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LEGAL DEVELOPMENTS IN THE GREEK NATURAL GAS MARKET

In the last couple of years the Greek natural gas market has been under continuous structural, legal and regulatory changes following the adoption of the 3rd Energy Package rules (by Statute 4001/2011) and the recent privatisation of DESFA, the Greek network operator (TSO). Market rules have been thoroughly amended to reflect the market liberalization process and the measures introduced by the network codes and the Commission's implementing acts pursuant to the 3rd Energy Package.

1. Establishment of an entry/exit tariff system and introduction of a Virtual Trading Point

Access to the Greek natural gas transmission network (the so-called NNGS) is provided through an entry/exit system. This entry/exit system came recently into operation following the second revision of the Network Code in December 2013 [Decision of the Regulatory Authority for Energy (RAE) no 526/2013] and the entry into force of the new network tariffs on 1.2.2013 (Decision of RAE no 722/2012), which are issued after the Tariffs Regulation of RAE (Decision no 594/2012).

The entry/exit system follows Regulation (EC) No 715/2009 and introduces the rule that tariffs are not dependent on the transport route. Crucially, the revised Network Code facilitates trading within the entry/exit system through a "Virtual Nomination Point" (VNP). Users can thus offtake gas from the VNP, even if they have not booked capacity at an "Interconnection Point" (IP). But balancing of the NNGS is not yet in full conformity with the EU acquis which opts for a market-based balancing regime.

The Greek Ministry of Environment, Energy and Climate Change (YPEKA) has recently issued a roadmap of the next steps required to reform the Greek natural gas market, so that Greece can take full advantage of the adoption of TAP as the south corridor. According to the roadmap, the VNP should serve as a virtual gas hub, which is currently not the case. Trading within the VNP is, in fact, very limited in Greece as there are no gas hub services facilitating the trade nor is it possible for intra-day transactions to take place (within-the-day re-nominations are not allowed). It is open to discussion whether the TSO will be the hub operator, but a timeline has already been set for RAE (in cooperation with the TSO) to study the rules of access to the hub. A new balancing regime is to be proposed by RAE by the second half of 2015.

2. Congestion management procedures

The revised Network Code implemented the congestion management procedures of Annex I of Regulation (EC) No 715/2009, as amended by Commission Decision No 2012/490/EU of 24.8.2012



(the so-called CMP Guidelines). Greece has opted not to adopt as yet the firm day-ahead Use-It-Or-Lose-It (UIOLI) mechanism provided by the CMP Guidelines. The procedures which have already been introduced pursuant to the Guidelines are:

(a) The oversubscription and buy-back of capacity

The scheme serves as a tool to limit contractual congestion by the TSO when offering capacity in excess of the actual technical capacity (on the presumption that not all of the reserved capacity will actually be used by system users). The novelty of the Greek Network Code is that oversubscription is also allowed on the exit-points (i.e. not strictly at IPs, as provided by the Guidelines). This is because, according to the Network Code, the aggregated amount of the capacity reserved by system users at IPs should be equal to the aggregated amount of the capacity reserved at the exit-points (whether virtual or not). The LNG terminal's point of connection to the system (the so-called entry point Aghia Triada) is excluded from the above scheme (as well as from the exit/entry

system in general).

(b) Surrender of contracted capacity

Under this mechanism the TSO accepts any surrender of contracted capacity by a network user. In accordance with the CMP Guidelines, the network user retains its rights and obligations resulting from the initially allocated capacity until the surrendered capacity is reallocated by the TSO. The Greek Network Code (Article 20ΑΓ) does not specify that the reallocation will be deemed to be met only after all available capacity has been allocated. It is further not explicitly provided that the initial capacity holder cannot make additional profit from surrendering the initial capacity. These rules are provided in the CMP Guidelines and should thus be considered directly applicable, although it is yet to be established whether this will be so in practice.

