

Energy Newsflash
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Editor's note

Dear Readers,

In a significant step towards a sustainable and resilient energy future, recent legislative changes within the European Union and Greece have marked a transformative phase in the electricity market.

The European Council's approval of the updated electricity market design on 21 May 2024 represents a landmark decision aimed at stabilizing energy prices and reducing dependence on fossil fuels. The newly adopted Regulation (EU) 2024/1747 and Directive (EU) 2024/1711 reflect a robust response to the volatile energy prices witnessed from 2021. Key reforms include the promotion of power purchase agreements (PPAs) to provide long-term price stability, support for renewable energy sources (RES) investments under PPAs, and the implementation of two-way contracts for difference (CfD) to mitigate price volatility.

In parallel, Greece has introduced significant amendments to its self-consumption regime, notably through Law no. 5106/2024, which positions net-billing as the dominant scheme for new RES applications. This shift, designed to reflect the true cost of energy, simplifies the legal framework for net-metering and virtual net-metering, promoting greater efficiency and transparency.

The upcoming ministerial decision, currently under public consultation, promises to further refine the self-consumption framework. Notable provisions include the compensation of injected energy based on Day-Ahead Market clearing prices and specific guidelines for the sale of electricity surplus, fostering a more competitive and sustainable energy market.

Additionally, new regulations on RES injection limitations, introduced by the same law, aim to optimize grid capacity, and enhance system reliability. The new provisions, having raised serious concerns among the RES producers and developers during the public consultation of the Law, continue to do so, following its publication and the pending issuance of the ministerial decision.

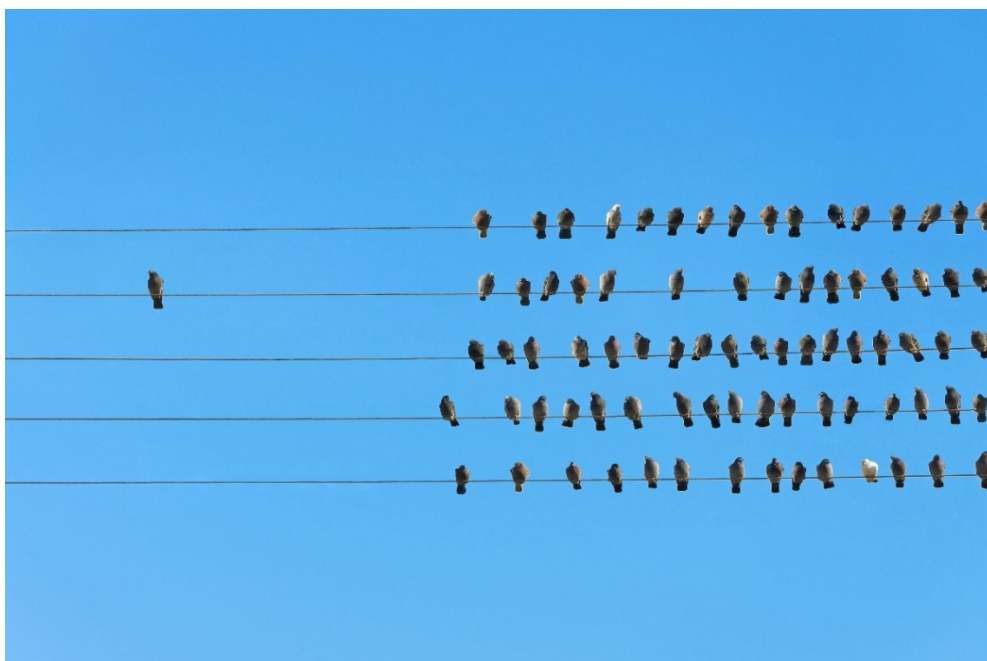
The Rokas energy team remains dedicated to monitoring these developments, providing insights and guidance to navigate the evolving energy landscape. As we move forward, it is imperative to continue fostering collaboration and innovation to achieve our collective goals of energy security, sustainability, and economic stability.

