in CEE in the future through the following mechanisms: customers will have contractual right to demand (no sooner than every two years) lower price when their gas price diverges from competitive Western Europe price benchmarks; the new prices of gas should reflect competitive Continental Western European price benchmarks including prices at liquid hubs; and in case that the new prices are not agreed within 120 days from each respective proposal, the issue may be resolved in an arbitration with seat within the EU.
- 4) To remove demands obtained by leveraging of market position in regard to access or control of gas infrastructure, particularly as regards South Stream, Gazprom will not seek any damages from its Bulgarian partners following the termination of the South Stream project.

## EU and EnC

### Competition - State Aid (*cont.*)

#### EU: Investment in Bulgaria – Serbia Gas Interconnector

by Ifigeneia Argyri (Athens)

On 07 May 2018, a joint commitment was signed by the Energy Minister of Bulgaria and the Energy Minister of Serbia, regarding the implementation of the gas interconnector (IBS) which will link the two countries' gas systems for the first time. The operation of the new gas pipe line constitutes one of the EU'S Projects of Common Interest (PCIs), which are key infrastructure projects with cross-border character that focus on the interconnection of energy systems in the EU countries, climate and energy goals. Due to its significance, both political and economical, this endeavor is considered of high priority in the context of the Central and South Eastern Europe Energy Connectivity High Level Group (CESEC) and the implementation of the projected will be facilitated by the European Commission. More specifically, it is planned that the European Commission offers a Pre-Accession grant of EUR 49.6 million to the Serbian side of the interconnector and to work closely with both countries' authorities in order to monitor the procedure. Upon its completion, the interconnector should allow for the transfer of between 1 and 1.8 billion cubic meters from Bulgaria to Serbia and 0.15 billion cubic meters from Serbia to Bulgaria, creating a new supply route from Bulgaria not only to Serbia, but also to other parts of the South-East European region.

More specifically, this will enable access to liquefied natural gas from Greece, gas from Black Sea offshore production and Azeri gas from the Southern Gas Corridor, thus ensuring improved integration of these sources into the EU's internal energy market. The project's aspirations are mainly the enhancement of energy security in The EU, the enrichment of energy sources variety in the Western Balkan region and the reduction of dependency on one dominant supplier.





## Albania

### Electricity

#### Approval of the Contract between KESH S.A., and the US Supplier

by Erjola Aliaj (Tirana)

The Albanian Council of Ministers has approved by decision no. 244 dated 30.03.2016 the conditions for imposing the public service obligation that will apply to its licensees in the electricity sector, which exercise the activity of production, transmission, distribution and supply of electricity. According to article 14 of this decision, these rules shall serve as a temporary model for the functioning of the electricity market, until the Electricity Market Model is established.

Pursuant to the abovementioned, Albanian Energy Regulator Authority (ERE), by Decision No.132 dated 07.06.2018, after analyzing the draft contracts for the sale of energy proposed by KESH S.A. and OSHEE S.A (which is a state owned company) and taking into consideration the Ministry of Infrastructure and Energy's (MEI) recommendations and requests, as well as USAID comments in this regards, decided to approve the draft contract for the sale-purchase of the energy between the company KESH S.A., whose shares are controlled wholly or partly by the State and Universal Service Provider for the period 01.01.2018 - 31.12.2018. According to this decision, in case that, within this period, the amount of energy delivered and received differs from the amount of energy programmed for delivery, the parties shall adjust the billing in June 2018.

#### Approval on Requirements for the Connection to the Grid

by Erjola Aliaj (Tirana)

On 04 June 2018, Albanian Energy Regulator Authority (ERE) Board of Directors, taking into consideration: that Albania is a member of the Energy Secretariat since 01.07.2006; Regulation (EU) no. 714/2009 of the European Parliament and of the Council of Europe; Requirements of Commission Regulation (EC) 2016/631 of 14 April 2016; Decision no. 2018/03 / PHLG-EnC, dated 12.01.2018 of the High Level Permanent Level Group of Energy Community; provisions of Law no. 43/2015, "On the Electricity Sector", as amended; Certification of the electricity transmission system operator OST sh.a; and that the electricity transmission system operator OST sh.a is a member of ENTSO; decided by decision No. 129, to approve the network code on requirements for the connection with the generators network.

Also, based on the above consideration, on 04 June 2018, ERE's Board of Directors, by Decision No.127, decided to approve the network code for requirements on the connection with network of high voltage content systems.

According to the Energy Community Secretariat, these Codes should be transposed without changing its text or structure. The provisions of these Codes will prevail over the Transmission Code approved by decision no. 186, dated 10.11.2017, of the Board of Directors of ERE and any other regulatory decision.



#### Transfer of License of the Distribution System Operation

by Erjola Aliaj (Tirana)

On 04 June 2018, Albanian Energy Regulator Authority (ERE) Board of Directors, by Decision No.123, initiated the procedure for the transfer of license on operation of the electricity distribution network of the company OSHEE S.A. (owned by the Ministry of Infrastructure and Energy) to the company "Operator of the distribution system" (whose sole shareholder is OSHEE S.A.), which was established on 28.03.2018 and carries out the following activity: distribution of electricity, construction, operation and maintenance of the distribution network electricity for electricity supply to customers, customer connection and users of electricity distribution network, installation and services of electricity measurements etc.