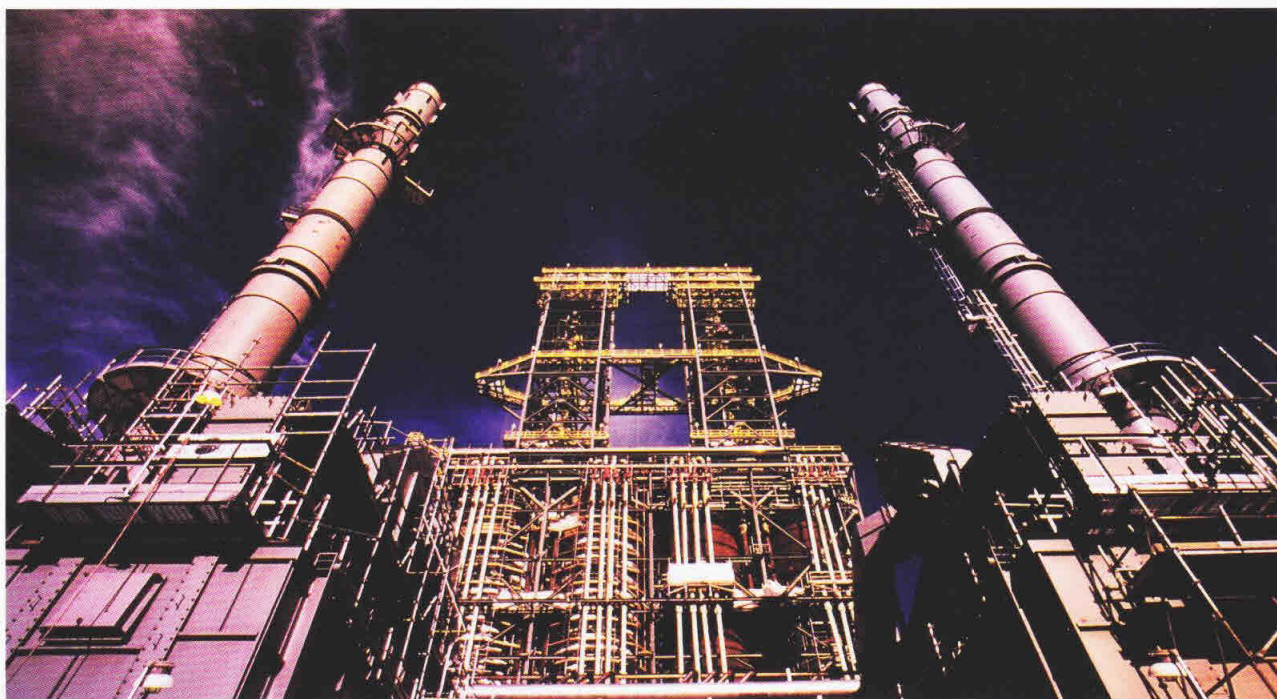
(c) Long-term UIOLI mechanism

Before its second revision the Greek Network Code had already introduced a long-term UIOLI mechanism. According to this regime the TSO would release unused capacity if (i) there is request

for capacity reservation by another user and the capacity available is not enough to meet this request and (ii) the network user uses less than 80% of the reserved capacity for a period of twelve consecutive months.

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Crucially, article 18 of the Greek Network Code, which allowed for significant flexibility to the long-term network users when amending their reserved capacity,



As regards the overall market design, most of the end-customers are still captives. This is because Greece has been granted with certain derogations under the first and second gas directives

was repealed. According to RAE, this facilitates the non-discriminatory access of third parties to the NNGS.

3. Backhaul services

Following an agreement with the Bulgarian TSO and in accordance with Article 21 of the CAM-NC (Regulation (EC) No 984/2013), the Greek Network Code now provides for the offer of virtual backhaul capacity to network users. The virtual backhaul capacity is offered upon transmission agreements for a minimum term of one day or for integral multiples of such term under a 95% maximum possibility of interruption.

4. Interruptible services

In compliance with the European regulatory framework, new services/capacity contracts were recently introduced. Articles 20B and 20Γ of the Network Code now prescribe that the TSO offers interruptible capacity services for the day-ahead under the condition that all the capacity has been allocated at an entry/exit point of the system. The services are provided by the TSO following the conclusion of new contracts for the provision of

interruptible services.

5. Other reforms

In the last couple of years the Greek natural gas market has been under continuous structural, legal and regulatory changes following the adoption of the 3rd Energy Package rules (by Statute 4001/2011) and the recent privatisation of DESFA, the Greek network operator (TSO). Market rules have been thoroughly amended to reflect the market liberalization process and the measures introduced by the network codes and the Commission's implementing acts pursuant to the 3rd Energy Package. To this end, the following measures that were recently adopted are of some note:

To facilitate third-party access to the transmission system on a non-discriminatory basis, a Register of "Potential Users" was established under Article 8A of the Greek Network Code. Any potential network user must submit the supporting documentation for the conclusion of an agreement with the TSO at least twenty days before the agreement is to be signed-off by the parties. This is intended to facilitate the

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conclusion of agreements of one-day term and it is an interim measure that RAE eventually wishes to substitute with a "click and book model", under which TSO services will be rendered under "Master-Agreements" between the TSO and the network users.

As regards the overall market design, most of the end-customers are still captives. This is because Greece has been granted with certain derogations under the first and second gas directives. Consequently, pursuant to article 82 of Statute 4001/2011, only the following customers are eligible to select their supplier:

- All customers outside the geographic territories of the already operating and the future EPAs (i.e. regional natural gas companies). Already existing EPAs are joint ventures of DEPA (the former Greek incumbent) and other gas companies which have been granted exclusivity rights under concession agreements over household and other customers with a consumption of no more than 100,000 MWh/yr, as calculated on the average consumption of a period of 24 months (customers with a consumption above this threshold are considered to be "large customers"), situated within their allocated territories (corresponding to the areas of Attica, Thessaly and Thessaloniki). DEPA is the exclusive supplier of customers situated within the territories of future EPAs;

- Inside those territories, the electricity producers (excluding CHP producers), large customers, non-household customers supplied with natural gas for the purposes of using it as a fuel for propellant use, and the already operating EPAs for the quantities of natural gas they require in excess of the quantities specified in their supply agreement with DEPA (following the contract's expiry, these EPAs shall become fully eligible customers); and

- Future EPAs.

According to the roadmap of the Greek Ministry of Environment, Energy and Climate Change (YPEKA), Greece will further open up its gas market to competition and all customers will acquire the eligibility status by no later than July 2017. As an interim measure, Statute 4254/2014 already provides that customers that have met the criterion of eligibility as large customers by 31 December 2012 shall remain eligible until 31 December 2015.

