Rokas
International Law Firm

Energy Newsflash

60th ISSUE
November 2018

Energy law headlines from the EU & the SEE countries of the *Rokas* network

EU and EnC

Market

- EU: Annual Implementation Reports by ACER and CEER
- EU: EnC's Annual Implementation Report

Oil & Gas

- EU: Directive 2018/1581/EC on Minimum EU Petroleum Stocks

Competition & State Aid

- EU: Commission Invites Comments on Transgaz's Commitments
- EU SA.44678: Support for Klaipėda LNG Terminal Approved
- EU SA.49180: Support Schemes for Self-Suppliers from RES
- EU SA.47866: Dutch Support for Compensation Linked to Gas Extraction Approved
- EU SA.48623: Prolongation of Dutch State Aid Scheme for Marginal Gas Fields Approved
- EU SA.38967: Greek "New Deal" for RES and HECHP Installations finally Approved
- EU SA. 51306: €3.5 Billion Support to Three Offshore Windfarms in Belgium Approved
- EU SA.49918, SA.50715, SA.50717: Three State Aid Schemes in Denmark in the Energy Sector

BULGARIA

Oil & Gas

- Tender for offshore Oil & Gas Exploration Permit
- Procedure for Indications for Incremental Capacity to/from Neighbouring Market Zones

GREECE

Oil & Gas

- Conditions for EDA THESS's Tender on CNG Virtual Pipeline

Infrastructure

- Concession of the Crete-Attica Interconnection Project to the IPTO

RES & Energy Efficiency

- Second Regular RES Competitive Procedures in December 2018
- Integration Conditions for Wind Farms' Production Equipment

ALBANIA

Market

- Accounts Separation for Suppliers of Universal Service

Electricity

- All TSOs Proposals on Methodology of Cost-Benefit Analysis

Oil & Gas

- Regulation on Natural Gas Supply Service for End Customers

RES & Energy Efficiency

- Tender on the Construction of Large-Scale Solar Plant

BiH

Infrastructure

- Advice Regarding the China's Exim Bank Loan Guarantees for Tuzla7 Project

ROMANIA

Infrastructure

- Framework Conditions for the Implementation of Smart Meters

RES & Energy Efficiency

- New Changes to the Renewables Incentives Scheme
- Mandatory Quota for the Acquisition of Green Certificates

SERBIA

Oil & Gas

- Destination Clause from Gas Supply Agreement with Russia Removed

Infrastructure

- TPA Exemption for the New Natural Gas Interconnector Approved by AERS

EU and EnC

Market

EU: Annual Implementation Reports by ACER and CEER

by Kosmas Karanikolas (Athens)

On 22 October 2018, the Agency for Cooperation of Energy Regulators (ACER) and the Council of European Energy Regulators (CEER) presented the key findings of their 2017 Annual Market Monitoring Reports. More specifically, the aforementioned supervising authorities embedded the reached conclusions in four separate reports, referring to the current status quo of the electricity wholesale market (i), the gas wholesale market (ii), the electricity & gas retail markets (iii) as well as consumer empowerment (iv), respectively.

According to the relevant report, the main tendency that accrued in the electricity wholesale market during 2017 was the increment of the average day-ahead (DA) electricity prices throughout Europe, with the minor exception of some eastern-European countries (Bulgaria, Poland & Baltic states), while price variance across Europe was preserved. Moreover, the cross-zonal capacity available for trading diverged from the relevant 'milestone', mainly due to unaddressed congestions in the electricity distribution networks. However, the aforementioned limited capacity was used in a highly efficient manner, owing to the advanced coupling in the DA market, whereas in the ID (intraday) market the utilization of the available capacity remained rather inefficient. Furthermore, the report demonstrates a significant divergence in liquidity between the plentiful (in terms of liquidity) DA markets and the meager ID and forward markets. Additionally, the report notes the existence of heterogeneous capacity mechanisms (CMs) and adequacy assessments and highlights the considerable relevant costs involved. Finally, the report embodies justified recommendations purporting to the resolution of the detected hindrances.

As far as the gas wholesale market is concerned, the relevant report stresses Europe's ever-growing dependency on third countries, namely Russia, Norway and Algeria, for gas supply insofar gas consumption increases. Moreover, it is underlined that during 2017 gas prices gradually recovered (after 2016's diminution) and progressively converged across Europe whilst gas trading volumes through EU hubs slightly remitted. In addition, it is emphasized that the EU gas system was proven immune in the face of force majeure incidents (accidents, severe weather conditions) and demonstrated high overall levels of Security of Supply (SoS). Finally, the report focuses on recommendations concerning, amongst others, the safeguard of SoS without consumers' detriment and the amelioration of the gas market's function.

The annual report on electricity & gas retail markets focuses on the fluctuation of electricity & gas prices for households and industrial consumers respectively, throughout both the EU and the Energy Community Contracting Parties' (EnC CPs) area. As far as the EU area is concerned, three main trends are apparent; (i) a serious discrepancy in retail prices among EU countries is preserved, (ii) electricity and gas retail prices showed a downward trend during 2017, with the exception of industrial gas' price which remained relatively stable, (iii) any mitigation of wholesale prices is not necessarily and automatically passed on to the consumer, that fact being dependent on the structuring of the relevant national market. As far as EnC CPs are concerned, three elements worth mentioning; (i) household electricity prices mounted while industrial electricity prices decreased, these trends being more prominent in Ukraine, (ii) industrial gas prices remained higher than the respective household prices, contrary to what happens in the EU area and finally (iii) gas prices remitted significantly with the exception of household gas prices in Ukraine which rocketed.

Finally, the report concerning consumer empowerment ascertains that all EU Member States (MS) have in place a supplier of last resort (SOLR) for both electricity and gas, namely a supplier that substitutes failing providers and facilitates consumers that encounter payment difficulties. Moreover, it is stated that most MS have designated their National Regulatory Authority (NRA) as competent for consumers' information on their rights as well as their claims' handling. In addition, it is noted that the installation of electricity smart meters has progressed during 2017 while the respective gas system remains rather confined. Finally, the report indicates that most MS have adopted a smooth switching system allowing for a quick transition to another energy provider.