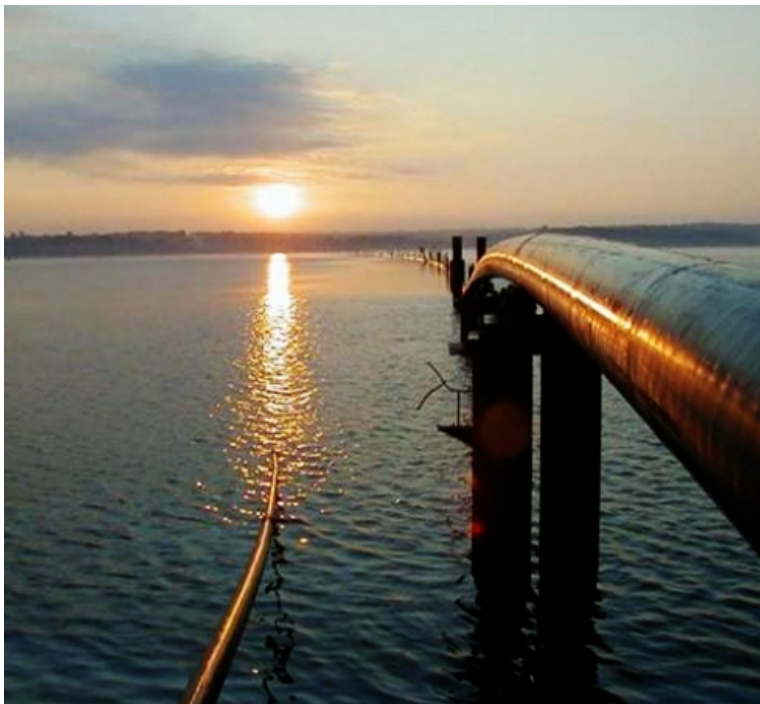
Also, on 04 June 2018, Albanian Energy Regulator Authority (ERE) Board, by Decision No.122, decided the initiation of the procedure for the transfer of supply license of the company OSHEE S.A. to the company "Supplier of Universal Service", which was established on 28.03.2018.

## Albania

### Oil & Gas

#### AKBN Successfully Concludes Negotiations with SHELL for Block 4

by *Erjola Aliaj (Tirana)*



On 20 February 2018, the National Agency of Natural Resources (AKBN) successfully concluded the 2-year negotiations with Shell Upstream, which represents a world leader in the hydrocarbon sector with exceptional capacity and potential, possessing the necessary expertise and financial opportunities to engage in search operations. Shell's history in Albania started in 1994 with the exploration of two blocks "B" and "F". Shell Upstream Albania B.V. completed seismic research but could not drill wells due to the 1997 riots, which forced Shell to forgo major breaches of its contractual termination contract. In 2012, Shell Upstream Albania B.V. returned to Albania to search for oil in two search blocks, those 2 and 3, initially with 50% of interest, along with Petromanas, and then, since March 2016, Shell operates alone with 100% interest in these blocks.

According to the Agreement signed by both parties, the search for oil in this block shall be carried out in three phases:

- During the First Phase, which will last for 3 (three) years, 125 km of 2D seismic works will be carried out and reprocessing of 125 km of 2D seismic profiles. The minimum financial commitment for the First Phase amounts is about 8.5 million USD
- The Second phase will last 2 (two) years. During this phase, 300 km of seismic 2D works will be carried out and 200 km of 2D seismic profiles will be reworked. During this phase, it is optional to drill a 3000 m depth search pit. The minimum financial commitment for this phase amounts to \$ 20 million.
- The Third phase will last 2 (two) years. During this phase, the drilling of a search pit with a minimum depth of 3000 m will be carried out and the minimum financial commitment for this phase will reach 14 million USD.

Also, based on this Agreement, the Development-Production period may last up to 25 years, with the right of extension.

BiH

## Market

### RS Adopted the Energy Sector Development Strategy until 2035

*by Vuk Stankovic (Belgrade)*

On 07 June 2018, the Government of Republic of Srpska (RS) adopted a proposal of the Energy sector development strategy until 2035 (the Strategy). The Strategy represents a revision of the old Energy sector development strategy until 2030, adopted in 2012, which prolongs the implementation period and extends strategic goals. The aim of the Strategy is the preservation of long-term security of supply and the creation of a sustainable and competitive energy sector to be realized via five main strategic goals: (i) efficient exploration of the resources; (ii) sustainable and available energy; (iii) development and compliance of the energy regulatory framework; (iv) energy transition and environmental awareness; and (v) energy efficiency. The most significant part of the Strategy is dedicated to the modernization of the entire energy sector in RS in the fields of energy infrastructure, oil and gas, energy generation and consumption and renewable energy sources.

## RES / Energy Efficiency

### FBiH Adopted the Environmental Protection and Energy Efficiency Fund Law

*by Vuk Stankovic (Belgrade)*

On 07 June 2018, the Government of the Federation of Bosnia and Hercegovina (FBiH) adopted the Law on the Environmental Protection and Energy Efficiency Fund (Fund). The aim of the Fund is to preserve sufficient assets for the environmental liabilities of the polluters based on the principle "polluter pays". The Fund's activities include the collection and distribution of funds within the territory of the FBiH, as well as the financing of the preparation, implementation and development

of programs, projects and other activities for the preservation, sustainable use, protection and improvements in the area of the environment protection, as well as in the field of energy efficiency and the use of renewable energy sources. Although most of the sums are to be collected from polluters, the Fund could also be financed from the charges imposed for the use of natural resources, as well as the fees paid by the motor vehicle owners upon registration of motor vehicles. In addition, the Fund shall be financed from various fees implemented by separate laws such as for usage of water and waste, as well as certain energy efficiency fees.





