

2016

# Hellenic Energy Regulation Institute

## Newsletter – Issue 1, Jan. 2016

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# 1

## **Energy Dialogues: the second consecutive ‘Energy Dialogues’ conference is hosted by the Hellenic Energy Regulation Institute (HERI) and Energypress**

On Monday, December the 14th 2015, the “Energy Dialogues” conference, an important initiative of the [Hellenic Energy Regulation Institute \(HERI\)](#) and Energy Press, took place for the second consecutive year at the Athens Chamber of Commerce and Industry. The event, which aims to establish an open scientific dialogue on important issues pertaining to the Greek and EU energy market, revolved around two basic thematic axes: *first*, the objective of the opening of the retail electricity market under the Memorandum of Understanding that was recently concluded between Greece and its creditors and, *second*, the establishment of a new support framework for Renewable Energy Sources (RES) in Greece.

The introductory speech was given by the Chairman of the Hellenic Energy Regulation Institute, Dr. A. Metaxas, who was also responsible for the overall scientific supervision of the event. Dr. Metaxas commenced his speech by giving a warm welcome to the speakers and attendees of the conference, proceeding to outline the key issues of the discussion and their importance for the discourse currently surrounding the regulatory re-

configuration of the Greek energy market. Upon concluding his speech, Dr. Metaxas gave the floor to the Minister of Energy and Environment, Mr. Skourletis, for his keynote address.

The Minister congratulated the organizing team for what he characterized as “one of the most important initiatives currently underway”, before expressing his views on the themes of the conference. Mr. Skourletis’ speech gave special emphasis to the unbundling of the Independent Power Transmission Operator (IPTO), providing extensive information on the state of play of the relevant negotiations between the Greek State and its creditors.

Subsequently, through their participation in two distinct panels, each covering one of the basic thematic axes of the conference, the leading players of the Greek energy market took turns expressing their views on the issues raised in the questionnaire that had been previously addressed to them by the organizers.

The first panel, which discussed the opening up of the retail electricity market, featured P. Aslanis, Director of the Power Exchange Transactions Department of IPTO (who substituted for Y. Blanas, Chief Executive Officer of IPTO), A. Garis, Chairman and CEO of LAGIE (Operator of the Electricity Market), G. Stamtzis, General Manager of HAIPP (Hellenic Association of Independent Power Producers), K. Athanassiadis, President of ESEPIE (Hellenic Association of Energy Trading and Supply Companies), and A. Kontoleon, Board Member of UNICEN

(Hellenic Union of Industrial Consumers of Energy).

The second panel, which discussed the establishment of a new RES support framework, consisted of D. Papachristou, representative of RAE, M. Filippou, Director of LAGIE, Ulr. Laumanns, Project Manager of GIZ GmbH, S. Seimanidis, President of EREF (European Renewable Energies Federation), P. Papastamatiou, Board Member of ELETAEN (Hellenic Wind Energy Association), S. Loumakis, President of SPEF (Hellenic Association of Photovoltaic Energy Producers), S. Kapellos, President of HELAPCO (Hellenic Association of Photovoltaic Companies), and K. Vassilikos, President of ESMYE (Hellenic Micro-Hydropower Association).

The speeches given by the members of each panel were followed by a lively Q&A session with the attendees. It is worth mentioning that the Hellenic Energy Regulation Institute provided live coverage of the event via social media, while the conference was also streamed live online. The organizers were particularly pleased to note that the live stream of the “Energy Dialogues” reached more than 2.000 views.

Finally, the Hellenic Energy Regulation Institute would like to inform you that a collected edition of the speeches given at the conference will soon be published, providing all interested parties with an opportunity to expand their knowledge vis-à-vis the functioning of the Greek energy market.

To watch the “Energy Dialogues” conference, please click [here](#).

## 2

### **Dr. A. Metaxas participates in a workshop on energy law and policy organized by the Florence School of Regulation (FSR)**

The [Florence School of Regulation \(FSR\)](#) is one of the world leading academic institutions in the field of energy regulation, constituting a vital think tank which works closely with the European Commission and provides a European forum where academics and practitioners shape EU energy policies.

A workshop organized by FSR and held in Florence, Italy, on 29-30 October 2015, brought together legal practitioners, regulators, policy makers and academics from across the EU to discuss energy law and policy issues of cross-cutting interest. The workshop consisted of six thematic axes: big energy data; renewable energy auctions across the EU; the future of the LNG market; the implementation and enforcement of Network Codes; electricity storage; and the new market design initiative of the European Commission with regard to the organization of the electricity market at the national, regional and EU level.

