

May 23 2022

# Derogations from EU Electricity Regulation and EU Electricity Directive for the island of Crete

Rokas Law Firm | Energy & Natural Resources - Greece



VIKTORIA  
CHATZARA

On 21 February 2022, the European Commission issued its Decision (EU) 2022/258<sup>(1)</sup> granting derogations from the provisions of the EU Electricity Regulation<sup>(2)</sup> and the EU Electricity Directive<sup>(3)</sup> for the island of Crete, following a relevant request submitted by the Hellenic Republic. The request was submitted because the island of Crete, which had been operating until 3 July 2021 as an autonomous power system, has not yet been completely interconnected with the Greek mainland power system and, thus, the Greek power market.

Phase one of the interconnection project, during which west Crete was interconnected with the Peloponnese region, entered into commercial operation from 1 November 2021, while phase two, referring to the interconnection of central Crete with the Attica region, is expected to be operational until 2023. In the meantime, producers and suppliers on the island of Crete will not submit any bids in the Greek market while the wholesale clearing price for electricity in Crete is calculated on a monthly basis, based on the variable and total costs of the conventional power units.

To facilitate the transition, particularly with regard to the issue of the operation of the electricity day-ahead, intraday and balancing market in Crete, a hybrid model was proposed. Under this model, the interconnector between Crete and the mainland system will be treated as a balance responsible party, acting mostly as a virtual electricity general unit from Crete's perspective and a virtual load from the mainland's perspective. Such flow could be reversed in the case of high generation from renewables in Crete. Furthermore, the Greek electricity power exchange will be submitting price-taking electricity bids on behalf of Cretan market parties in the Greek electricity day-ahead and intraday wholesale market, according to ex ante forecasts.

The Commission considered the fact that Crete qualifies as a small connected system, justifying certain derogations, and also that substantial problems for the operation of the electricity system therein have been duly demonstrated. Taking all the information submitted into account, the Commission granted a derogation from certain provisions<sup>(4)</sup> as regards Crete until 31 December 2023 or until the completion of phase two of the interconnection between Crete and mainland Greece, whichever comes first.

Following the issuance of the European Commission decision, a ministerial decision<sup>(5)</sup> was issued, regulating:

- certain matters concerning the agreements for the sale of electricity under applicable Greek law;
- the electricity sale and purchase agreements; and
- the contracts for operational support of Crete stations as of the date the interconnection of phase one has taken place.

*For further information on this topic please contact [Viktoria Chatzara](mailto:v.chatzara@rokas.com) at Rokas Law Firm by telephone (+30 210 361 6816) or email ([v.chatzara@rokas.com](mailto:v.chatzara@rokas.com)). The Rokas Law Firm website can be accessed at [www.rokas.com](http://www.rokas.com).*

## Endnotes

(1) Published on 23 February 2022 in OJ L 42.

(2) Regulation (EU) 2019/943.

(3) Directive (EU) 2019/944.

(4) Articles 6, 7(1), 8(1) and (4), 9, 10, 11 of the EU Electricity Regulation, and article 40(4) to (7) of the EU Electricity Directive.

(5) No. ΥΠΕΝ/ΔΑΠΕΕΚ/16507/816/2022 (GG Issue B' 986/04.03.2022).