## Bulgaria

### Market

#### Amendments in the Bulgarian Energy Act

*by Daniela Dzabarova Anagnostopoulou (Sofia)*

On 26 April 2018, the Parliament passed the amendments to the Bulgarian Energy Act. The amendments include, among others, an important change concerning the authorisations of the Energy and Water Regulatory Commission (EWRC) and the Ministry of Energy (ME). From now on, the EWRC will require from the shareholders of all energy companies to declare, in their annual license execution reports, any intention to split, spin-off, merge, or dispose of shares representing more than 20% of the capital and any sale of parts or assets of an energy company. In addition, sale of shares in energy companies with license for transmission and distribution of electricity, heat and gas exceeding 20% of its share capital will have to be approved by the EWRC. Apart from that, the EWRC supervises the implementation of the Regulation (EU) No 1227/2011/ of the European Parliament and of the Council of 25 October 2011 according to the integrity and transparency of the wholesale energy market and interacts with the State authorities and cooperate with the regulatory bodies of other EU Member States.

The act also includes amendments identifying the ME as the authority mandated to notify the EU Commission on regarding the renewable support scheme Bulgaria intends to apply. A new Chapter 7 "Control over the implementation of Regulation 1227/2011" was introduced to regulate the implementation of the REMIT Regulation. Thus EWRC will be authorised to control the energy companies on the spot, but also their parent and other related companies in regard to the implementation of the REMIT Regulation. As part of a special focus on renewables and energy efficiency, the Strategy for Sustainable Energy Development will replace the existing Energy Strategy.



## Croatia

### Oil & Gas

#### Croatia Adopts a New Gas Market Act

by Sanja Tolj Par (Zagreb)

On 16 February 2018, the Croatian Parliament adopted the new Gas Market Act (OJ 18/2018), the key act for the functioning of the gas market, which regulates the rules and measures for safe and reliable gas production, transport, storage, distribution and supply, as well as LNG terminal management and organisation of the gas market as part of the EU gas market. The Act establishes rules relating to consumer protection, organisation and functioning of the gas sector, gas distribution concessions and gas distribution system construction concessions, open access to the market, model of balance groups, and cross-border gas transport. The aforementioned Act transposes the Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC, and related Directives which is important considering that the previous Gas Market Act had several compliance issues with EU Law. It is also crucial to the implementation of the LNG terminal on the Croatian Adriatic coast.

#### Croatia Adopts a Series of New Regulations in the Gas Market

by Sanja Tolj Par (Zagreb)

On 01 June 2018, following the adoption of the new Gas Market Act (OJ 18/2018), Croatia adopted a series of new regulations needed for the functioning of the gas market. Croatian Energy Market Operator adopted the Rulebook on the organisation of the gas market pursuant to Article 89 of the Gas Market Act. The Croatian Energy Regulatory Agency, after the completing the public consultation process, adopted the Network Code for the Gas Distribution System, as well as the General Conditions of Gas Supply. Furthermore, the gas storage system operator, the company Podzemno skladište plina Ltd adopted the Rulebook on the use of the gas storage system (OJ 50/2018), and the TSO, company Plinacro Ltd adopted the Network Code for the Gas Transport System (Official Journal, 50/2018), pursuant to Articles 92, Paragraph 3 and 90 of the Gas Market Act respectively. All the above Codes and Rulebooks are published in the same OJ 50/2018.

#### Regulations on Functioning of the LNG terminal

by Sanja Tolj Par (Zagreb)

On 01 June 2018, following the adoption of the new Gas Market Act (OJ 18/2018) which was a key precondition for the implementation of the LNG terminal on the Croatian Adriatic coast, Croatia adopted a series of new regulations needed for the functioning of the LNG terminal. On 14 June 2018, the Croatian Parliament adopted the LNG Terminal Act (OJ 57/2018) which regulates the subsidiary application of regulations, the terminal infrastructure for LNG, strategic interest of Republic of Croatia, the concession of a maritime facility for the realization of LNG terminal and the accompanying infrastructure, including the supply site in Rijeka port, implementation of real estate expropriation, as well as rules and measures during the realization of the LNG terminal for the protection of the security of natural gas supply. On 20 June 2018, the Croatian Energy Regulatory Agency adopted the Decision on the indicative amounts of tariff items for LNG acceptance and distribution (OJ 56/2018), pursuant to Article 11 Paragraph 1 Item 10 of the Energy Regulatory Act (OJ 120/2012) and Article 49 of the Methodology for determining the tariff item amounts for the acceptance and dispatch of LNG (OJ 110/2017). Furthermore, the LNG terminal operator, company LNG Croatia Ltd adopted the Rulebook on LNG terminal use (OJ 31/2018) pursuant to Article 93 of the Gas Market Act which determines the procedures and conditions for using and operating the LNG Terminal.