It is worth mentioning that the discussion which took place in the context of the latter thematic axis focused on, *inter alia*, the restructuring of the Greek energy

market under the provisions of the third Memorandum of Understanding in the aim of facilitating the compliance of the Greek regulatory framework with EU legislation and policies. It is evident that, in the run-up to the substantive liberalization of the electricity and natural gas markets, the Greek energy market and its regulatory particularities attract the attention of a wide range of scientists and experts specializing in energy regulation.

It should finally be mentioned that Dr A. Metaxas, Chairman of the Hellenic Energy Regulation Institute, participated in the workshop following an invitation by the organizers, with whom he recently cooperated in the context of a multi-disciplinary study of Capacity Mechanisms in EU electricity markets.

For more information on the event, please click [here](#).

### 3

#### **The first State of the Energy Union Report shows how much progress has been made since the adoption of the Energy Union Framework Strategy**

The Energy Union Framework Strategy (IP/15/4497) created a new momentum to bring about the transition to a low-carbon, secure and competitive economy. The Commission has also committed to report annually on the state of the Energy Union in order to address the key issues and steer the policy debate. The State of the Energy

Union Report, published for the first time on 18 November 2015, looks at progress made over the previous nine months, identifies key action areas for 2016 and provides policy conclusions at Member State, regional and European level. This is a central element to monitor the implementation of this key priority of the Juncker Commission.

The State of the Energy Union also presents key building blocks for a governance mechanism leading to more predictable, transparent and stable policies, in order to deliver on the objectives of the Energy Union. The guidance on integrated national energy and climate plans included in the State of the Energy Union provides the basis for Member States to start developing their plans for the period from 2021 to 2030. The tabled methodology on key indicators is the first step towards measuring and monitoring the delivery of the Energy Union. The State of the Energy Union is also accompanied by 28 factsheets providing an assessment of delivering the Energy Union for each Member State.

Miguel Arias Cañete, Commissioner for Climate Action and Energy, said: "The Energy Union is starting to take shape. A lot of progress has been made in these few months but we should now move to full scale delivery of all actions needed. This will be my focus in 2016: presenting the legislation to make our electricity market work better, to further increase the share of renewables, to bring down our energy consumption and to ensure security of our

gas supply. With this, the EU's energy system will be stronger and all conditions will be set for the EU's transition toward a low-carbon energy system. As all eyes turn towards negotiations in Paris, this a renewed pledge for European leadership and our commitment to the international efforts to fight climate change."

For more information, please click [here](#).

## 4

### **Commission unveils key energy infrastructure projects to integrate Europe's energy markets and diversify sources**

The European Commission has adopted a list of 195 key energy infrastructure projects which will help deliver Europe's energy and climate objectives and form key building blocks of the EU's Energy Union. The projects – known as Projects of Common Interest (PCIs) – will enable the gradual build-up of the Energy Union by integrating the energy markets in Europe, by diversifying the energy sources and transport routes. In addition, the PCI's adopted will help bring an end to the energy isolation of some Member States. They will also boost the level of renewables on the grid, bringing down carbon emissions. PCIs benefit from accelerated permitting procedures and improved regulatory conditions and may be eligible for financial support from the Connecting Europe Facility (CEF). A budget of €5.35 billion has been allocated to trans-European energy infrastructure under the

CEF from 2014-20, helping projects of common interest to get implemented faster and making them more attractive to investors.

The list of projects is an update of the PCI list adopted in October 2013. The list includes 108 electricity, 77 gas, 7 oil and 3 smart grids projects. A good balance between electricity and gas projects was achieved also thanks to the identification of clear priority projects in the regional context. For a project to be included in the list, it had to demonstrate significant benefits for at least two Member States; contribute to market integration and further competition; enhance security of supply, and reduce CO2 emissions.

The projects will benefit from a number of advantages, such as strengthened transparency and improved public consultation, accelerated permit granting procedures (binding three-and-a-half-years' time limit), and improved, faster and better streamlined environmental assessment.

In principle, energy infrastructure should be financed by the market and through tariffs paid by users. However, to meet the huge investment challenge the EU has set up funds like the Connecting Europe Facility (CEF) and the European Fund for Strategic Investment (EFSI), which will help leverage the investment needed. Under CEF, in 2014 and 2015, €797 million has been allocated to co-finance studies and construction works to help implement the PCIs.