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Electricity market reform in the EU

On 21 May 2024, the European Council of the European Union (EU) approved the proposal on updated rules concerning the electricity market design within the EU. The process for the sign-off included the presentation of proposals on the reform of the EU's electricity market design by the Commission and negotiations between the two co-legislators, i.e. the Council of the European Union and the European Parliament. The Commission originally presented the proposals on the reform, as a response to the high and volatile field of energy prices in 2022.

The approved Electricity Market Regulation, which was formally adopted on 21 May amended the current (at the time) electricity regulation and also includes certain targeted changes in the ACER regulation. It was published in the Official Journal of the EU on 26 June 2024, as Regulation (EU) 2024/1747 of the European Parliament and of the Council on 13 June 2024 amending Regulations (EU) 2019/942 and (EU) 2019/943 as regards improving the Union's electricity market design. The reform further included provisions on amending the current electricity directive and the renewables directive, which, for the sake of legal certainty, were divided from the body of the regulation, thus constituting a separate legal text, which was also published in the Official Journal of the EU on 26 June 2024, as Directive (EU) 2024/1711 of the European Parliament and of the Council of 13 June 2024 amending Directives (EU) 2018/2001 and (EU) 2019/944 as regards improving the Union's electricity market design. Both the aforementioned Regulation and Directive entered into force as of July 16th, 2024. As far as the Directive is concerned, member states are allowed up to six months to adapt their respective national legislation to its provisions.



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Regarding the content of the new Regulation and Directive, the goal of the reforms was to ensure that European consumers would be able to benefit from more stable energy prices and depend less and less on the price of fossil fuels, a matter which was specifically addressed by the legislators, who took into account the escalation of the war between Russia and Ukraine, and the related international sanctions imposed since February 2022, which have in turn led to a gas crisis, disrupted global energy markets, exacerbated the problem of high gas prices, and had a significant knock-on impact on electricity prices. In more detail, the reformed rules include:

- the promotion of the undertaking of power purchase agreements (PPAs), i.e. long term contracts that provide stability, by the simplification of the respective procedures (elimination of red tape and significant charges);
- the support of RES investments under power purchase agreements;
- the use of two-way contracts for difference (CfD), by member states, or equivalent schemes with the same effects, for their direct price support schemes, so as to support new investments in electricity generation, applicable to new power generating facilities based on wind, solar, geothermal energy, hydropower without reservoir and nuclear energy. the two-way contracts will operate as safety valves in order to ensure that prices will, in the future, be less affected by the volatility of prices in fossil fuel-based markets according to the following pattern: on a two-way contract for difference with a public entity, energy generators would be protected with minimum remuneration, in order to ensure that they operate and participate efficiently in the electricity markets and react to market circumstances;
- the provision of the Council's power to declare an energy crisis, in the event of high prices in wholesale electricity markets. in such a case, member states will be prepared in a more effective manner and better equipped to cope against future crises. they will thus be able to take all necessary actions, such as further reduction of electricity prices for vulnerable and disadvantaged customers and the prevention of undue distortion in the internal market and
- the reinforcement of measures for the protection of vulnerable customers, which also incorporate provisions for the protection from disconnections, by the use of energy sharing schemes.

All the above mark the EU's absolute goal towards a carbon-free future, where the security of supply is ensured while flexibility through the increase of renewables share is enhanced.

by Andriani Kantilieraki | Senior Associate
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The Natural Gas and Hydrogen Reform in the EU

Introduction of the Hydrogen and Decarbonized Gas Market Package

On 21 May 2024, the Council of the EU adopted the Hydrogen and Decarbonized Gas Market Package. The Package contains the "H2 Directive", a recast of the Gas Directive (2009/73/EC), and the "H2 Regulation", a recast of the Gas Regulation (EC 715/2009), which have been in force since 2009. It aims to significantly improve market access and infrastructure for renewable, low-carbon and hydrogen, helping to reduce emissions across the energy sector. It will particularly ensure connection and access to the existing gas network and enable discounts on cross-border and injection tariffs for these cleaner gases. It demonstrates Europe's determination to pursue the clean energy transition, by enhancing security of supply and consumer protection. Moreover, it signals a cheaper flow of renewable and low-carbon gases through the system for Member States, as national regulatory authorities may decide to apply discounts to different network tariffs. The regulatory framework ensures that renewable and low-carbon gases have the required market access and can be easily traded.

