



**To:**

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Dear Ms Saller, Dear Mr. Kutos,

We would like to thank you for the fruitful meeting you had with GAREP and HWEA 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 of renewable energy 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). Before this regulation, ELAPE was actually 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 certain concerns about the Suppliers' Charge. In this context we would like to note and further comment on them as follows:

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



GAREP and HWEA 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 you that GAREP and HWEA consider the sustainability of the suppliers to be very important, as it is crucial for competition and for the healthy operation of the market.

We share the opinion that the Suppliers' Charge put a pressure on supplier's margins. This is reasonable as it has removed their subsidization by ELAPE. However, we feel that the main driver of your concern is neither the Charge itself, nor the other components of the suppliers cost - which may be more significant - but rather the inhibiting role of the dominant supplier vis-a-vis the further opening of the market. If this understanding of ours is correct, we would like to suggest that required corrective actions be carefully considered and prioritized before any interventions concerning the Suppliers' Charge, which should be avoided in the short and the medium run.

In any case, we underline the fact that more than 1,5 year after the parliamentary approval 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 your expressed concern for the impact of the Suppliers' Charge on the industrial consumers. We wish to clarify that GAREP and HWEA have always been concerned about the sustainability of the Greek industry which is very important for economic growth and employment in Greece.

We believe that the expected reduction of ETMEAR due the existence of the Suppliers' Charge will be to the benefit of the energy consumers, including the industrial ones. The benefit for the industry could be even bigger, if the reduction of its ETMEAR coefficients were higher than the average reduction. Moreover, as has already been demonstrated during the past year, the removal of the suppliers' cost subsidization increases competition and lowers the electricity bills, thus having a further positive effect for the energy intensive industry and all consumers.

We understand that - in accordance 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 the 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 components which are not attributable to RES. Therefore, it is ensured that there will be no subsidy of



such cost components, 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 relevant technical adaptations of the existing regulation in order to overcome the above concern are feasible.

Moreover, we would like to note that the most amazing aspect of the suggested discontinuation of the Supplier's Charge, which would necessarily lead to increases of the ETMEAR, lies in that the consumers, instead of reaping the benefits of reduced electricity bills, would end up paying more, with the difference being pocketed by the suppliers.

Finally, we would like to underline the significant risks imposed on RES investments by a sudden announcement for the modification of the Suppliers' Charge, let alone its discontinuation – as has been suggested. The Renewables sector in Greece is trying to leave behind the period of insecurity. The Suppliers' Charge has contributed significantly to this effort. It is more than obvious that such an announcement, only one year from the application of the regulation and in the absence of relevant analytical and transparent studies would definitely create a toxic environment against investments.

We remain at your disposal for any further clarification.

Sincerely yours,

George Peristeris

GAREP, President

Panagiotis Papastamatiou

HWEA CEO