## FYR of Macedonia

### Market

#### New Energy Law Adopted

by *Simonida Shosholcheva (Skopje)*

On 28 May 2018, the new Energy law (Official Government Gazette 96/18) was adopted, in order to comply with the requirements of the EU Energy Directives and particularly the Third Energy Package. As the FYR of Macedonia is a Contracting Party to the Energy Community (EnC) Treaty it has undertaken the obligation to harmonize its national legislation in the field of electricity, natural gas, protection of the environment and competition with the legislation of the European Union by 1 January 2015. As a result of delay in transmission of the above mentioned legislation: some categories of electricity consumers still do not have the status of qualified consumers and thus have no right to choose a supplier of electricity; it is not possible for households and small consumers to be supplied by a supplier who is under an obligation to provide universal service at prices approved by the Energy Regulatory Commission; the producer of electricity with the largest installed capacity (AD ELEM) is regulated and is not sufficiently adapted to operate in accordance with market conditions; the management of the legal entity that performs electricity generation activity (AD ELEM) and the legal entity that performs electricity transmission (AD MEPSO) is performed by the same entity due to which there is no effective independence, i.e. there is a possibility for discriminatory behavior on the market; there are restrictions on access to the electricity market; and the share of renewable energy sources in the total gross electricity consumption has increased in recent years, but the lack of additional financial support measures and encouragement of production can lead to a slowdown in their further penetration.



The new law aims to create an effective legal framework for cooperation, mutual reporting and coordination of the activities of the competent authorities of the FYR of Macedonia with the relevant institutions of the EnC, especially in regard to the obligations for reporting on security of supply, coordinated handling in crisis situations, reporting on the imposition and monitoring of the fulfillment of the obligations for providing public and universal service and coordinated activities related to the functioning and development of the regional energy markets. The principles of efficiency, transparency and non-discrimination in the appointment of members are promoted in the operation and decision-making of the Energy Regulatory Commission (ERC). The ERC will continue to have competence for regulating the energy markets through adoption of regulations and rules, based on the new Energy Law, as well as the approval of the rules adopted by the operators of the respective energy systems. The second instance parliamentary panel for adjudication of appeals in ERC is abolished, which enables independent court procedure in resolving complaints against the decisions of the ERC.

Amendments to enable effective system for deciding on complaints of energy systems users and energy consumers and dispute resolution have also been introduced. Simplification of the participation of retailers of electricity and natural gas from other countries through registration with the Energy Regulatory Commission, without obtaining a license and prescribing simplified procedures for issuing a license for certain energy activities on the principle of reciprocity, provides the access and connection of third parties to energy transmission and distribution systems. These legal solutions for the electricity sector will be applied accordingly in the natural gas sector. Regarding renewable energy sources (RES), the provisions of the EU RES Directive relating to statistical transfers, joint projects and coordination of support measures with EU countries or third countries have been transposed. Regarding the measures for financial support for stimulating the production from RES, the feed-in tariffs as a solution will continue to exist, but will apply only to certain technologies that will be determined in the Decree to be passed by the Government. New financial support measures are introduced for encouraging production from RES, and these producers will be selected in a tender procedure involving an auction. These producers should sell the produced electricity according to market conditions.



## Greece

### Market

#### Establishment of the Energy Exchange

by Mira Todorovic Symeonides (Athens)

On 18 June 2018, the Hellenic Energy Exchange S.A. (HEE) was established and registered in the Greek Companies Register. Its shareholders are: the Greek Electricity Market Operator (LAGIE) with 22% share, the Greek electricity TSO (ADMIE) with 20%, the Greek natural gas TSO (DESFA) with 7%, the Athens Stock Exchange with 31% (of which 10% will be transferred to the Cyprus Stock Exchange as soon as the latter acquires necessary approvals) and the EBRD 20%. The appointed CEO is to be the current CEO of LAGIE, while the members of the BoD are the representatives of the shareholders.

The reform of the Greek electricity wholesale market was initiated in 2016 by adaptation of the law no. 4425/2016, OJ A'185/2016, which was amended in 2018 by the law 4512/2018, OJ A'5/2018 (the Energy Exchange law). The current market model of the Compulsory Pool has been chosen for the immature Greek electricity market for a transitional period so as to enhance competition between PPC and new market entrants. It shall be gradually (starting from 2019) replaced by new markets, to be organised within the HEE in compliance with the Energy Exchange Law. The HEE 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. Transactions involving energy financial means may also 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 ADMIE.



On 14 June 2018 LAGIE announced its split-off to contribute to the HEE which will undertake the role of market operator in Greece. On 20 June 2018, the general meeting of LAGIE approved the new Statute of LAGIE by which the name of LAGIE is changed into the Operator of RES and Guarantees of Origin. Its scope is to operate the markets of RES and High Efficiency CHP of the Interconnected System and Distribution network as well as the Guarantees of Origin of electricity. Its aim is to secure the sustainability of the already established RES and HECHP; increase of penetration of sustainable RES and HECHP in the market; represent RES and HECHP producers at the electricity markets and environmental products for the benefit of investors and consumers, and face climate changes and their consequences.

The HEE should further establish a new company for clearing transactions performed on the day-ahead and intraday markets (the Clearing Company). Apart from the operation license to be obtained from RAE, it should also obtain from the Securities Commission a licence to operate the energy financial market. The supervisory authority over the HEE shall be divided between RAE and the Securities Commission. The Bank of Greece will regulate the conditions for the participation of credit institutions in the energy markets.

One of the next steps after the establishment of HEE is to adopt the respective codes and regulations for its operations. Therefore, on 02 July 2018, RAE launched a public consultation, which will last until 27 July 2018, on the following documents: 1) Regulation of the HEE which includes operations rules for the HEE but also for the day-ahead market and the intraday market, as proposed by the HEE; 2) Regulation of the day ahead market and intraday market transaction clearance, as proposed by the HEE, and 3) Regulation of the Balancing Market, as proposed by ADMIE.