EU and EnC

EU: EnC's Annual Implementation Report

by Nikoleta Nikolaou (Athens)

On 31 October 2018, the Energy Community Secretariat released the Annual Implementation Report regarding the adaptation of measures towards preparation for the clean energy transition.

More specifically, according to the Annual Implementation Report, which concerns the period from September 2017 to September 2018, all Energy Community Contracting Parties (including the newest member Georgia) have undoubtedly made important steps in the direction of reformation of their energy sectors, but upgraded efforts are still needed with the view of securing a successful transition to clean energy sources. Furthermore, the Report presents the implementation percentage achieved by the 9 Contracting Parties, which is approximately 43%. In other words, according to the Report, Montenegro and Serbia have already made a significant progress, whereas FYRoM has leapfrogged in the third place. In addition, Albania and Kosovo have scored in the middle. However, Moldova, Ukraine and Bosnia and Herzegovina have the weakest implementation percentage.

As far as Albania is concerned, the implementation in the gas sector is still at an early age, since Albania does not have a developed gas market at present, whereas its oil sector is moderately advanced. Gas and oil sectors of Bosnia and Herzegovina, are still at their onset. In other words, Bosnia and Herzegovina does not have legislation on compulsory stocks of oil and petroleum products and as a result there is limited compliance to European Directives.

In addition, progress in gas and oil implementation in FYRoM is moderately advanced. It is widely acknowledged that over the last several years, FYRoM has visibly shifted up a gear regarding the transposition of the Energy Community acquis. As far as Montenegro is concerned, according to the Report, the implementation in the gas sector is still at a very early stage, because at present, no gas market exists, whereas the oil sector is yet to begin. There is no emergency oil stockholding policy which regulates the manner of establishing and managing emergency oil stocks and the procedure to be followed in case of disruption of supply of petroleum products. Regarding Serbia's progress, the implementation in the gas sector is moderately advanced, although, progress in the oil sector is still at an early stage. More specifically, Serbia has adopted the Commodity Reserves Law, by which the most relevant provisions of Directive 2009/119/EC on Emergency oil stocks have already been transposed.

Oil & Gas

EU: Directive 2018/1581/EC on Minimum EU Petroleum Stocks

by Myrto Balassi (Athens)

On 19 October 2018, the European Commission issued a press release concerning the adoption of Directive 2018/1581 amending Council Directive 009/119/EC as regards the methods for calculating stockholding obligations specifically for crude oil and/or petroleum products. The main goal of the Directive is to ensure security of energy supply in the EU.

Europe is still highly dependent on imported crude oil and oil products. The reservation of emergency stocks for the solution of possible network disruptions or deficiencies is of utmost importance to the EU. To that end, the European Commission adopted Directive 009/119/EC by which it imposed an obligation on Member States in order to guarantee the existence of a minimum crude oil and/or petroleum products stock that can be used in case of emergency since those products are highly important for the transport sector. Although the aforementioned Directive has been evaluated positively, the Commission decided to amend it in order to improve its clarity and reduce the administrative burden for Member States.

EU and EnC

The changes adopted by the new Directive aim to improve calculating methods such as the deduction method for the required minimum level of stocks and the amounts of petroleum products used for petrochemical. Finally, with the view of facilitating compliance by Member States, the start date for the current stockholding obligation was set for 30 June, thus providing extra time for the completion of national administrative procedures for the adoption of the Directive.

Competition & State Aid

EU: Commission Invites Comments on Transgaz's Commitments

by Alexandra Papaioannou (Athens)

On 21 September 2018, the European Commission issued a press release, inviting comments on commitments submitted by Romania's sole gas Transmission System Operator, Transgaz, to tackle competition concerns regarding the free flow of natural gas from Romania. Said commitments would aim to enable natural gas exports from Romania to other member states, particularly Hungary and Bulgaria.

Following an investigation by the European Commission in June 2017 in order to assess whether Transgaz was hindering gas exports from Romania to other EU Member States, the Commission is now concerned that Transgaz actively created or maintained barriers to such natural gas cross-border flows. This behaviour, if documented, would not only constitute a breach of EU competition rules on dominant position abuse, but would also be contrary to the Energy Union's objective of an internal European natural gas market.

In order to address such concerns raised by the Commission, Transgaz now proposes to undertake certain commitments until 2025, which would signify commercially meaningful export capacities from Romania. More specifically, the company offered an uninterrupted export capacity, increased from 0,1 to 4 billion cubic meters per year, non- discrimination between domestic and export tariffs by the Romanian national energy regulator ANRE, as well as refraining from using any other means for hampering exports.

Should the Commission conclude that Transgaz's commitments address its competition concerns, it may adopt a decision making such commitments legally binding upon the company; in this case, and if Transgaz fails to adhere to its commitments, the Commission can impose a fine of up to 10% of the company's worldwide turnover, without having to prove an infringement of EU antitrust rules.

EU SA.44678: Support for Klaipėda LNG Terminal Approved

by Ifigeneia Argyri (Athens)

On 31 October 2018, the European Commission (EC) issued a press release regarding the approval of compensation granted to LITGAS by Lithuania for supplying an essential quantity of liquefied natural gas to the liquefied natural gas (LNG) terminal in Klaipėda seaport. In November 2013 the Commission authorized the Lithuanian aid scheme for the construction of the aforementioned LNG terminal as compatible with EU state aid rules while the aid attained EU's energy goals without unduly distorting competition. In June 2018 the EC received two notifications from Lithuania regarding certain modifications of the original state aid approved in 2013; In order to ensure security of supply, Lithuania in January 2016 entrusted LITGAS, a liquefied natural gas supplier with a public service obligation to supply the necessary quantity of liquefied natural gas to the foregoing LNG terminal in return with recompense to cover part of the investment and its maintenance costs. This recompense is funded by the so-called "LNG supplement", a fee imposed on all users of the transmission system. Furthermore, Lithuania considering the development of the gas market deemed that the legal binding of the "purchase obligation" for heat and electricity generators to purchase a certain quantity of gas from LITGAS can be abolished as of January 2019. Consequently, LITGAS will sell its gas directly to the market.

