Energy & Natural Resources - Greece

Efforts to resolve the RES special account deficit

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Authors

Gus J Papamichalopoulos

Sotirios Douklias

Introduction

The Greek electricity system has been functioning at its limit for the past few months as the renewable energy sources (RES) special account faces a serious cash deficit. The deficit is the result of long-term problems and miscalculations in the planning of the energy market, and has led to delays in paying RES and conventional power producers by LAGIE (the electricity market operator), which has further caused producers to struggle to meet their own financial obligations towards banks and suppliers.

The Ministry of Environment, Energy and Climate Change has proposed a series of measures in order to resolve the deficit. On August 10 2012 the ministry issued an announcement outlining these measures, as well as the ministerial decisions which will implement them. Furthermore, it stated that this is only the first set of measures; once the appropriate legislative amendments have been made, a second set will be announced to complete and complement the actions already taken by the ministry.

Recent measures

Using part of public television licence fee for RES special account
All electricity consumers pay a public television licence fee, and previous legislation provided that part of this fee should be used to fund the RES special account. However, as this has not yet materialised, the ministry has now proposed specific guidelines to bring this into force. Specifically, 25% of the public television licence fee will be used to fund the RES special account, and such amount shall be reassessed annually.

Reduction of feed-in tariff for photovoltaics
The ministry has set out a new feed-in tariff (FIT) table for the pricing of energy produced by photovoltaic stations. The new FIT structure was established after consultation with the Regulatory Authority for Energy (RAE) and having reviewed the FIT practices of other European countries. The process came about because:

- Greece has a higher solar exposure than most other countries; and
- the costs of such stations have decreased significantly.

As a satisfactory rate of return may still be achieved with a lower FIT, the ministry shall reduce the FIT paid to producers for energy produced by new photovoltaic stations.

The following tables set out the new FIT structure for commercial photovoltaic stations and household installations.

Commercial stations

Month/year	**Interconnected**		**Non-interconnected**
	A	**B**	**C (of any capacity)**
	More than 100 kilowatts (kW)	**Less than 100kW**	
August 2012	180,00	225,00	225,00
February 2013	171,90	214,88	214,88

August 2013	164,16	205,21	205,21
February 2014	156,78	195,97	195,97
August 2014	149,72	187,15	187,15
For each year from 2015	$1{,}3x\mu SMP_{v-1}$	$1{,}4x\mu SMP_{v-1}$	$1{,}4x\mu SMP_{v-1}$

Where μSMPv-1 = mean system marginal price during the previous year v-1.

The figures set out in the table above apply to photovoltaic stations which have not, by the publication date of the relevant ministerial decision, submitted a complete application file for the signing of a power purchase agreement, or which have submitted such file but have failed to electrify their station within the prescribed time period (18 or 36 months, as the case may be).

Household installations

Month/ Year	Price in euros per megawatt (MW) hour
August 2012	250
February 2013	238.75
August 2013	228.01
February 2014	217.75
August 2014	207.95
February 2015	198.59
August 2015	189.65
February 2016	181.12
August 2016	172.97
February 2017	165.18
August 2017	157.75
February 2018	150.65
August 2018	143.87

Suspension of photovoltaic licensing process

The new measures suspend the licensing process for any photovoltaic stations which do not already have a production licence or a binding connection terms agreement. Specifically, the goals set out for the desired installed capacity of energy produced by photovoltaics for 2014 and 2020 are 1,500MW and 2.200MW, respectively. As of the end of June 2012, projects with a total capacity of 3,700MW have received production licences, while projects with a total capacity of 1,800MW have received binding connection terms, of which 1,750MW have signed power purchase agreements. Considering that 1,015MW of photovoltaics has already been installed, it is clear that the goals will be met without the need to grant any more production licences or connection terms. Therefore – and in order to ease the financial burden imposed on the network operator by the FIT payments that it must make to all such stations – the ministry has suspended the submission of new applications and the review of applications already submitted to RAE or the relevant operator for production licences or connection terms, respectively.

An exception to this suspension exists for projects which fall under the fast-track category, as set out by Law 3894/2010.

Additional measures

In addition to these measures, the ministry stated that it will issue a second set of measures to complete the changes needed to resolve the RES special account deficit. This second set of measures is likely to be in force by the end of 2012.

Many different proposals have been set out in relation to these measures, and many arguments have been provided for or against them. However, the following stand out as the measures most likely to be introduced.

Taxation on gross income of photovoltaics

The core of the second set of measures is the imposition of a tax on the gross income of RES power stations. It seems almost certain that such a tax will be imposed, but questions remain as to the amount of this tax and whether it will be uniform across all projects or will differentiate according to certain factors. One thought was to have a uniform tax of 20% on all photovoltaic projects; however, it appears that the more likely decision will be to institute a tax which will take into account other factors, and which will differentiate accordingly. Such factors may include the 'locked-in' FIT for a specific station, whether it received a state subsidy and the type of financing it has received. Another approach may be the introduction of a sliding tax rate, depending on the installed capacity of each station.

Decrease of time granted for construction of photovoltaics

At present, a photovoltaics producer has 18 or 36 months from signing the power purchase agreement with the relevant operator to electrify the plant, if it wishes to enjoy the FIT which applied at the time of signing the agreement. Otherwise, it shall receive the FIT applicable at the time of electrification. This period is set to be decreased; the 18-month period is likely to become a nine-month period, with a similar reduction taking place for the 36-month period. This is intended to weed out projects which have little likelihood of materialising, thus giving priority to those which are viable.

For further information on this topic please contact Gus J Papamichalopoulos or Sotiris Douklias at Kyriakides Georgopoulos & Daniolos Issaias by telephone (+30 210 8171 500), fax (+30 210 6856 6578) or email (g.papamichalopoulos@kgdi.gr or s.douklias@kgdi.gr).