



HWEA

HELLENIC WIND ENERGY ASSOCIATION

Member of WindEurope and Global Wind Energy Council

To:

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Dear Mrs Saller, Dear Mr. Kutos

We would like to thank you for the fruitful meeting you had with HWEA/ELETAEN's representatives on 29.11.2017 concerning the "Suppliers' Charge"

This is a regulation approved by a vast majority of the Greek Parliament on 4.11.2017 (Article 23 of Law 4414/2016), aiming to integrate the value which renewable energy offers to the market in the total cost of electricity suppliers in a rational, fair and market oriented manner and to reform accordingly the way the Special Account for RES (ELAPE) is funded in Greece.

The regulation removed a major distortion, which, for many years, had imposed an unjust and overrated financial burden on consumers and RES producers, since it caused continuous increases in ETMEAR and deficits in the Special Account for RES (ELAPE). Virtually, before this regulation, ELAPE was subsidizing the suppliers' cost.

Since its adoption, the regulation for the Suppliers' Charge has proven quite effective, having - among other positive impacts - led to the drastic reduction of the deficit of ELAPE, which is now expected to be balanced by the end December 2017. It is noted that the balancing of the ELAPE deficit has been an obligation agreed by Greece and the European Institutions under the MOU.

During our meeting you expressed concerns about that Suppliers' Charge. Therefore we would like to bring to your attention the following:

HWEA/ELETAEN

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- 1) We understand that you concern for the financial burden on the suppliers and the fact they may face accounting losses being obliged to follow the pricing policy of the dominant supplier.

HWEA/ELETAEN cannot comment on the exact figure of the financial impact of a measure on other entities, especially considering the fact that the annual accounts for 2017 (i.e. the first complete year of application of the Suppliers' Charge) have not been concluded and published. On the other hand, we assure that HWEA/ELETAEN considers of high importance the sustainability of the suppliers, which is crucial for the competition and the operation of the market. We share the opinion that the Suppliers' Charge put a pressure on supplier's margins. This is reasonable as long as it has removed their subsidization by ELAPE. However, we feel that the main driver of your concern is not the Charge itself -neither the other cost items of the suppliers which are more significant- but your analysis for the role of the dominant supplier. If our understanding is correct, we feel that there should be the appropriate prioritization in the required actions and avoid interventions on the Suppliers' Charge before assessing the results of the priority actions for the opening of the market.

In any case, we underline the fact that - more than 1,5 year after the vote of Article 23 of Law 4414/2016 - new private entities try aggressively to gain market share in the retail electricity market through marketing and advertisement. This is a positive and healthy phenomenon, which is not compatible with the fears for expected losses.

- 2) We understand that you expressed a concern for the impact of the Suppliers' Charge on the industrial consumers. Initially, we clarify that HWEA gives a significant attention to the sustainability of the Greek industry which is of high importance for the economic growth and the employment in Greece.

We believe that the expected reduction of ETMEAR due the existence of the Suppliers' Charge will be of the benefit of the consumes, including the industrial ones. The benefit for the industry could be even higher if the reduction of its ETMEAR coefficients would be higher than the average reduction. Moreover, the removal of the suppliers' cost subsidization increases the competition, having positive effect for the consumers.

We understand that -in compatibility to the State Aid Guidelines- the industries may receive subsidies for the additional cost they pay for renewables. However, please note that the Suppliers' Charge does not represent an additional cost due to renewables. The cost associated with the Suppliers' Charge exists with or without renewables. Subsequently, we strongly doubt whether the existence of Suppliers' Charge creates difficulties in the application of the abovementioned favorable clauses for the industry.

In fact the exactly opposite happens: having in place the Supplier's Charge, ETMEAR reflects more accurately the additional cost of renewables since it does not contain cost items which are not attributable to RES. Therefore, it is secured that there will be no subsidy of such cost items, something which was extremely probable with the previous regime. You may agree that such a subsidy would be -at least- of disputed legality.



3) The final concern is related with the treatment of the traders. We think that the relevant technical adaptations of the existing regulation in order to overcome the above concern are feasible.

Finally, we would like to underline the significant risks imposed by a sudden announcement for future modification of the Suppliers' Charge. Renewable sector in Greece is trying to leave behind the period of insecurity. The Suppliers' Charge has significantly contributed to this effort. It is more than obvious that an announcement like the above-mentioned one, without having concluded one year of the Charge's application under normal conditions and without analytical and transparent study will create a toxic environment against investments.

We remain at your disposal for any further clarification

Sincerely yours,

Panagiotis Papastamatiou
CEO