EU and EnC

After due consideration, the Commission found that the foregoing modifications are in line with the EU State aid rules on services of general economic interest (SGEI) and proportionate to stimulate competition on the Lithuanian gas market. Concomitantly, EC approved both the state aid currently in force for the period from 2016 until the end of the year 2018 and the aid for the period from 2019 until the end of 2024. Finally, it is worth to be noted that the operation of Klaipėda seaport will attain to the EU's energy Union objective to increase the security of gas supply by diversifying supply sources and build a connected modern energy grid system. In that line it should also be mentioned that in August 2018 Lithuania received through Klaipėda seaport its first LNG shipment from the US in the framework of the strengthening of EU-US strategic cooperation with respect to energy.

EU SA.49180: Support Schemes for Self-Suppliers from RES

by Mira Todorovic Symeonides (Athens)

On 22 October 2018, the European Commission approved the state aid measure to support electricity production from renewable sources (RES) for self-consumption in France until the end of 2020. This scheme, with an indicative total amount of €200 million from the France State budget, should support the deployment of 490 MW of new generation capacity. The support will be available for small installations with capacity between 100 and 500 kW while most of the produced electricity will be used for self-consumption. The beneficiaries will be selected through technology neutral tenders to be organised until 2020 and shall receive the state aid for 10 years in the form of a premium on the top of a market price. The Commission has concluded that this scheme will stimulate competition between RES for self-suppliers and will further increase the share of RES in the France energy mix.

EU SA.47866: Dutch Support for Compensation Linked to Gas Extraction Approved

by Alexandra Papaioannou (Athens)

On 19 October 2018, the European Commission published its decision dated 13.07.2018 on the financial support granted by the Dutch state in order to compensate for real estate damage and real estate value depreciation due to earthquakes, caused by drilling works in the Groningen gas field (State Aid case no. SA.47866). In its decision, the Commission found that the support granted by the Dutch authorities via a non-profit foundation tasked with repairing and selling of real estate in the concerned area is in conformity with EU state aid rules.

The Commission started its review following a notification by the Dutch State on 9 March 2018, regarding the setting up of the foundation NL-EZ-NCG, aiming to improve the security and living conditions of the residents of the Groningen area. About 75% of the activities of the foundation will be covered by NAM, a company involved in gas exploitation at the Groningen gas field, while 25% will be financed in part by the Dutch State through a €10 million subsidy. The Commission found that the repair activities are ultimately funded by NAM, in line with the “polluter pays” principle. Since the financing by the state merely ensures the continuity of real estate activities in Groningen and does not confer an advantage to NAM, the Commission concluded that the notified measure does not constitute state aid. Up to today, about €1,5 billion has been spent for repairs to real estate assets caused by the gas extraction works in Groningen, pursuant to studies of the University of Groningen (June 2018). The continuing intense protests of the residents of Groningen region ultimately led the Dutch Parliament to the decision to terminate the natural gas exploitation activities in Groningen as soon as possible, with immediate measures to be taken by October 2022 in order to radically reduce natural gas extraction.

EU SA.48623: Prolongation of Dutch State Aid Scheme for Marginal Gas Fields Approved

by Viktoria Chatzara (Athens)

On 5 October 2018, the European Commission's decision dated 30 January 2018 concerning the notified prolongation of the state aid measure concerning the development of marginal off-shore gas fields in Netherlands (case No. SA. 48623), was published in the Official Journal of the European Union. According to the existing state aid scheme, mining companies were entitled, when calculating the tax they had to pay under the State Profit Share (an additional annual tax related to the profits in the mining sector), to deduct 25% of the investment costs made during the year of reference, in addition to normal depreciation. The measure aimed to incentive the exploration and exploitation of offshore gas reserves, as new investments were needed because the dismantling of existing platforms and infrastructure was approaching and, as a result, prospects in the vicinity of such platforms would have to connect to other platforms, usually further away, increasing their investment costs and, correspondingly, decreasing their investment attraction.

EU and EnC

The initial scheme was designed to last from 01.01.2010 to 31.12.2016. The Dutch authorities notified at this stage their intention to prolong the existing scheme until 31 December 2022, as an increasing number of gas reserves are becoming marginal and the incentives for the exploration and production of gas in such fields are still needed, taking also into account the decreasing gas prices since 2014. The Commission concluded that the extension in the duration of the existing scheme does not affect its initial assessment that said scheme constitutes state aid, which however is compatible with the internal market under Article 107(3)(c) TFEU and, thus, did not raise objections to said prolongation.

EU SA.38967: Greek "New Deal" for RES and HECHP Installations finally Approved

by Viktoria Chatzara (Athens)

On 20 November 2018, the European Commission's decision dated 10.10.2018 on the Greek operating aid scheme for renewable energy sources (RES) and highly efficient combined heat and power installations (CHP) was published (case No. SA.38967). The notified measure provided a system of feed -in tariffs for eligible installations that signed PPAs between 1 April 2014 and 31 December 2015. Delay in approval seems to be the result of numerous objections addressed. In fact Greece put the notified measures under assessment into effect before they had been notified and approved by the Commission. The measure at hand was described in Law 4254/2014 and consisted in a system of feed-in tariffs for eligible RES and CHP installations calculated for each technology category individually by determining the specific capital, operating and financing costs for each one, and by deducting any other aid granted, e.g. for construction costs, in order to ensure that the resulting feed-in tariff did not include any cumulative investment aid. The aid derived from a special duty for greenhouse gas emissions reductions payable by electricity consumers on each unit of electricity consumed, as well as from other sources, such as income from RES/CHP market participation, lignite levy, etc. The beneficiaries of the aid were operators of various categories of plants, including wind farms, small-scale hydropower, photovoltaic, low and high temperature geothermal energy, solar thermal plant with/without storage, biogas, biomass, landfill gas and CHP. For certain types of installations, a specific technology cap was introduced, aiming to set a cap on the maximum amount of RES electricity which is entitled to support, and to limit the overall aid amounts granted to these technologies. The scheme was further open to installations that concluded electricity sales contracts up to 31.12.2015, provided that they would be put into operation no later than the provided by law specific deadlines, depending on the type of the installation. The Commission primarily assessed that the notified measure constitutes state aid according to the applicable EU law provisions, and even unlawful aid, as it was granted before the adoption of a Commission decision. Nevertheless, the Commission found the state aid measure to be compatible with the internal market, under the TFEU relevant provisions and the applicable Commission Guidelines on state aid for environmental protection and energy and, thus, decided not to raise any objections.