## Greece

### Market (cont.)

#### Privatisation of Energy Companies

by *Andriani Kantilieraki (Athens)*

The privatisation of energy companies in Greece has significantly progressed over the past few months. The main projects for the Hellenic Republic Asset Development Fund (HRADF) which is the legal entity entrusted with the implementation of the privatisation program of the Hellenic Republic, include the privatisations of the Hellenic Gas Transmission System Operator S.A. (DESFA), the Public Gas Corporation S.A. (DEPA) and the Hellenic Petroleum S.A. (HELPE).

DEPA is a group of companies with presence in the energy sector, actively engaged in the wholesale market, trading, supply and distribution of gas. HRADF holds 65% of DEPA and HELPE the remaining 35%. Meanwhile, DEPA holds 100% of the Hellenic Gas Transmission System Operator S.A. (DESFA). The privatisation of the DEPA Group, begun in 2012, when the HRADF launched a public tender process for the sale of the total shareholders' stake in DEPA Group either on a "bundled" or an "unbundled" basis, save for a 34% stake in DESFA that would be retained by the Hellenic Republic. Despite the successful onset of the venture, the process could not be completed and the Ministry of Environment and Energy announced its termination on 30.11.2016. Until today HRADF has not yet announced a new tender for the privatisation of DEPA. However such action is expected within a reasonable timeframe (pending the successful privatisation of DESFA), due to the fact that by the First MoU between the Hellenic Republic, the member states of the EU, the Monetary Fund and the European Central Bank was signed in 2010 (law n. 3845/2010, Official Government Gazette A' 65/06.05.2010) Greece undertook the obligation to privatise certain energy companies including DEPA.

In relation to the privatisation of DESFA, a tender for the expression of interest in the acquisition of 66% of DESFA, was launched on 26.06.2017. DESFA was established in 2007 (as a result of the unbundling of DEPA S.A.), as a 100% subsidiary of DEPA, in the frame of the liberalization of the gas market. DESFA owns, operates, manages and exploits the National Natural Gas System (NNGS). The tender involves the sale of DESFA's 66% (31% held by HRADF and 35% held by HELPE), whereas the remaining 34% of DESFA shares shall be transferred to the Hellenic Republic. On 16 February 2018 two binding offers were submitted for DESFA by the following consortia: a) Snam S.p.A., Enagas Internacional S.L.U. and Fluxys S.A. and b) Regasificadora del Noroeste S.A., Renagosa Asset Investments S.L.U., S.N.T.G.N. Transgaz S.A. and EBRD. The final offers were submitted on 16 April 2018 and on 19 April 2018 the Boards of Directors of HELPE and HRADF unanimously accepted the improved financial offer of the consortium composed of the companies "Snam S.p.A.", "Enagás Internacional S.L.U." and "Fluxys S.A.", of an amount equal to euro 535 million. The transaction was further approved by the Extraordinary General Meeting of Shareholders of HELPE on 14 May 2018. The project now enters its final phase, which means that the file of the tender will be submitted to the Court of Audit for pre-contractual audit and the relevant transaction documents will be executed after the approval by said Court. The completion of the transaction is conditional to the competent authorities' approvals (both European and national).

Finally, the privatisation of HELPE, has also been a matter of utmost importance for HRADF. HELPE is one of the leading energy groups in South Eastern Europe. The main shareholders of HELPE are Paneuropean Oil and Industrial Holdings S.A. (POIH) with a 45,47% stake in the share capital of HELPE and the HRADF with a 35,48% stake, while the remaining 19,05% free float is held by institutional and private investors. On 3 April 2018, HRADF and Paneuropean Oil signed a Memorandum of Understanding for the joint sale of a majority participation (at least 50,01%, comprising 61.127.037 shares held by HRADF -20%- and 91.996.191 shares held by POIH -30,1%-) of HELPE. Following this agreement, the HRADF launched a public tender on 18 April 2018. The first phase of the tender was completed on 30 May 2018, when five major holdings declared their interest. The investment schemes which submitted their expressions of interest are the following: Alrai Group Holdings Limited, Consortium composed of the companies Carbon Asset Management DWC-LLC and Alshaheen Group S.A., Gupta Family Group Alliance, Glencore Energy UK LTD and Vitol Holding B.V. HRADF's advisors will evaluate the aforementioned Expressions of Interest and submit their recommendation regarding the candidates that qualify for the next phase of the tender to the Fund's Board of Directors. The completion of the evaluation of offers is expected within July 2018, after which time the qualifying parties will have to submit their binding offers.

## Greece

### Electricity

#### Sale of the PPC Lignite Units

by Mira Todorovic Symeonides (Athens)

On 25 April 2018, the Parliament passed a law regulating the procedure for the divestment of approximately 40% of Public Power Corporation's (PPC) lignite-fired production units and lignite exploitation rights, Law 4533/2018 on structural measures for the access to lignite and further liberalisation of the wholesale electricity market and other provisions (OJ A'75/2018). The aim of the law is to increase competition in the Greek electricity market. The law provides that PPC establishes two subsidiaries and transfers to them some of its lignite production units along with exploitation rights on lignite reserves, as described in the law, and other attached rights and human resources, equal to 40% of the total assets and activities of PPC related to lignite-fired production. Specifically, the first new subsidiary will acquire the production unit of Meliti 1 in Florina and the production licence of Meliti 2 together with the research and exploitation rights on the reserves of lignite in Meliti Florina and the right to exploit PPC's reserves in the area of Klidiou as well as other necessary assets, equipment and reserves, licences and human resources. The second subsidiary will acquire: the production unit of Megalopolis 3 and 4, the total reserves for these units (including the reserves of the Lignite Centre Megalopolis) and their assets, equipment, licences and human resources, as well as certain exploration and exploitation rights in the area. The sale should be concluded within six months from the date on which the Commission approves the initiation of the tender.



