# PERMANENT AND SUSTAINABLE SOLUTION FOR THE CASH DEFICIT IN THE ELECTRICITY MARKET

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## A. The cash deficit

Since fall it has been noted that the cash deficit of the electricity supply sector is transferred to HTSO and kneels it.

Furthermore, it has been noted that the deficit of the Special Account for RES, maintained by HTSO, is not related to the real causes of the liquidity problem in the electricity market (apart from the fact that the real reasons of the deficit are not attributable to Renewable Energy Sources).

This picture is confirmed today:

- According to an announcement of PPC dated 8.3.2012, the total amount of unpaid consumer bills of PPC was 819 million euro in 31.12.2011. According to recent publications, this amount today is 1,2 billion euro[1]. The reason for this is not only the economic crisis, but also the fact that PPC continues to be treated by the State as a convenient tax-collector. This was tolerable during the times of virtual prosperity but it is intolerable today. The announcement of RAE dated 27.3.2012 notes the adverse effects of (i) the exhaustive taxes on electricity and (ii) the integration in electricity bills of charges that are totally irrelevant to electricity (levy for state TV, municipal taxes taxes for house property etc.) for pure money-collective reasons.
- The total amount which is attributable to the supply sector ejects to almost 1.5 billion euro, taking into consideration the liabilities of the large and small private suppliers.
- At the same time, the total liability of the Operator to pay the energy produced from RES the period January – March 2012 is 162 million euro.

It is clear that the obligations to the RES are not comparable to the total extent of the problem.

## B. The Special Account for RES

At the same time, the deficit of the Special Account for RES remains 200 million euro. The report of PWC which was recently published by RAE presents some of the reasons of what has gone wrong and the course of this deficit has not been the expected one.

However still, the amount of this deficit is not compared to the total extend of the problem.

[1] This amount includes the levy of the state TV and the municipal taxes but not the newly introduced tax for the house property.

In any case, it is clear that the deficit of the Special Account of RES is not attributable to RES (at least the biggest part of it). This is proved:

1. by the fact that the development of RES, following the path included in the NREAP 2020, leads to a lower average electricity generation cost if Greece achieves its 2020 RES target than the cost in case of failure[2], and
2. by the simple fact that today, the total compensation received by a modern natural gas CCP station in Greece, is totally comparable to the average RES compensation and higher to the basic tariff of the wind farms and the small hydroelectric plants.

The creation and maintenance of the deficit in the Special Account for RES Deficit is due to the method used for the calculation of the Special Levy which funds this Account. This method applied, leads to the subsidization of the consumer electricity cost by the Special Levy. In other words the deficit of the Special Account for RES is also –at least to its greater extend- a deficit of the supply sector and it is not attributable to RES. Recognizing the above, the RES associations have proposed the incorporation of this Special Lecy to the cost of Supply.

### Γ. What must be done?

Within the next period of time it is expected to mature and produce results some of the measures which have already been initiated according to the RAE decision 1453/2011 of November 2011. But this is not enough.

There must be immediate, short term, interventions at two levels:

1. Repayment of the already produced RES electricity, for at least one month, in order to inject a necessary minimum liquidity in the market
2. Provision to the market stakeholders of complete and accurate information for the figures and all aspects of the problem, including the detailed study of PWC and other studies and estimations of the Operators and the Government.

A clear determination of priorities is required in relation to the shorter payment of the liabilities by the Operators. The full recording of the numeral data will contribute to this determination.

At the same time, the launch of an integrated, permanent and sustainable solution of the problem is required in cooperation with the IMF/EC/ECB and Task Force.

The Associations of RES industry are ready to contribute with proposals. The detailed analysis of these proposals requires the exact knowledge of the numeral data which is missing. However, it is clear that the solution may include a review in the taxation of the electric power in the direction of discourage the use of fossil fuels and avoid the use of PPC as a tax collection mechanism, the utilization of the EFSF, the adoption of proposals

[2] The calculations have been made by the National Technical University of Athens, using Primes model om April 2011, http://www.eletaen.gr/drupal/considerations/339

included in the study of PWC and the adoption of the RES industry proposals regarding the support mechanism[3].

More analytical, immediate initiatives may be undertaken in the following directions.

1. Discharge of PPC from its tax collection responsibilities
2. Radical review and relief of the excessive tax burden which has been imposed to the electric energy within the last two years. The redesign must include shifting the tax burden on energy in general, towards energy consumption from fossil fuels aiming the support of green energy balance.
3. Investigation for the potential use of the European Financial Stability Facility (EFSF) through the Greek Financial Stability Mechanism for the enhancement of the electricity system, in a way analog to the recapitalization of the banking system. This may be possible to happen by transferring the total deficit, including the supply sector deficit, to the Operators, immediate securitization and coverage of issued securities from the Mechanism[4].
4. Investigate the possibility of providing guarantees by EFSF for payment to RES, in order to stabilize the country risk and to facilitate the financing
5. Redesign of the calculation method of the Special Levy -which funds the Special Account for RES- in order for it to assume the total avoided cost due to RES. Furthermore, actions for integration of this Special Levy in the cost of suppliers and elimination of its direct discrete / regulated collection from the consumers.
6. Adoption of the major proposals contained in the PWC report published by RAE, or even more aggressive implementation. Examples include the amendment of the Electricity Code, in order the total funding of the Market Operator to be made directly by the suppliers without the intervention of the Independent Power Transmission Operator.

[3] Indicatively: http://www.eletaen.gr/drupal/policy_papers/541
http://www.eletaen.gr/drupal/policy_papers/523

[4] Securitization of the deficit was adopted in April 2009 in Spain with a provision for placing the securities to markets by the Regulator and for their redemption through a special surcharge on retail bills. The procedure was progressed, but not as expected due to the economic crisis.