EU SA. 51306: €3.5 Billion Support to Three Offshore Windfarms in Belgium Approved

by Paraskevi Res (Athens)

On 27 September 2018, the European Commission approved under EU State aid rules the support of maximum of €3.5 billion for three offshore windfarm projects in the Belgian territorial waters of the North Sea, i.e. to the Mermaid (235 Megawatt), Seastar (252 Megawatt) and Northwester2 (219 Megawatt). The Commission found this measure necessary because without public aid, the projects could not be completed for financial reasons. Moreover, the Commission reach this decision taking into consideration that this measure will serve EU energy and climate goals without unduly distorting competition in the Single Market.

The Commission, in line with the 2014 Guidelines on State aid for environmental protection and energy and in order to complement its Energy Union Strategy to deliver secure, sustainable and competitive energy in Europe, approved these three offshore windfarm

EU and EnC

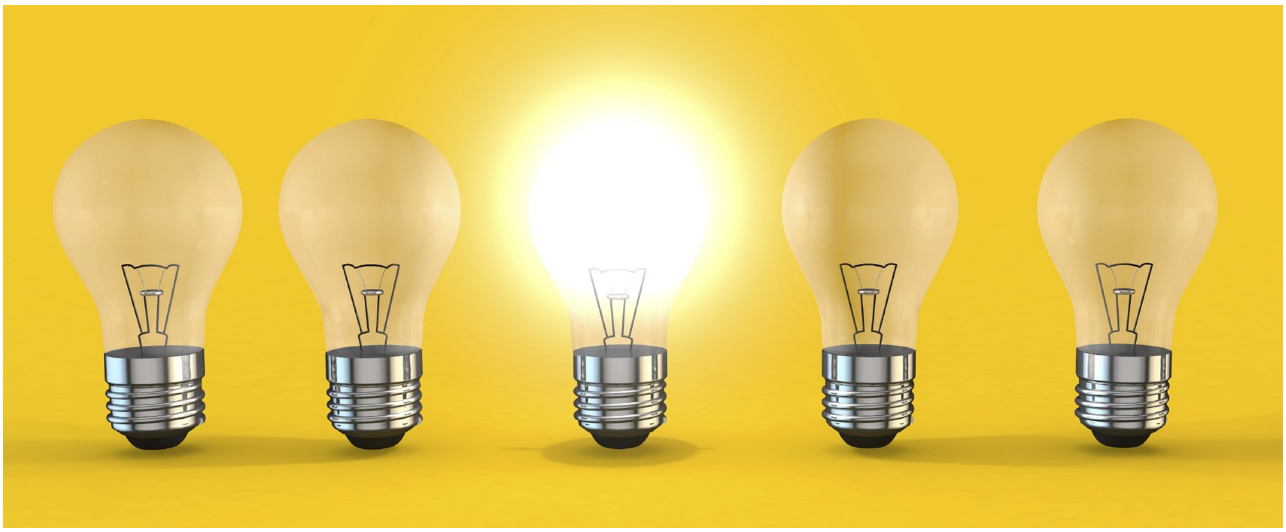
projects support because the projects will promote the integration of renewable electricity into the market, and will increase the share of electricity produced from renewable sources in Belgium and reduce pollution, while limiting any distortions of competition caused by the state support. The Commission concluded that the projects will help Belgium meet its target of producing 13% of its energy needs from renewable sources by 2020.

EU SA.49918, SA.50715, SA.50717: Three State Aid Schemes in Denmark in the Energy Sector

by Viktoria Chatzara (Athens)

On 9 November 2018, the European Commission's decision dated 17.08.2018 on three notified state aid measures in Denmark (cases No. SA.49918, SA.50715, SA.50717) was published in the Official Journal of the European Union. The notified schemes were designed in the context of Denmark's object to achieve a 30% supply of its energy consumption from renewable energy sources by 2020, in line with the binding renewable targets for all Member States under the Renewable Energy Directive. The first state aid measure consists in the design and construction of multi-technology tenders for onshore wind turbines, open door offshore wind turbines and solar PV in Denmark, being the first tenders in Denmark in which different technologies will compete for aid against each other, with the aim to ensure the lowest possible support levels. The bids can concern the construction of wind turbines or solar PV installation(s) or installations using both wind and solar PV, while the aid following this tender will be paid in the form a fixed premium on top of the electricity price for the electricity production. To be also noted that biomass, biogas and other RES technologies will be excluded from participating in the tenders.

With respect to the second scheme, it concerns aid that will be granted without tenders to specific onshore wind projects with a total capacity of up to 6 onshore wind turbines that should have obtained aid under a previous approved scheme, has they not been delayed by appeals against the projects, provided that the appeal was handled by the competent board within 2017. The aid under this scheme will be paid as a fixed premium (not indexed) on top of the electricity price for the electricity production, provided that the successful applicants comply with the requirements provided in the applicable provisions. As far as the third state aid measure is concerned, it concerns test centres and demonstration projects, in the sense that the aid will be granted without tenders to wind turbines (installations of up to 6 wind turbines) with a testing purpose outside the national test centres in 2018 and 2019. The aid in this scheme will be similarly paid as a fixed premium (not indexed) on top of the electricity price for the electricity production. The Commission examined the three notified state aid schemes and concluded that they constitute state aid schemes in the sense of the applicable EU law provisions. Taking, however, into account all the information, the Commission assessed said measures on the basis of the general compatibility provisions of the Guidelines on State aid for environmental protection and energy (EEAG), and the specific compatibility criteria for operating aid granted for electricity from RES, and concluded that the contemplated state aid schemes are compatible with the internal market.



Albania

Market

Accounts Separation for Suppliers of Universal Service

by Manuela Cela (Tirana)

On 19 July 2018, the Albanian Energy Regulatory Authority (ERE) issued its decision No.166 regarding the initiation of the procedures for approving the Unified and Standard System of the Accounts for the Licensors in the Activity of Transmission, Distribution and Supplier of Universal Service in the Energy Sector.

