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## State aid for pumped hydroelectricity plant in Amfilochia approved

### Rokas Law Firm | Energy & Natural Resources - Greece



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On 20 December 2021, the EU Commission approved and, on 18 March 2022 published in the *EU Official Journal*,<sup>(1)</sup> its decision regarding the Greek individual state aid for a pumped hydroelectricity plant, which will be partially funded by the Recovery and Resilience Fund (RRF). This project involves the construction and operation of a pumped hydro storage (PHS) unit to be located in Amfilochia, in western Greece. The project comprises two pumped storage facilities, the Agios Georgios and the Pyrgos PHS plants, both sharing the existing Kastraki lake as a lower reservoir. These facilities have a total installed electricity generation capacity of 680 megawatts, 730 megawatts of pumping and a total storage capacity of 3,973.7 megawatts per hour. The construction works should start in 2022, and the project is expected to be operational as from 2025. The project has already received its electricity generation licence, environmental approvals and the definitive terms for the connection to the system.

Certain legislative amendments and measures (in primary and secondary legislation) are needed to implement the project and grant the approved aid, including:

- amendments to the Energy Law<sup>(2)</sup> or the introduction of a new one to regulate the granting of state aid for electricity storage plants upon the approval of the EU Commission;
- a ministerial decision dealing with main elements of the aid (eg, up-front grant and monitoring and the certification mechanism);
- a Regulatory Authority for Energy decision providing for the methodology for determining the amount of the approved annual support; and
- amendments to the Electricity Market Regulation and system codes to implement all necessary details.

The beneficiary of the state aid is the promoter of the project, Terna Energy SA, subsidiary of the group GEK Terna. Besides operating the project, GEK Terna group will also participate in the construction phase, with up to 40% of the project investment costs. The total investment costs for the project are estimated at around €500-700 million.

The measure consists of an investment grant (amounting to €250 million, to be funded through the European Union's RRF) and the annual support, which will be provided from the special account for storage projects in Greece – the storage support account. This account will be used to finance both the Amfilochia PHS project as well as the envisaged battery electricity storage scheme. The account will be funded by means of a levy, which will be imposed (through legislative measures) upon electricity suppliers who could pass those costs on to their customers. The Greek authorities explained that the discounted value of the aid, including the investment grant and the annual support, amounts to €250-500 million. The mechanisms preventing overcompensation include adjustment of the annual support, market incentive mechanism and adjustment in case of capital expenditure increase.

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#### Endnotes

(1) JOCE C/124/2022.

(2) 4001/2011.