Since the adoption of the first PCI list in 2013, 13 projects have been completed or will be commissioned before the end of 2015. Furthermore, some 62 projects are expected to be completed by the end of 2017. The Commission has played a key role in getting many of these projects off the ground, either through political action and facilitating common agreement between two countries on the way forward or by providing technical and/or financial support to the projects.

The list of PCIs is updated every two years with the aim to integrate newly needed projects and remove obsolete ones.

## 5

### **Energy Community takes decisive step to boost energy efficiency and trans-European energy infrastructure**

The 13th Energy Community Ministerial Council took place on 16 October 2015 in Tirana under the Albanian Presidency in office of the Energy Community. The ministerial council adopted a 20% headline target on energy efficiency and trans-European energy infrastructure regulation. This year's Ministerial Council meeting also marked a special occasion which agreed upon an ambitious set of reforms that will strengthen the Energy Community and bring it closer to the EU.

Adopting the key recommendations from the report of the Permanent High-level group, the Ministers agreed on the

implementation of a reform programme that will make the Community more efficient and inclusive. New legal acts will allow a more active involvement of the civil society in the discussions of the Energy Community, on parliamentary plenum meetings to discuss Energy Community issues, and on important improvements to the dispute settlement procedures.

In addition, the meeting reinforced the interrelationship between the Energy Community and the European Union. The adoption of three key documents will see the Energy Community becoming an integral part of – and partner in – the Energy Union.

## 6

### **First gas interconnector between Poland and Lithuania ends energy isolation of the Baltic States**

The President of the European Commission, Jean-Claude Juncker, welcomed on the 15 October 2015 the signing of the grant agreement on the GIPL (Gas Interconnector Poland – Lithuania), the first pipeline connecting Poland and Lithuania. The gas interconnector will end the long lasting isolation of the Baltic Sea region and bring the energy needed for a new economic dynamism to the region. Moreover, the signing of the agreement represents a breakthrough in the EU's efforts to increase the security of supply and bring

more resilience to the European energy market.

A central element of the EU's Energy Union strategy is bridging missing links in the energy infrastructure. The solidarity shown by the participating member states shows how joining forces can make all parts of the European Union stronger and more resilient to potential shortages. The participating states are committed to work together also in the future to further reinforce the region's integration into the EU's internal energy market.

The Commission has committed itself to creating links that allow energy to flow where it is most needed and to ensure that every member state has access to at least three sources for energy. Building missing cross-border links between the Baltic Sea region and the rest of the EU energy market is a priority for the Commission.

The signing of the agreement will enable the promoters to start construction works with the aim of finalising the pipeline by December 2019. The Baltic States and Poland will mandate their Ministers in charge of Energy Policy to monitor the implementation of the project and ensure its construction according to the agreed timeline. At the occasion of the signing the Heads of State or Government present issued a statement confirming their commitment to continue working in further interconnecting and strengthening the resilience of their energy markets.

## 7

### **Commission refers Greece to Court for failing to comply with obligations under the Energy Performance of Buildings Directive**

According to the Energy Performance of Buildings Directive (Directive 2010/31/EU), Member States have to set minimum energy performance requirements for buildings, with a view to achieving the best combination between investments and savings, also known as 'cost-optimal levels'. Calculating the cost-optimal levels is key for Member States to fully exploit the energy efficiency and renewable energy potential of the national buildings stock and to avoid citizens spending more money than necessary on efficiency improvements to their housing and offices.

More specifically, the use of the comparative cost-optimal framework methodology aims to ensure that Member States have similar levels of ambition for establishing minimum performance requirements for new and existing buildings, and building elements (e.g. walls, roof, windows, etc.), and keeping performance under review by taking into account market and technical developments. Furthermore, it allows defining building and building element efficiency levels which are cost-efficient for investors, promoters and home owners.

Following a number of informal exchanges, Greece was officially reminded of its obligation to perform the necessary calculations and to submit a report to the Commission on 11 July 2014. Having not done this, Greece received a reasoned opinion on 27 November 2014. To date, Greece is the only Member State that did not perform the cost-optimal calculations and did not send a report to the Commission. Therefore, the Commission has decided to refer Greece to the Court of Justice of the EU.