ERE's decision was based on the following facts: Articles 35 and 45 of the Law No. 43/2015 "On the Energy Sector Electricity ", providing that ERE has the right to approve a metered and standardized system of accounts for licensees in the electricity sector, based on Albanian legislation and international standards of accounting. The accounting system adopted by ERE for licensed companies in the electricity sector, constitutes the structure of keeping separate accounts for different energy services, including assets, equity, liabilities, income and expenses, for the purpose of calculating the prices and tariffs according to the relevant methodologies and is adapted to enable the proper monitoring of licensed activities. The accounting system will be applicable to all licensed companies in the Energy Sector.

Electricity

All TSOs Proposals on Methodology of Cost-Benefit Analysis

by Manuela Cela (Tirana)

On 3 August 2018, the Albanian Energy Regulatory Authority (ERE), proceeded to the analysis of the following facts: the Albanian Electricity Transmission System Operators (TSO) - OST sh.a. (a member with full rights of ENTSO) with letter No. 5020 dated 09.07.2018, requested the approval of "Proposals of all continental and Nordic TSOs for conditions and methodology for cost-benefit analysis"; This requirement is set for the implementation of obligations to all countries participating in ENTSO-E. This document constitutes a joint proposal drafted by all TSOs in Continental Europe and Nordic Synchronous Areas, in order to determine conditions and methodology for a cost-benefit analysis, for estimating the time period required for Reserves, Units or Provisioning Groups with Limited Energy Reservations to remain available during the alarm state, in accordance with Article 156 (11) of the Regulation of the European Commission (EU) 2017/1485 dated 02.08.2017. The methodology of Cost-Benefit analysis for the proposal of the reserve frequency retention (FCR), considers the general principles set out in the Regulation (EC) No 714/2009 of the European Parliament and of the Council dated 13.07.2009, in regards with the conditions of network access for cross-border energy electricity exchanges and also contributes to the pursuit of the general objectives of the Operating System Guidelines for Operational Safety Management by defining the appropriate time period for full activation of holding stocks frequency (FCR) in the alarm state, taking into consideration the costs and benefits of the defined time period, to the benefit of all market participants and end consumers of electricity. This methodology will be applied to all OSTs of the member states in the European Union.

Albania

Oil & Gas

Regulation on Natural Gas Supply Service for End Customers

by Manuela Cela (Tirana)

On 9 July 2018, the Albanian Energy Regulatory Authority (ERE) decided to initiate the procedure for the adoption of the *Regulation on the General Conditions of the Supply Service with Natural Gas for End Customers*. To that end, ERE sent a draft text of the Regulation to all the third parties and groups concerned, in order for them to consult and provide their remarks and comments. ERE's working group further took under consideration the comments and suggestions of the Energy Community Secretariat communicated on 23 May 2018. As a result, ERE issued its decision No.161 with which it officially approved the Regulation on General Conditions of Natural Gas Supply Service for the End Customers.

RES & Energy Efficiency

Tender on the Construction of Large-Scale Solar Plant

by Manuela Cela (Tirana)

On 6 August 2018, Albania's Ministry of Energy and Industry (MEI) launched a tender for the construction, maintenance and operation of a 50 MW photovoltaic plant (PV) in Akerni area, near the southwestern port city of Vlora. The bidding deadline was set for September 17 whereas the construction must be completed within 18 months after the singing of the contract. The solar plant's period of operation will be 30 years long. The contract foresees the signing of an energy purchase agreement with state-owned power distributor OSHEE for the purchase of energy from the 50MW PV plant in the first 15 years of operation. The project also envisages the construction of additional capacities from 20 MW to 50 MW.

According to the disclosed criteria, technical and financial track records will be the decisive factors in selecting a winning bidder, although the cost of the energy generated will also be considered. Also, attention will be paid to bidder's ability to bring down the cost of development fund loans for a project worth €35-40 million ($40-46 million). The Albanian government and the European Bank for Reconstruction and Development (EBRD) opened an invitation for expressions of interest for the implementation of the auction in January. The auction is one of several schemes the Albanian government intends to implement to support solar since it introduced a renewable energy regulation, the Law on Promotion of the Use of Energy from Renewable Sources.

Under the new program, the FIT scheme for renewable energy projects up to 15 MW in size will be replaced by an auction mechanism implemented by the Albanian authorities. Another feed-in scheme will provide incentives to PV and other renewables projects up to 2 MW in scale. Under the second scheme, around a dozen solar projects were submitted for approval to local authorities.

Albanian Energy Regulator (ERE) has established that the regulated tariff for solar for 2017 will be €100 ($117.8)/MWh, while that for wind power will be €76/MWh. According to ATA, solar and wind projects of this size will be entitled to receive the tariff after the Ministry of Energy reviews and approves them. These will most likely be treated as small and medium hydropower projects, which, under the current regulation, can sell power at the regulated tariff to the Albanian public power utility OSSH under a 15-year contract.

BiH

Infrastructure

Advice Regarding the China's Exim Bank Loan Guarantees for Tuzla7 Project

by Vuk Stankovic (Belgrade)

On 1 October 2018, the Energy Community Secretariat (Secretariat) addressed a letter (ECS-10_18O27-09-2018 (MoP Federation Bosnia and Herzegovina)) to the Bosnia and Herzegovina Parliament (Parliament) in terms of compliance of the Parties to the Energy Community Treaty and the Energy Community law, and in particular the Energy Community state aid acquis. In the respective letter referring to construction of a lignite fired power plant with capacity of 450 MW (Tuzla 7 project), the Secretariat reminded the Parliament that sovereign or sub-sovereign loan guarantees provided by China's Exim Bank have to comply with certain conditions, such as not exceeding 80% of the value of the loan and being repaid at market rates. However, no conditions have been revealed for the Tuzla7 guarantee and financing has not reached the required transparency level. The loan guarantees have already passed the local state aid clearance by State Aid Council of Bosnia-Herzegovina. In terms of compliance, Tuzla7 is most challenging project, which has faced several lawsuits at the Sarajevo Cantonal Court requesting the cancellation of the license that have been issued by the Ministry of Environment.

