



3.6. EFFICIENT NETWORK INDUSTRIES

3.6.1. Energy policy

- 110. Greece is finally moving to a more modern market model for energy through a fundamental transformation of its energy sector.** This is urgently needed as the high cost of energy is affecting the competitiveness of the economy and the welfare of households. This is due to high import costs of primary energy (both oil and gas), but also to important distortions in the markets, which amplify the effects of high import costs. To deal with both immediate and long-term challenges in a coherent approach, the government has decided to adopt a package of reforms, designed to address in a structural manner the many distortions in the energy markets rather than simply compensating them, and create opportunities for the energy market to become a driver of growth for the Greek economy (see Box 16 for further details).
- 111. In the electricity market, the authorities are consistently following an ambitious medium-term roadmap.** They intend to implement key actions as a matter of priority in the next few months to remove significant distortions in the market. This includes the removal of full cost recovery for gas-powered power plants, the introduction of NOME⁷-type auctions of part of the incumbent PPC (Public Power Corporation) baseload capacity (PPC owns at the moment almost 100% of the supply market), the adoption of the legislation for the privatisation of part of the PPC capacity ("Small PPC") and a revision of capacity markets to make them more cost-efficient. The cross-subsidisation across Medium-Voltage and Low-Voltage consumer categories, as well as a truly cost-based pricing of electricity by PPC, remain significant issues which the Government has committed to address by June.
- 112. The gas market, on the other hand, has seen no progress in recent times, but the Government has now decided to introduce a fundamental reform.** Greece enjoys a unique derogation from the Third Energy Package, applying to gas distribution and supply. The effect of this derogation has been the removal of the right for customers to choose their own supplier (eligibility), unless they are above an extremely high consumption threshold; and the segmentation of the distribution market in several regional companies (EPAs) that are granted the exclusive right to develop and exploit the gas distribution network in their area. As a result, there is no competition in the Greek gas market. The government has now decided to introduce key reforms already in the next few months, including by broadening the eligibility to all business gas consumers and with the separation of the network activities of the EPAs from their supply activities, to move to a regulated model for gas distribution networks. A detailed action plan has been published ahead of the completion of the review.
- 113. The acceleration of reforms in the energy sector should benefit Greek energy-intensive companies.** The removal of significant distortions in the electricity market, more competition on the supply side, and the reforms in the gas market should have a significant effect on the cost of energy. High energy costs undermine efforts to improve export price-competitiveness through investments in the efficiency of manufacturing plants and the reduction in labour costs, and this is obviously most damaging for energy-intensive industries
- 114. In spite of the efforts by the Government and energy regulator RAE, the liquidity shortages in the energy markets remain largely unsolved.** However, the amortisation of the emergency loans granted in June 2012 by the Government to PPC and DEPA was completed in August 2013, and the Government is now committed to pay back all its significant arrears to PPC by June 2014.
- 115. Financing problems in the renewable energy sources (RES) account designed to fund incentives for renewable energies are finally being addressed in a structural way.** Following a substantial lowering of feed-in tariffs for new installations, the Parliament has approved legislation to revise the existing power purchasing contracts and achieve long-term sustainability of the RES account. The law includes a cap on new PV installation receiving incentives. A comprehensive cap is also expected to be introduced.

⁷ "Nouvelle Organisation du Marché de l'Electricité". It is a transitional reform of the electricity market, in view of small PPC's privatisation. Part of PPC's generation capacity will be auctioned, to create new suppliers. NOME will be phased out when Small PPC is privatised.