The initiation and completion of the tender is subject to the approval of the European Commission in compliance with the respective commitments of Greece to the Commission, agreed on 19 January 2018 (COMP/38.700) upon the 2008 Commission's decision founding Greece to be in breach of the fair competition rules. The Commission concluded that the exclusive rights granted to the PPC violate EU rules because PPC can protect its dominance of the electricity market thanks to its exclusive rights in the lignite sector.

Subsequently, on 31 May 2018 PPC launched an international tender for the sale of shares in the two subsidiaries, at the same time proceeding with the establishment of the subsidiaries and transferring the agreed assets to them. On 21 June 2018, six interested companies submitted the Expressions of Interest. All of them were approved to proceed to the second phase in which they will perform due diligence of the companies and may submit the binding offers. The date of the binding offers is expected to be announced in July 2018 while the respective share purchase agreements should be signed in October 2018.

#### Approval of the Interruptibility Service

by Mira Todorovic Symeonides (Athens)

On 17 May 2018, the European Commission communicated to Greece its approval, issued on 7 February 2018 in case SA.48780 Prolongation of the Greek Interruptibility scheme, which was subsequently published in the Official Journal of the EU JOCE C/198/2018. The Interruptibility service, a temporary measure with the aim to support security of electricity supply, was introduced in December 2015 (Ministerial Decision no 184898/2015) issued upon receiving the prior approval of the European Commission (case SA.38711), with duration until 15 October 2017. The mechanism compensates certain energy extensive consumers located in the Greek Interconnected System for their availability to reduce their electricity consumption (Load Shedding) for a given period of time upon receiving of the Power Reduction Order from the electricity TSO (IPTO). The eligible energy intensive consumers and their remuneration price are determined in auctions organised by IPTO. In December 2017, the Interruptibility Services was extended until 31 December 2019 (OJ B' 4546/2017) and in 2018 such extension was approved by the European Commission (SA.48780).



## Greece

### Oil & Gas

#### Crete Tenders for Oil Exploration

*by Eleftheria Charalambous (Athens)*

On 3 July 2018, the consortium of the following companies: Total (with participation of 40%), ExxonMobil (with participation of 40%) and the Hellenic Petroleum (with participation of 20%), being the sole bidder, was awarded with the right, under a lease agreement, to explore for oil and gas in the two selected off-shore sites near Crete. The next step is the ratification of the lease agreement by the Parliament.

On 31 May 2017, and in accordance with Article 2(17)(b) of Law 2289/1995 on Prospecting, Exploration and Exploitation of Hydrocarbons and other provisions, an expression of interest was submitted by the consortium consisting of the following companies: Exxon Mobil, Total and Hellenic Petroleum to the Hellenic Hydrocarbons Resources Management SA (HHRM SA). Pursuant to the Decision No ΥΠΕΝ/ΥΠΡΓ/9270/3049/22.6.2017 the Ministry of Energy Environment and Energy accepted the aforementioned expression of interest and initiated the tendering procedure, extending the invitation to any other possible party interested in participating in the procedure for the granting of authorizations for exploration and exploitation of hydrocarbons for two sites of the island of Crete ('South-west Crete' and 'West Crete'). No doubt the expression of interest was lower than what was initially anticipated. Experts attribute the lack of expression to three main reasons. First being the high risk involved; Crete offers unexplored areas of deep depth which require expensive research without nevertheless guaranteed results. In addition to the high risk, the relatively low oil prices do not justify costly surveys, given the fact that Greece has not yet found a large deposit, such as "Aphrodite" in Cyprus or "Zohr" in Egypt. Lastly, the business and the political environment may be acting as a detriment to investments; some associate the absence of ENI with its recent adventures in Cyprus.

Although there was only one bidder, it is an undeniable success, that two very strong foreign names have officially entered the game of Greek hydrocarbons. The procedure is set to be conducted in a swift manner, serving as a boost to investing confidence making Greek hydrocarbon tenders even more attractive for investors.