Bulgaria

Oil & Gas

Tender for offshore Oil & Gas Exploration Permit

by Veronika Yordanova (Sofia)

On 10 July 2018, the energy Minister of energy announced the launching a procedure to award an oil and gas research and exploration permit in Tervel offshore block in the Black Sea. Previously the Minister had a meeting with the CEO Total E&P Bulgaria, which is carrying out exploration works in the 1-21 Han Asparuh offshore block. France's Total holds a 40% interest in Total E&P Bulgaria, while Austria's OMV and Spain's Repsol hold 30% each. The permit will be awarded following an unattended tender procedure. The parameters of the permit include, among others:

- Area: 4,032 km2 and water column depth of between 1,500 to 2,000 m;
- Term: five years with two statutory possibilities for extension of up to two years;
- Term for purchasing tender documentation: 120 days following the publication of the tender decision in the Official Journal of the European Union;
- Term for filing of tender bids: up to the 140th day following the publication of the tender decision in the Official Journal of the European Union;
- Term for filing of proposals in performance of the tender requirements: up to the 155th day of the publication of the tender decision in the Official Journal of the European Union;

The decision of the Council of Ministers for the opening of the procedure should be published on the web page of the Council of Ministers, the Bulgarian State Gazette, and the Official Journal of the European Union.

Procedure for Indications for Incremental Capacity to/from Neighbouring Market Zones

by Apostolos Christakoudis (Sofia)

On 26 October 2018, Bulgartransgaz EAD, Bulgarian gas transmission system operator, submitted to the Energy and Water Regulatory Commission for consideration and approval draft documentation for Phase 3 of the Open Season procedure regarding a new gas route starting from the border between Bulgaria and Turkey passing through booster station "Provadia" and reaching the border between Bulgaria and Serbia. The execution of the binding Phase 3 is planned for the period 3 December – 31 December 2018. Phase 1 - In the period 21 July – 21 August 2017 Phase 1 of the Open Season procedure was conducted (unbinding indications for incremental capacity to/from neighbouring market zones). In the procedure of this phase it has obtained non-binding capacity prospects, which have shown that the maximum quantity of natural gas expected to be delivered on Bulgarian territory is 54.6 million cubic meters per day (by 2040) with a minimum pressure of 4,5 MPa. The maximum quantity of natural gas expected to reach the Bulgarian-Serbian border is 34.4 million cubic meters per day (by 2040) with a maximum pressure of 6.5 Mpa. Phase 2 – In the period 27 March – 27 April 2018 Phase 2 of the procedure was conducted (unbinding offers for incremental capacity). As a result of the unbinding phases and the feasibility studies that were carried out, it was identified that it is necessary to implement the "Project for development and expansion of Bulgartransgaz EAD gas transmission system. During Phase 3 of the Open Season Procedure participants submit binding bids for incremental capacity and in case the conducted procedure is successful (i.e. the economic test result on the viability of potential project is positive), binding Transmission Contracts are signed.

Greece

Oil & Gas

Conditions for EDA THESS's Tender on CNG Virtual Pipeline

by Andriani Kantilieraki (Athens)

On 27 September 2018, the Regulatory Energy Authority (RAE) issued decision n. 822/2018 regarding the approval of terms and conditions for EDA THESS's (Gas Distribution Company Thessaloniki – Thessalia) tender on the provision of services for CNG Virtual Pipeline (OJ B' 4298/27.09.2018). RAE, in its capacity as the competent authority, took under consideration the legal framework for the supply of remote networks with natural gas, stating that this is possible by the development of a CNG Virtual Pipeline. Virtual Pipeline services (acquired via a tender procedure) include both the compression of natural gas as well as its transportation by a third party (non holder of a Licence for the Supply of Natural Gas in any country of the Energy Community), in a way that the Virtual Network is an extension of the existent main network. According to RAE's decision, EDA THESS filed for approval a Development Programme for years 2018-2022, in which the construction of remote distribution networks in Thessaloniki and Thessaly via a CNG Virtual Pipeline was proposed. According to the provisions of the aforementioned tender which will be launched by EDA THESS for the year 2018, the concessionaire will undertake the responsibility to issue binding directions for the procedures of compression, supply and transfer of natural gas as well as manuals for staff training and maintenance processes. The concessionaire will further assume full liability for the provision of services and will be required to use specific equipment as outlined in the terms of reference of the tender.

Infrastructure

Concession of the Crete-Attica Interconnection Project to the IPTO

by Andriani Kantilieraki (Athens)

On 4 September 2018, the Regulatory Authority for Energy (RAE) issued its decision n. 816/2018 concerning the necessary actions for the realisation of the interconnection between Crete and Attica, as part of the common interest project (CPI) for the interconnection between Israel, Cyprus and Greece (known as "EUROASIA Interconnector"). RAE took under consideration the significance of the project by acknowledging that the matter of long-term electricity supply sufficiency to remote areas such as the island of Crete is of utmost importance and projects of common interest have to be completed if possible by the year 2020 in line with the set European Commission's goals. RAE further stated that the interconnection is a critical national matter whose materialization has significantly been delayed and ascertained the inability to reach an agreement for the cooperation between Euroasia Interconnector Ltd (which is the consortium established to develop Israel-Cyprus-Greece electricity link as the original project promoter) and the Independent Power Transmission Operator (IPTO).

As a consequence, RAE ruled that the IPTO possesses sufficient know-how, technical reliability and financial clout to control the construction of the Crete - Attica electrical interconnection. To that end, RAE suggested the establishment of a wholly owned IPTO subsidiary (Special Purpose Vehicle - SPV) by September 10th, with the sole purpose of funding and supervising the project, in which the IPTO will hold a 51% stake, whereas the rest 49% is to be owned by third parties. More specifically, Euroasia Interconnector Ltd will be given the right to own up to a 39% stake of the SPV (by buying the shares in their nominal value within 3 months of the SPV's set up), while the rest 10% could be conceded through a tender procedure. To that end, IPTO's Management in close cooperation with ADMIE Holding and the foreign strategic investor, State Grid Corporation of China, being fully aware of the importance of the timely implementation of the electrical interconnection between Attica and Crete, vouched for its completion by 2022 and established on 10 September a wholly owned subsidiary (SPV) under the name "ELECTRIC INTERCONNECTION CRETA - ATTICA ARIADNE S.P.S.A." with the distinctive title "ARIADNE INTERCONNECTION S.P.S.A" and a founding share capital of €200 million (which amounts to 26% of the project's estimated budget). The IPTO holds a 51% stake and awaits the participation of credible partners for the acquisition of minority stakes in the SPV.

