To:

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Prot. No ELETAEN: 2018/30

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Subject: Possible reduction of the current Suppliers' Surcharge

Ref: Our letter with prot. No ELETAEN 2018/15/2.3.2018

Dear Mrs Saller, Dear Mr. Kutos

In view of the discussions currently going on regarding the reduction of the Suppliers' Surcharge, subject to the RES Special Account remaining in surplus with a sufficient buffer, we express our concern that an unbalanced reduction will lead inevitably to increase of the payments delays to RES producers. In order to minimize that expected impact, we consider that several factors and elements having a significant effect on the relevant decisions should be taken into account.

Synoptically, a crucial pendency is the final validation of the amounts of ETMEAR of the previous years 2012-2014 and 2016, which may create significant outflows. As you may know, according to RAE and LAGIE, the validation process for 2015 has led to an additional outflow of 42,168 mil. € from the RES Special Account. Moreover, there are risks associated with judicial actions against LAGIE demanding significant amounts related to the Daily Energy Planning and the RES Special Account, which both burden the RES Special Account. In addition, the updated data for the actual performance of the Account since the beginning of 2018 should be announced and taken into consideration together with the clarification of several uncertainties or pendencies included in the last published bulletin of LAGIE (as admitted in the bulletin). Finally, a robust projection for the following year should be made, assuming the uncertainty occurred after the decision for the possible modification of the existing mechanism of the Suppliers' Surcharge.

In all cases, the decisions to be made should not lead to further increase of payment delays to the RES producers, something that we are afraid will be inevitable, in case of reduction of the Suppliers' Surcharge.

More analytically, the following factors should be taken into account:

1. **The validation of the sums paid as ETMEAR during the previous years' 2012 – 2016.**

   The publicly available information creates confusion and uncertainty as to the exact impact of the previous years' unsettled ETMEAR payments on the RES Special Account. Indicatively, the following are noted:

   a) The observation of the Certified Public Accountants in the Annual Financial Statements of the Electricity Market Operator (LAGIE) for 2016[1], where it is noted that, to the detriment of the results of the current and previous years, revenue reductions related to the deviations between the initial and final calculations of ETMEAR have not been calculated for the fiscal years 2014 to 2016.

   b) The note of the Regulatory Authority for Energy (RAE) in its recent decision 1/101/2017 (OG Gazette B'4670/29.12.2017) (p. 63107) stating that the RES' Special Account Bulletin does not include the estimated impact of the definitive calculation of ETMEAR in 2016 and 2014. Furthermore, the results of the re-audit of the ETMEAR calculations for the years 2012 and 2013, according to the new calculation methodology, are not reflected. As a result, RAE expresses concern about the accounting picture of the RES Special Account.

2. **The risk from judicial actions for transactions related to the Day Ahead market (i.e. the Daily Energy Planning, DAP)**

   According to the Financial Statements of LAGIE, p. 14 and 52, these are related to default interests, claims for damages, etc. amounting to millions of Euros.

   It is emphasized that, paradoxically, with paragraph 5 of art. 177B of Law 4001/2011 as introduced by art. 96 of Law 4512/2018, these obligations will continue to burden LAGIE, despite the contribution of the DAP sector to the new Power Exchange, including the special reserves or part of them, which is related to the contributed sector.

3. **The risk from judicial actions (lawsuits, etc.) related to the RES Special Account.**

   According to the Financial Statements of LAGIE (p. 57), these judicial actions concern:

   - lawsuits for the payment of default interest due to late payments to RES producers
   - trials in relation to the legality of the acts resulting from Law 4254/1414
   - lawsuits from a banking institution
   - trials on the legality of the Transitional Levy for Security of Supply.

[1] Page 19, http://www.lagie.gr/fileadmin/groups/EDYL_DO/2016_LAGIE_OIKONOMIKES_KATASTASEIS_.pdf

4. **The updated accounting and cashflow picture of the RES Special Account (1/1/2018 to 28/2/2018)**

   The course of the RES Special Account in the first two months of 2018 does not confirm the forecast of the latest LAGIE Bulletin. According to our understanding there has been a reduced revenue of about 30 million.

   Moreover, information for the actual cashflow situation of the Account should be provided.

5. **The risk from the pre-announced replacement of the Suppliers' Surcharge Mechanism.**

   It is noted that the Suppliers' Surcharge produces today a measurable and largely predictable result and cannot be replaced by uncertain measures of dubious economic performance such as the proposed idea of the GOs.

6. **The other uncertainties included in the Bulletin of the RES Special Account.**

   It is indicatively mentioned that in the Bulletin of December 2017 the retroactive validation of the payments to the dispatchable Cogeneration HPP for the period 9/2017 - 12/2017 under RAE's decision 569/2016 has not been included.

7. **The need for stabilization and further improvement of the cash payments to the RES producers.**

   It is obvious that if the current Suppliers' Surcharge is reduced, then the delays in payments will increase, if there is no reduction in the cash deficit and the customers' debts to the suppliers. The strong uncertainty inherent in this possibility should be taken into account.

As a final remark we note that any decision for a possible reduction of the existing Suppliers' Surcharge should be based on accurate and transparent data and information which should have been available to all stakeholders including the representatives of the RES sector. Moreover, the numerical base of such decision should not be limited on the current status of the RES Special Account but it should include analytical and proven assessment of its expected progress within the next years, taking into account risk factors as the ones mentioned above.

We remain at your disposal.

We would be more than grateful if you would have the time for a short meeting within one of your visits in Athens.

Sincerely yours,

Panagiotis Ladakakos

President of BoD