## Greece

## RES / Energy Efficiency

## First Regular RES Competitive Procedures

*by Mira Todorovic Symeonides (Athens)*

On 02 July 2018, the first regular competition procedures for determining the reference prices of the state aid for wind and solar energy producers were conducted. Greece began reorganising its renewable energy system (RES) state aid scheme in 2016 by enacting the law 4414/2016 (OJ B'149/2018), providing that from January 2016, RES state aid is granted in the form of operating aid, either as feed-in-premiums (FiPs), which would essentially be contracts for difference between the electricity market price and the reference price; or in exceptional cases, as feed-in-tariffs (FiTs). The respective ministerial decision (184573, OJ B4488/2017, as amended by Decision 172858, (OJ B'1263/2018) lists the RES projects which may receive operating aid, in amounts which will be determined in the competitive procedures. It also regulates two types of competitive procedures: a) regular competitive procedures, which are organised for wind projects with a capacity between 3 and 50 MW and PV projects with a capacity between 1 and 20 MW and those above 20 MW; and b) pilot competitive procedures for the other RES projects listed in the decision. The maximum capacities for the projects which may receive operating aid (20 years from the start of their operation) are set in the Decision 172859 (OJ B'1267/2018) as follows: a) wind plants with a capacity between 3 and 50 MW: 300 MW in 2018, 300 MW in 2019 and 300 MW in 2020; b) PV plants with a capacity between 1 and 20 MW and above 20 MW: 300 MW in 2018, 300 MW in 2019 and 300 MW in 2020; and c) other technologies: 400 MW in 2018 and 400 MW in 2019. Any remaining capacity not sold in such procedures in one year will be added to the quantities to be auctioned in the next year in the relevant category. The maximum reference price in the first competition procedure in 2018 were determined to be: €90 per megawatt hour (MWh) for wind plants with a capacity between 3 and 50 MW; and €85 per MWh and €80 per MWh, respectively, for PV plants with a capacity between 1 and 20 MW and above 20 MW.

The first regular competitive procedures were initiated in April 2018, following the Regulatory Energy Agency's (RAE's) launch of three tenders (Decision 321/2018, OJ B'1466/27.04.2018). The maximum capacity of any aid that may be received is as follows: 70 MW for PV projects less than or equal to 1 MW (the first category); 230 MW for PV projects between 1 MW and 20 MW (the second category); and 300 MW for wind projects between 3 MW and 50 MW (the third category).

The deadline to submit participation applications was 5 June 2018. On 25 June 2018 RAE issued the final list of the approved participants (Decision 613/2018). As the minimum competition level for all three procedures was 75%, the total capacity for which aid will be awarded may not exceed 75% of the capacities participating in the competition. The capacities for which the participation applications were submitted were below the maximum provided. In addition RAE did not approve all applications thus the total of 283 MW capacities finally participated in the auctions. On 4 July 2018 RAE announced the results of the first auctions in which the final prices were significantly below the initial prices as follows: in the first category the lowest awarded price was 75,87 €/MWh while the biggest was 80 €/MWh; in the second category the lowest awarded price was 62,97 €/MWh and the biggest was 71 €/MWh; and in the third category the lowest awarded price was 68,18 €/MWh and the biggest was 71,93 €/MWh. The capacities planned for 2018 which finally did not participate and were not awarded in the auctions will most likely be tendered in the autumn of 2018. The biggest prices per category achieved at the first auctions reduced for 1% should be the initial price for these auctions.

## National Energy Efficiency Action Plan

*by Maria Faka (Athens)*

On 21 March 2018, the Ministry of Energy and Environment adopted the National Energy Efficiency Action Plan (NEEAP) and the Annual Progress Report on the achievement of the national energy efficiency target, of 2017, (Official Journal B' 1001/2018). Greece is participating, along with the other EU Member States, in the joint commitment to achieving the European Union's target of reducing 20% of primary energy consumption in the European Union by 2020 compared to projections. In this context, the NEEAP was adopted, which includes the progress report of 2017 on the achievement of the national indicative energy efficiency target pursuant to Article 4 Paragraph 5 and Article 5 Paragraph 2 of Law 4342/2015.

The policy measures foreseen by the Directive 2012/27/EE on the implementation of the NEEAP in Greece include a) energy audits and management regimes (Article 8), b) consumer information programs and education (Articles 12 and 17), c) energy efficiency measures for buildings (Articles 4,5 and 6), d) energy efficiency measures in industry, e) energy efficiency measures in the transport sector and f) key policy measures that address the issue of heating and cooling performance (Article 14).

## Greece

### Infrastructure

#### Approval of the Electricity TYNDP

by Andriani Kantilieraki (Athens)

On 08 May 2018, RAE's decision n. 256/2018 regarding the approval of the Ten-Year Network Development Plan (TYNDP) which was submitted by the Independent Power Transmission Operator for Electricity (ADMHE) for the decade 2018-2027, was published in the Official Government Gazette (B' 1570/2018). ADMHE's plan involves the description and estimated timeframe for the completion of all projects related to the development of the network system, among which the connection of non-interconnected islands with the main grid. Preceding the approval of the plan, ADMHE had successfully completed the first phase of the interconnection of the Cyclades islands. The first phase included the interconnection of the island of Syros with the main grid as well as the integration of underwater cables connecting Paros, Tinos and Mykonos. As of May 2018, 13 islands have been connected, whereas the following phases of the project include the interconnection of the rest of the Cyclades (mainly Sifnos, Kythnos, Santorini, Serifos and Milos). The goal of the project is the gradual expansion of the network with the view of reducing the cost of electricity in non-interconnected islands; the completion of the first phase of the project has already contributed to the reduction of such cost by 50 million euros.