Greece

Pursuant to the above developments RAE further issued its decision n. 838/2018 on 1 October 2018, by virtue of which the project was assigned directly to Ariadne Interconnection S.A, thus effectively replacing Euroasia Interconnector Ltd as the project promoter in the specific segment of the wider CPI project. The IPTO has already made a significant progress on a number of actions, for which RAE has also been briefed. For instance, the technical specifications of the project have already been completed. The Environmental Impact Assessment Study (EIAS) will be submitted for approval to the Ministry of the Environment and Energy within the next few weeks, while the cost-benefit study and the necessary studies on the operation of the Electrical System of Crete after the completion of both interconnections (with the Peloponnesus and Attica) are in the final stage. Despite RAE's decisions and IPTO's actions, the European Commission considers the concession of mainland Greece's electricity interconnection with Crete to be invalid. Just two days after the original decision and the immediate setup of the SPV, Brussels informed all parties involved that according to European law RAE cannot make a direct concession before the end of 2018 (which is the time period given to Euroasia Interconnector Ltd to decide if it will utilize a right offered for a 39% stake, or less, in the venture to develop the Crete Athens link), even if Greece chooses to proceed with it as a national project. Under the light of these reactions, RAE's option to sidestep the European Commission is proving to be a high-risk decision that may have legal consequences for the project, and lead to more delays than those it is trying to avoid.

RES & Energy Efficiency

Second Regular RES Competitive Procedures in December 2018

by Mira Todorovic Symeonides (Athens)

On 18 October 2018, the Regulatory Authority for Energy (RAE) issued Decision n. 1026/2018 (OJ B' 4784/2018) launching the second set of the regular competitive procedures in 2018 with the total capacity to be tendered at 423 MW divided as follows: 94 MW for small PV with capacity from 500 kW ≤ 1 MW; 100 MW for big PV with capacity from 1 MW ≤ 20 MW and 229 MW for wind projects with a capacity 3 MW ≤ 50 MW. This capacity presents all the remaining capacities from the July 2018 tenders increased for the additional 100 MW for wind projects (which is equal to 1/3 of the 2019 capacities). In July 2018 tenders instead of the maximum 600 MW, the state aid was approved for the total of 283 MW capacities. The increase in the capacities participations for the December 2018 tenders for wind projects is justified with the number of the matured wind projects available.

In order to enhance competition, the minimum competition level (the final maximum capacity that may be approved) was settled at 75% of the capacities participating in the competition. The prices achieved in the July 2018 tenders were significantly below the initial prices: for small PV the initial price was €85 per megawatt hour (MWh) while the awarded ranged between €75,87 and €80 per MWh; for big PV the initial was €80 per MWh while the awarded ranged between €62,97 and €71 per MWh; and for wind the initial was €90 per MWh while the awarded ranged between €68.18 and €71,93 per MWh. On 15 October 2018, the Ministry of Environment and Energy issued the amendments (Ministerial Decision 180215/2018, OJ B' 4528/2018) of the Decision 172859/2018 regulating regular RES competitive procedures, by which it determines that the initial price on the December 2018 tenders will be equal to the average between the initial price per category at the previous auction and the middle of the range prices. Subsequently, the initial prices per MWh on the December 2018 tenders will be: €81,71 for the small PV, €71,91 for the big PV and €79,77 per MW/h for the wind projects. The applications for participations should have been submitted until 12 November while the capacities will be auctioned on 10 December 2018.

Integration Conditions for Wind Farms' Production Equipment

by Nikoleta Nikolaou (Athens)

On 22 October 2018, the Ministerial Decision establishing the integration conditions of wind farms' production equipment in renewal schemes was published in the Official Journal (B' 4716/2018). The aforementioned Decision of the Minister for the Environment, which was published in accordance with Article 3 para 22 of the Law 4414/2016, defines the purpose and the scope thereof. More specifically, it clarifies the integration conditions of wind farms equipment in renewal schemes. In other words, the wind farms will be integrated into an arrangement for renewal, as long as their wind turbines have been replaced. Therefore, the interested owners of these wind farms should renew their production Licenses as soon as possible by receiving a Certificate issued by the Regulatory Authority for Energy (RAE) and afterwards procure all the necessary authorizations and approvals (e.g. environmental approval or settlement authorization). In each case, as referred to the Ministerial Order, the owners of wind farms should take the appropriate steps in the direction of installing the necessary equipment in general compliance with all the imposed obligations. Moreover, the Decision provides for the framework of participation of wind farms, which have already been integrated in renewal schemes, in a competitive procedure with negotiation and tender submissions. In conclusion, the Ministerial Decision at its Fourth Article sets out the applying reference values for the wind farms, which have been integrated in renewal schemes of their production equipment, despite not having submitted tenders within competitive procedures due to the absence of specific technical and productive requirements.

Romania

Infrastructure

Framework Conditions for the Implementation of Smart Meters

by Madalina Carmen Ion (Bucharest)

On 10 October 2018, the Romanian Energy Regulatory Authority approved by virtue of Order no. 177/2018 the Framework conditions for the timetable of smart metering systems implementation, at a national level. The provisions shall apply to electricity distributors, concessionaires, electricity suppliers and users connected to low voltage electrical networks in their capacity as beneficiaries of intelligent electricity metering systems. On the date of entry into force of this Order, the previous Order no. 145/2014 on the implementation of smart metering systems, published in the Official Gazette Part I, no. 931 of 19 December 2014, is abrogated.

