

Change of the priority for connection in the agricultural and industrial sector

On 15 March 2024, the law no. 5095/2024 (OJ A' 40/2024) (the "Law") adopted, by virtue of article 30, the measures proposed by the Ministry of Environment and Energy (YPEN) aiming at the reduction of the energy cost in the primary and secondary sector.

Agricultural sector

Within the framework of the necessity for the reduction of the power cost incurred by the farmers, YPEN has announced a program providing low prices by means of PPAs¹. It is estimated by YPEN that out of the 10-year duration of the said bilateral agreements, in the first two years the price will be formulated between €0.09 and €0.11 per kWh and in the rest eight years, the 1/3 of the consumption will be formulated at €0.09 per kWh, while regarding the 2/3 thereof, the farmers will be entitled to a free supply from the market, either by the same or a different supplier.

In particular, according to the Law, the interested holders of RES plants, which have already - before the entry into force thereof-, submitted applications for the granting of the binding connection offers to IPTO², shall sign PPAs with suppliers willing to aggregate holders of agricultural electricity connections, in the form of financial settlement or of physical delivery and submit them thereto, along with the other documents, within 3 months from the coming into effect of the ministerial decision, regulating, inter alia, the total installed capacity of the RES projects falling within the new priority category for connection to the grid regarding the agricultural sector.

On 11 April 2024, the relevant ministerial decision³ of YPEN was issued, specifying, except for the above-mentioned total installed capacity of the respective RES projects, the selection criteria thereof, the proportion of production per each RES technology, the necessary documents for the conclusion of supply agreements with the invoice under the name "Invoice GAIA", the procedure of repayment of the due debts of the farmers as well as the penalties imposed in case of termination of the said supply agreements.

It is worth mentioning that the maximum capacity limit of binding connection offers to be granted from IPTO in an absolute priority regime is equal to 500 MW of total installed capacity, which shall correspond to a percentage of 30% of the annual electricity consumed by the farmers who are to be represented by suppliers within the framework of the herein described regulation.

The interested suppliers will have to announce the characteristics of the "Invoice GAIA" within 15 days from the entry into force of the above ministerial decision and to propose to the interested parties the conclusion of a supply agreement of at least 10-year duration providing them with the

¹ The Power Purchase Agreements are long-term bilateral contracts contributing to price stability and the reduction of the market volatility

² The Independent Power Transmission Operator

³ No. 38648/1011 (Government Gazette 2214 B'/2024)

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possibility of different charge during the first two years, while the interested agricultural power consumers will be entitled to enter into the said supply agreement up to 2 months upon the lapse of the above 15-days deadline. It should also be noted that the farmers conducting self-consumption through net-metering are not entitled to the Invoice GAIA.

The eligible plants will be able to connect to ESMIE⁴ prior to all the other plants, regarding the capacity corresponding to a percentage of 30% of the annual electricity consumed by the holders of the said plants, while they will not be subject to any of the four kinds of injection restrictions of those enacted through article 10 of Law no. 4951/2022 and of which the two first⁵ are currently set out by a ministerial decision⁶.

The industrial sector

The same grounds regarding the necessity for the reduction of the energy cost applies also in the industrial sector. Another parameter taken into consideration is the fact that recently energy intensive industries in the USA as well as in different countries in the European Union have been supported by means of subsidies, a fact which renders vital the need for the encouragement of production of such Greek industries to be rendered competitive.

Pursuant to the new provisions, holders of RES plants will be entitled to the granting of a binding connection offer in prioritization against other complete applications having been submitted before the entry into force of the Law, as long as the said plants have submitted, before the entry into force of the Law, a relevant complete application and fulfill the requirements for their falling into the B' category of the ministerial decision setting out the priority framework for the connection to the grid⁷ (the "Ministerial Decision on the Priority Framework"), or they fall within the maximum capacity limit for connection offers of this category, corresponding to 4,000 MW⁸. The Law provides the same facility to projects of any subcategory of the A' category, as set out by the Ministerial Decision on the Priority Framework, as long as they fulfill the requirement of the maximum capacity limit set out by the specific subcategory, they have not received the binding connection offer until the taking effect of the Law and they abide by the provisions laid out for the B' category projects, including the submission of a letter of guarantee and the signing of a PPA.

Further requirements also include the conclusion of a PPA in the form of either financial settlement or physical delivery between a RES producer as the seller and an electricity supplier as the buyer for the sale of the electricity produced by the RES plants falling into the B' category or a solemn

⁴ The National Electricity Transmission System

⁵ The restriction of the total production capacity of the plant on a permanent basis or on determined periods during the day

⁶ No.53563/1556 (Government Gazette 3328B'/19.05.2023)

⁷ No. 84014/7123/2022 (Government Gazette 4333B'/12.08.2022), as applies

⁸ The said maximum capacity limit is provided by article 2 of the Ministerial Decision on the Priority Framework

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declaration signed by the producer and the supplier committed to sign a PPA with a supplier and a final industrial consumer respectively, and on the other hand, the conclusion of a PPA between the same supplier and an energy intensive industrial consumer, which shall belong to one of the sectors referred to by the Annex I of the TCTF⁹. The PPA signed by the producer should comply with the Ministerial Decision on the Priority Framework, meaning that it should be of a duration of at least 8 years and cover at least 80% of the produced from the plant energy¹⁰. Additionally, since the RES producers are obliged to submit a copy of the PPA signed between the supplier and the final consumer to IPTO as well as to YPEN within 35 days from the taking effect of the Law, it has become known that there are intense negotiations for the closing of relevant deals between RES producers and industrial consumers, or for the amendment of terms of the already signed ones. As key factors are considered the price, which range in lower levels due to the deceleration of the energy prices as well as to the great offer of RES projects exceeding the demand, the appropriate RES technology and the requirement set out by the banks regarding the credibility of the off-takers.

The measure concerning the priority given to the industrial sector will be further specified by a ministerial decision issued within 60 days from the entry into force of the Law, including, among others, the installed capacity of the RES projects falling within this specific category, as well as criteria for their classification, based on the conclusion and execution of the PPAs signed between the suppliers and the final consumers before or after the entry into force of the Law and the express or not mentioning therein, from their conclusion, of the respective RES plants.

Conclusion

The increased demand for action able to confront the energy related problems present to both the agricultural and industrial sector led to the enactment of legislative measures permitting to the said categories to be completely prioritized against all the other projects in terms of connection to the grid, by means of formation of new categories. It remains to be seen how those measures will contribute to the successful resolution of any relevant problems faced by the said sectors as well as to the general route of energy transition and how the energy market and the investors will accept and adjust to this new framework.



⁹ Temporary Crisis and Transition Framework

¹⁰ Article 2 B.6 of the Ministerial Decision on the Priority Framework

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