The Regulatory Authority for Energy (RAE), which is the responsible for the approval of the aforementioned plan according to law n. 4001/2011, took under advisement the latest developments in the electricity sector as well as the progression of the interconnection project (among others) and proceeded to the approval of the TYNDP. The importance of the project as well as the significance of its timely completion was once again underlined by RAE. In addition to this, RAE



commented on the progression of other infrastructure projects such as the interconnection of Crete and the expansion of the network within Peloponnese. The interconnection of Crete had previously been approved as a two-phase project involving the interconnection of Crete with Peloponnese and the interconnection of Crete with Attica. While the first phase of the project was approved unconditionally, RAE urged ADMHE to take all necessary actions in order to complete the second phase by 2021. In correlation with the above, RAE stated that the second phase should be carried out in partnership with Eurasia Interconnector Ltd, as part of the wider Project of Common Interest undertaken for the interconnection of Israel, Cyprus and Greece. To that end, RAE approved the TYNDP but further instructed ADMHE to finalize the agreement with Eurasia in regards with the joint materialization of the second phase of the project and obligated the TSO to submit a renewed proposal (as part of the TYNDP for the decade 2019-2028) which will mandatorily state the second semester of 2021 as the time for the completion of the interconnection.

#### TYNDP Gas

by Maria Faka (Athens)

On 13 October 2017, RAE launched a public consultation on the National Natural Gas System (NNGS) Development Plan 2017-2026, as submitted by the gas transmission system operator, (DESFA). According to article 92 of the NNGS Management Code, when the NNGS Development Plan is drawn up, the Operator must take into account the NNGTS Development Study as well as: a) elements of the existing and projected supply and demand for natural gas b) the fulfillment of public service obligations and the security natural gas, in a reliable and cost-effective manner c) improving the efficiency of the NNGS; and ensuring smooth operation with the aim of preventing congestion, emergencies and denial s access d) supplying new areas with natural gas and ensuring capacity accessing new Users e) environmental protection f) the inter-community development program and regional investment programs according to dia (b) of Article 8 (3) and (b) paragraph 1 of Article 12 of Regulation 715/2009 g) the viability of the projects included in the Program and the possibility their funding, outside the framework of the Development Program.

The NNGS Development Plan includes all those projects whose construction is scheduled to take place within the time frame of the Program (2017-2026), regardless of the time of completion of their construction. Pursuant to the Article 69 Paragraph 2 (g) of Law 4001/2011 as in force, the DESFA prepares and the Regulatory Authority for Energy (RAE) approves and observes the implementation of the Ten Years National Development Plan (TYNDP) for Gas. However, the 10-year development plan for the national gas system that DESFA has submitted in December 2017 to RAE for approval is still pending and RAE has asked for clarifications on individual issues and forecasts included in the DESFA proposal.



## Romania

### Electricity

#### Balancing Market Performance and Settlement Regulation Approved

by Madalina Simion (Bucharest)



By issuing Order no. 31 of January 2018, the Balancing Market Operation and Settlement Regulation was approved in order to establish the rules for the procurement and use of the electricity required for the real time balancing of SEN in economic priority order, through competitive, transparent, public and non-discriminatory mechanisms, as well as for the settlement and payment of the corresponding transactions. This regulation applies to licensed electricity producers, to transmission and system operator, to electricity market operator and to dispatchable consumers.

The order contains also the Regulation regarding the calculation and settlement of imbalances of the parties responsible for balancing that applies to electricity producers, suppliers, traders, including foreign legal entities registered in an EU Member State to which the National Energy Regulatory Authority has confirmed the right to conduct in Romania the supply activity or the activity of the electricity trader, the distribution operators, the transmission and system operator and

the electricity market operator, who have the right to trade the electricity according to the law. The Regulation should be applied by the economic operators and the application supervised by the National Energy Regulatory Authority.

The Order was published in the Official Gazette on 22 February 2018. The regulations will be applied starting with the first day of the calendar month following a 6 month period from the date of publication.

#### Prosumers without Licensing and Tax Obligation

by Madalina Simion (Bucharest)

According to the latest statements of the National Energy Regulatory Authority's official made at the energy conference which took place in June, ten years after the Law no. 220/2008 establishing the system for the promotion of production energy from renewable energy sources came into force, the small renewable energy producers will soon be able to supply electricity and compensate the invoice issued by their provider. Since the beginning of 2018 discussions were initiated with the Ministry of Finance in order to identify solutions for this issue. The first point is that a small producer will not have to obtain any authorization to generate electricity. The law should provide an exemption for small producers from the obligation to acquire license for this activity. The second issue is the taxation. In this respect, the Finance Ministry announced that the decision whether these individuals could be exempt from paying taxes on income from electricity production is still pending. The third relevant aspect is the VAT system. There is a decision issued by the European Court of Justice, which obliges all European household electricity producers to keep records of their production. According to the official, a solution has been found to this issue, which is that in European law there is also the possibility for individuals to empower another entity (e.g. electricity supplier) to issue invoices to consumers in their name.

## Serbia

### Market



#### Derivatives Platform Based on Cash-settled Power Futures to be Launched

*by Aleksandar Mladenovic (Belgrade)*

On 06 June 2018, the European Energy Exchange (EEX) and South East European Power Exchange (SEEPEX), entered into a cooperation agreement for the listing of cash-settled power futures. The cooperation will foster the liquidity and development of the Serbian electricity market through the standard product setup which will enable the use of Serbian power futures as a tool to hedge against price risks in the local power spot market. At the same time high-level standards both in terms of derivatives trading and clearing services shall be ensured. Pending approval from the relevant authorities, EEX will list the Base Months, Quarters and Year Futures for the Serbian market area. The products will be settled against the Serbian day-ahead spot price as calculated by SEEPEX. To that end, both exchanges envisage the launch of the new contracts in early 2019.









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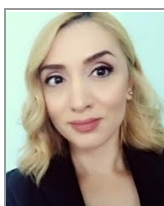
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