The new rules establish common standards for the quality of gas that can flow between member states. Transmission operators are obliged to accept gas with a hydrogen content of up to 2%, while voluntary agreements for higher blends are also possible. If disagreements arise between neighboring transmission system operators on the quality of gas, a dispute resolution mechanism shall be established. Moreover, gas quality will be closely monitored.

Definition of low-carbon hydrogen and harmonization with RED-legislation

Regarding gas quality, the Package is harmonized with Renewable Energy Directive II/III-legislation of the EU (RED II/III), providing a definition of low-carbon hydrogen. This means that the electricity generation plant from which the power stems will be built in addition to the already existing renewable generation plants to avoid shifting RES electricity generation from one to another sector.

Under the H2 Directive, low-carbon gas may be derived from non-renewable sources. Eligible gases are recycled carbon fuels from waste streams and low-carbon hydrogen, as well as low-carbon hydrogen products. The gases qualify as low-carbon gases if the gas meets the greenhouse gas emission reduction threshold of 70 percent compared to the

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fossil fuel comparator of 94 grams of CO₂-equivalent per megajoule, as established in the RED-Legislation. Thus, the total emissions from its use may not exceed 28,2 gCO₂eq/MJ. The total emissions may be ensured and reduced by emissions savings, like carbon capture and storage (CCS). Under the revised legislation, low-carbon hydrogen is defined as a fuel that achieves a 70% reduction in greenhouse gas emissions compared to fossil fuels.

Developments of hydrogen infrastructure

The new hydrogen framework intends to ensure that hydrogen is transported cost-effectively from areas where it can easily be produced to industrial customers. It streamlines network planning processes while promoting cross-border coordination.

In addition to national network development plans, a separate ten-year hydrogen network development plan at EU level will provide the necessary transparency on infrastructure, developed by a new, independent EU association bringing together hydrogen transmission system (ENNOH-European Network of Hydrogen Network Operators). This will promote better alignment with national plans and will ensure energy system integration, contributing to cost-effective infrastructure deployment. The ENTSO, the ENTSO for Electricity and the ENTSO for Gas will work together to implement integrated network planning at EU level, with common scenarios in the electricity, hydrogen, and gas sectors.



The reform also introduces a certification scheme for low-carbon gases, including hydrogen, which complements the certification of renewable gases and hydrogen under the revised Renewable Energy Directive. The certification rules will apply to both imports

and domestic production to ensure a level playing field and avoid carbon leakage. The scheme reflects the system used for the certification of biofuels.

Fossil gas with a duration until 2049

While considering the transitional role of fossil gas, the package creates the framework for its phasing-out, allowing renewable and low-carbon gases to be integrated into the energy system. Long-term contracts for unrestricted fossil gas should not last beyond 2049.

Effect on the consumer

The electricity market reform provides consumers with a wider choice of contracts and clearer information before contracts are signed. They will be able to book safe and long-term prices, as well as achieve dynamic price contracts to take advantage of price volatility for electricity use when it is cheapest. Member States should set up suppliers of last resort so that no consumer ends up without electricity. Vulnerable consumers and the energy poor will be protected from disconnection and Member States will be able to extend regulated retail prices to households in the event of a crisis. In addition to consumer protection, energy sharing is also being enhanced. For example, tenants will be able to share excess rooftop solar energy with neighbors.

Next steps

The H2 Directive should be implemented by the Member States within two years of its publication. The Regulation is going to apply six months after its entry into force, which is likely to happen in the first months of 2025.

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Recent amendments to the self-consumption legal framework

Introduction

The self-consumption regime in Greece, already regulated ever since the transposition of the first EU energy package into the Greek legal framework, has been subject to significant amendments upon the enactment of Law no. 5037/2023, with the most recent ones being introduced by the Law no. 5106/2024 and the setting into public consultation of the highly anticipated ministerial decision.