## 8

### **EU-Ukraine-Russia talks agree on the terms of a binding protocol to secure gas supplies for the coming winter**

The European Commission, the Russian Federation and Ukraine have agreed on the terms of gas deliveries to Ukraine for the upcoming winter period from the 1st of October until the end of March 2016. They have initialised the binding protocol and submitted it to the respective governments for confirmation.

According to the initial protocol, the Ukrainian side commits to securing natural gas transit through its territory to the EU, including via injecting 2 bcm of natural gas into underground storage still in October 2015.

The Russian Government commits to lowering the gas price to Ukraine, by means of decreasing the export duty, to a

competitive level comparable to the neighbouring EU countries both in the 4th quarter 2015 and in the 1st quarter 2016.

The European Commission continues its efforts towards organising, through European and international financial institutions, the necessary financing for gas purchases by Ukraine during the winter period, as part of which at least 500 Million US \$ should be available by the end of this year.

## 9

### **European Commission publishes report on “Options for future European Electricity Operation”**

The European power sector is undergoing important changes. Especially the increasing penetration of renewable energy sources (RES), as part of the transition to a de-carbonized power system, results in a need to continuously assess and decide upon (the adoption of) alternative technologies, policies and practices. Released in December 2015, the European Commission’s report entitled “Options for future European Electricity Operation” focuses upon the areas of system operations and planning, and options for improvements in accommodating and dealing with the changes in the European system.

The current efforts to improve coordination between TSOs, and embedding these efforts into network codes are important steps. Worries among

policy makers and other industry stakeholders (e.g. generation companies and large consumers) however, concern issues pertaining to shortcomings in wholesale market integration and the question whether the pace of developments in system operations can keep up with the pace of change in the system. This is driven by the fact that TSOs operate their systems based on largely national approaches, resulting from the historic development of national power systems and their operations.

The pace of changes in the European system is strengthened by the fact that physical power flows do not recognize country borders. This can have (unexpected) negative effects (e.g. loop and transit flows) and affects the (further) optimization towards the goals of the IEM. Such impacts invoke a need to re-think the current and future framework for system operations.

With the above-mentioned challenges in mind, a consortium of Ecorys, ECN and DNV GL, set out to develop a target model for transmission system operations that is implementable in 2020, and able to meet the challenges that can be expected up to at least 2025.

In light of the aforementioned, the Commission's report seeks to answer the following questions:

- What are the requirements for SO in 2025?
- Which functions should be alternatively organized to ensure the

best fit with the overall strategic goal of a secure, affordable and sustainable energy supply to all European consumers?

- Which geographic regions could be distinguished?
- What is a suitable governance structure for future SO?
- Which high level implementation stages can be distinguished to move from current state to the target model in 2020?

For the full text of the report, please click [here](#).

## 10

### **Preparation of a new Renewable Energy Directive for the period after 2020**

Through the adoption of the Energy Union Framework Strategy, the EU seeks to develop a long-term, secure, sustainable and competitive energy system as well as to establish and maintain the position of a leader in the field of renewable energy. It is therefore of the utmost importance that the share of renewable energy sources in the EU continues to increase. To this end, and in acknowledgement of the fact that renewables should continue to play a key role in helping the EU to meet its energy needs beyond 2020, Member States have already set a new renewable energy target of at least 27% of final energy consumption in the EU as a whole by 2030.

As the current legislation will not be sufficient for this purpose, there is a need to modify the current framework. Accordingly, in its Energy Union Framework Strategy the European Commission announced a new renewable energy package for the period after 2020, which will include a new renewable energy directive (REDII) and an updated EU bioenergy sustainability policy.

For more information, please click [here](#).

On 18 November 2015, the European Commission launched a public consultation entitled “Preparation of a new Renewable Energy Directive for the period after 2020”. The objective of this survey is to consult stakeholders and citizens on REDII, the adoption of which is foreseen before the end of 2016. The bioenergy sustainability policy, which will constitute an integral part of the new renewable energy package, will be covered by a separate public consultation.

The results of the REDII consultation, together with the results of the separate public consultation launched by the Commission in July 2015 concerning market design (available [here](#)), will inform the impact assessment for REDII.

The Hellenic Regulation Institute is a scientific multidisciplinary forum founded by Metaxas & Associates Law Firm ([www.metaxaslaw.gr](http://www.metaxaslaw.gr)) in an effort to host a well-founded dialogue between energy experts and people interested in the energy field.

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