According to the provisions of the Order, the distribution operators, the concessionaires, the suppliers and the users of the electricity sector shall comply with its provisions while the organizational entities within the National Energy Regulatory Authority shall observe their compliance. The content of the Framework Conditions includes the implementation plan, ways of evaluating and monitoring the implementation of the IMS (Intelligent Metering Systems), informing users and invoicing based on actual consumption. Distribution operators and suppliers ensure the technical and organizational conditions which allow users' access to the consumption data, with the obligation that the systems through which the access is made respect security and protection conditions.

RES & Energy Efficiency

New Changes to the Renewables Incentives Scheme

by Madalina Carmen Ion (Bucharest)

On 18 July 2018, law no. 184/2018 establish a new method of calculating the quota for the acquisition of green certificates by buyers of green certificates that are subject to this legal obligation was published in the OJ no. 635 of 20th July 2018. Last year, the Emergency Governance Ordinance No. 24/2017 issued on 30 March 2017 amended the Renewable Energy Law No. 220/2008, which revised the green certificates support scheme, due to the fact that the renewable energy sector had difficulties and needed a reform, in order to avoid an imbalance between the maintaining prices for consumers and also their low costs for the production of energy and between operational energy production facilities.

The new methods for calculating green certificates acquisition quotas are to ensure that all green certificates that are expected to be issued between 1 April 2018 and 31 December 2031 are purchased and to prevent annual electricity consumption falling below the average level recorded between 2017 and 2022. Starting with the 2018 as the analysis year, by 1 March of each year, ANRE shall establish the mandatory green certificate annual greenhouse quota for the previous year, based on the final electricity consumption of the previous year, so that the average impact on the final consumer is no more than €11.7 / MWh in 2018, €12.5 / MWh in 2019, €13 / MWh in 2020 and 2021 and €14.5 / MWh from 2022. From 1 April 2017 until December 31, 2020, two green certificates for solar power plants will be temporarily postponed for every 1 MWh produced and delivered by renewable electricity producers accredited by ANRE until 31 December 2013. The deferred green certificates shall be recovered from 1 January 2021 in equal monthly instalments until 31 December 2030.

The national target is to achieve the 24% target for renewable energy from the amount of energy that Romania will consume in 2020, as stipulated in Annex I to Directive 2009/28 / EC of the European Parliament and of the Council of 23 April 2009 on promoting the

Romania

use of energy from renewable sources. In 2014, the European council agreed on a new 2030 Framework for climate and energy, which includes policy objectives for 2020-2030. The targets for 2030 are: a 40% cut in greenhouse gas emissions compared to 1990 levels and at least a 27% share of renewable energy consumption. Romania is using more renewable energy than the EU average and is considered to be well on track to reach its national 2020 RES target (in 2015, 43.2% of its electricity was generated from renewable sources). However, its electricity interconnection level with neighbouring countries is below its 2020 target and more energy infrastructure needs to be built.

Mandatory Quota for the Acquisition of Green Certificates

by Madalina Carmen Ion (Bucharest)

On 24 October 2018, the Romanian Regulatory Authority ANRE issued the Order no. no.178/2018 setting the Mandatory Quota for the Acquisition of Green Certificates for the period August – December 2018. The Order provides that the estimated mandatory quota for the acquisition of green certificates by economic operators required to acquire green certificates for August-December 2018 is set at 0.425 green certificates / MWh corresponding to a final electricity consumption exempt from the payment of allowances version of 3.042.611,261 MWh. The number of green certificates supported in 2018 through the green certificate promotion system, corresponding to the estimated legal average impact of green certificates in 2018 of €11,15/MWh is 16.321.832. On the other hand, the Order provides that the average impact of green certificates in 2018 is €11,15/MWh. Moreover, number of green certificates held between August-December 2018 through the green certificate promotion system is 7.624.250. According to the annex to the order, the estimated final consumption of electricity between August and December 2018 is 20.974.847,604 MWh.

One half of the quota for green certificates for 2017 and 2018 remained unsold. This measure has negative effects for the energy market and for the energy producers, causing losses for them. In 2017, the producers were not able to sell 1.25 million green certificates, due to the reduced quota. ANRE will establish the final mandatory green certificate acquisition quota by 1 March 2019 on the grounds of the final electricity consumption for 2018.

Serbia

Oil & Gas

Destination Clause from Gas Supply Agreement with Russia Removed

by Vuk Stankovic (Belgrade)

On 27 September 2018, the Serbian Parliament ratified the amendments of the inter-governmental agreement between the Governments of Serbia and Russia concerning the supply of natural gas, where the destination clause has been omitted. Previously, in 2017, Energy Community Secretariat raised the issue and opened the case before the Ministerial Council against Serbia (Case ECS-18/16). The Governments of Serbia and Russia then agreed to amend the Agreement by removing the Restrictions placed on customers to re-sell gas cross-border. The aim of such removal is to comply with Energy Community competition law and to enable free flow of gas at competitive prices in Central and Eastern European gas markets.

Infrastructure

TPA Exemption for the New Natural Gas Interconnector Approved by AERS

by Mirjana Mladenovic (Belgrade)

On 1 October 2018, the Council of the Energy Agency of the Republic of Serbia (AERS) adopted the Decision on the Exemption of the New Natural Gas Interconnector (Decision). By the Decision AERS approved the exemption to Gastrans d.o.o. Novi Sad (Gastrans) from the rules on third party access on a future gas pipeline which will be constructed through the Republic of Serbia and which will be connected to the Bulgarian and Hungarian national transmission systems.

Furthermore, acting upon the Gastrans' application the AERS also approved the exemption to the Gastrans from the obligation to apply regulated prices and the exemption from ownership unbundling of natural gas production and supply which are prescribed by the Energy Law. Namely, the Gastrans submitted the application in accordance with Article 288 of the Energy Law, i.e. in accordance with Article which transposed in the national legislation the so-called “Third Package” of the European Union regulations on joint rules of internal energy market. In accordance with the same Article, the AERS submitted the Decision to the Energy Community Secretariat for further action.

On 24 October 2018, the Energy Community Secretariat invited all interested parties to send any observations they may have regarding the Decision until 9 November 2018.

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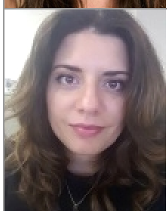

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