Law no. 5106/2024

A decisive change in the self-consumption regime was brought in by Law no. 5106/2024 (the “Law”), which, among others, establishes net-billing as the dominant self-consumption scheme. Following the ratio analyzed below, the Law enables the application of net-metering and virtual net-metering in terms of new applications of RES plants for their connection to the grid solely for the expressly regulated thereby categories, namely: a) beneficiaries of the Program under the name: “Photovoltaics on the roof”, b) plants with a maximum capacity of 30kW, developed by farmers registered with the Farmers and Agricultural Holdings Registry, c) plants developed by general governmental bodies, d) plants developed for the coverage of the energy needs of citizens and households characterized by energy poverty.

The grounds for the aforesaid lie to the considering of net-billing as the proper model reflecting the true cost of the energy under set-off. In particular, net-billing entails the set-off conducted between the produced electricity and the billing of the absorbed electricity (the self-produced electricity excluded) at the time of its consumption, contrary to the net-metering schemes, where the consumption of electricity at a time other than the one of the injections thereof is either way billed depending on the time of the injection.

The ministerial decision being expected already upon the enactment of Law no. 5037/2023¹ for the detailed regulation of (virtual) net-metering and net-billing has not been issued yet, meaning, on the one hand, that in terms of (virtual) net-metering the Ministerial Decision no. 15084/382/2019, as amended, still applies and on the other hand, that there is no ministerial decision specifying the implementation of net-billing.

Draft Ministerial Decision

On 27 June 2024, the Ministry of Environment and Energy launched a public consultation regarding the draft of the much-anticipated ministerial decision (the “Draft”), constituting the fourth amendment of the ministerial decision of 2019 as referred to above, for the introduction, inter alia, of virtual net-billing implemented by self-consumers, as well as joint self-consumers.

¹ Art. 64(7)

Pursuant to a significant addition of the Draft², the energy injected to the grid by the self-producer within the framework of net-billing is compensated according to the Day-Ahead Market clearing price, i.e. the wholesale price at which the power is billed for the suppliers. The sale of the electricity surplus, constituting the result of the set-off when the injected electricity corresponds to a larger quantity than the absorbed, calculated per Deviation Clearance Period, namely per quarter of an hour, can be conducted by the self-producer either through the conclusion of PPAs, or through the participation thereof directly in the electricity market according to article 12a of Law no. 4414/2016, meaning its participation, either with its registration with the Participants Registry operating by the Hellenic Energy Exchange or with its representation by aggregators. The aggregator, on the one hand, based on the data received by the competent grid operator, calculates the value of the injected electricity which is in turn deposited to the self-producer per month, the value of the aggregator services excluded, while the supplier, on the other hand, proceeds to the issuance of the clearance consumption accounts of the self-producer for the set-off energy, including the absorbed electricity billed according to the currently applied energy supply regulations and the invoicing of each supplier.



² Art. 5a

There should be pointed out certain differentiations in conjunction with the aforesaid general norm of the surplus sale price introduced by the Draft. In particular, as far as the household self-producers are concerned, they, first of all, do not bear any kind of tax obligations for the sale of the electricity surplus as occurs with the commercial self-producers and second, the former ones operating a self-consumption system with a capacity of up to 10.8 kW, are assigned for their representation to DAPEEP³ under its capacity as an aggregator, which pays to the supplier the value of the injected electricity, free of service charge. Moreover, the price of the electricity surplus in the case of the Non-Interconnected Islands is equal to the Special Market Price, published by DAPEEP and cleared by the distribution network operator, which is the competent operator for the Non-Interconnected Islands too.

Except for the introduction of net-billing in the currently applicable ministerial decision in terms of self-consumption schemes, the Draft proceeds to a distinction between net-billing and virtual net-billing, the former one refers to consumption installations either located on the same or adjacent site with the production plant, or not, but either way having the same interconnection line, while the latter one refers to consumption installations not connected at the same connection point with the plant, in which case such consumer withdraws all electricity it needs from the grid while the producer injects all its produced electricity to the grid. In the case of virtual net-billing DAPEEP calculates the value of the electricity surplus, of the injected electricity and the set-off electricity and pays to the supplier the value of the set-off electricity and on the self-producer the value of the surplus, while, on the other hand, the supplier issues the clearance consumption accounts for the self-producer.

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³ The RES and Guarantees of Origin Operator

RES injection curtailment after the Law no. 5106/2024

On 1 May 2024, the new law, no. 5106/2024 (the “Law”), regulating the possibilities of curtailment of electricity injected in the Transmission System and Distribution Network by RES producers, was published in the Official Journal A’ 63/2024, replacing and supplementing a number of articles in the law no. 4951/2022 and 4414/2016. The new provisions, having raised serious concerns among the RES producers and developers during the public consultation of the Law, continue to do so, following its publication and the pending issuance of the ministerial decision which should regulate a number of issues introduced by the Law. The scope of the Law was to create capacities in the grid for the transmission and distribution of electricity, particularly in periods of high RES and HE CHP production.

Some of the main provisions regulating the possibilities of the RES injection curtailment are the following:

- the injection curtailments may apply for avoiding of local congestion, or for securing of safe operations of the Transmission System or the Distribution Network, or as a reaction to the surplus of production or for other reasons when it is considered necessary, which should be regulated in a ministerial decision to be issued for the increase in the transparency of these measures;
- RES projects participating in competitive procedures for receiving of operational aid (subsidy to the sold electricity in case of reduced market prices) after 1 May 2024 and subject to approval of the European Commission, if selected, would be required to accept the increased cut in injection to the grids or to install storage units; The Ministry of Environment and Energy (YPEN) is authorized to regulate further these competitive procedures;
- the expansion of production curtailments to the Distribution Network for the production plants over 1 MW. The producers shall, within 6 months from the publication of the Law, install equipment required for the application of the curtailment, otherwise, they have to pay 25 % of their income received from the electricity markets for each period of injection curtailment and receive no payment from the RES and Guarantees of Origin Operator (DAPEEP in its Greek acronym);
- the feed-in-tariff shall, after May 2024, not apply for small PV, except for the rooftop systems;

- until the ministerial decision is issued, the System and Network operators are entitled, for the protection of the securing of the grid, to send input limitation notices to RES or HE CHP producers and operators of medium voltage network;
- the following 4 types of input reduction are envisaged: a) permanent limitation of the maximum production capacity compared to the installed capacity, b) limitation determined by the grid operators based on the assessment of the status system or network locally; c) limitation in real time for emergency reasons; and d) limitation of the predefined maximum production capacity for time within each day.

The Decision of YPEN, expected to be published soon, should regulate the framework of the limitation of input for RES and HE CHP plants, as well as the operation of electricity storage systems and particularly:

- the classification of limitations depending on the reasons for imposing these measures;
- the possibility of regulating the additional limitation of input for the RES projects in the binding offers for connection or in the connection agreements. According to the business press, it may even reach 40%-45% of the output;
- the principles of priorities among the plants for the application of the measures, classification of the plants, cooperation of such RES plants with the electricity storage systems in any of the electricity markets (DAM, Intraday, balancing);
- the obligations of the producers regarding the installation of storage systems and of equipment enabling the application of the curtailment;
- the role of the operators, producers, self-producers and other stakeholders regarding these limitations;
- the time frame for implementation of these measures;
- the installation of technical requirements for the telecontrol and teleoperation of the curtailments by the grid operators.



The main concerns of the RES producers are that:

- the provisions of the Law provide for wide, vague and unclear authorisations to YPEN which raise concerns of the RES producers regarding the possibilities of intervention in various aspects of the electricity markets in Greece;
- such provisions are affecting the principle of legal predictability, as they would apply retroactively to the plants that are already in the licensing procedure thus directly affecting their planned revenue and business plans;
- some of the provisions may not be in compliance with the EU regulation which requires objective, transparent, and impartial criteria relying on the market mechanism.

The issue is of essential significance for the feasibility of RES projects and their planning, while the stakeholders are also estimating whether there may be a legal ground for damage claims or other legal protection. The association of PV producers of Greece expressed, during the public consultation on the Law, its concerns regarding issuing of new licenses since there is no respective demand while the grids are saturated.



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