

29.04.2013

From: HAIPP

To: Ministry of Environment, Energy & Climate Change (YPEKA)

Subject: Unacceptable handlings aiming to the separate reduction of the Variable Cost Recovery Mechanism's margin

Dear Mr. Minister,

During the last months we are observers of PPC's continuous and accelerating attempt to impose the separate implementation of the reduction of the Variable Cost Recovery Mechanism's margin, promoting even its prompt abolition, instead of the simultaneous realization of the total bundle of the interdependent measures, to be promptly applied, which have been proposed by RAE considering the electricity market restructuring. We point out that such a development would be catastrophic for the independent power producers and their vulnerable financial situation, while it would overturn the facts where the loan agreements of our member companies are based on. This would result in the complete incapacity to refinance these loan agreements.

At the same time, as it is described in our attached letter, ADMIE (the, PPC's 100% subsidiary, TSO) retains, in outrageous way, as "dispatchable units" some units that have, actually, stopped operating commercially since 2011 (i.e. Lavrio 1 & 2, Aliveri 3 & 4 and Agios Georgios 8 & 9). The same applies for units, that according to the commitments of both PPC and the Greek State, which should be withdrawn by 2012 (Ptolemaida 2 and Liptol). In that way, PPC collects Capacity Assurance Tickets (CATs) for units that should not participate in the Capacity Assurance Mechanism because they are emergency units. Doing so, the revenues of the gas-fired units are reduced because the amounts paid by the suppliers for the Capacity Assurance Mechanism are distributed to the total available capacity that participates in that mechanism. Once again, it is obvious the intention to "facilitate" the dominant company in its clear attempt to eliminate any competition through unfair practices.

At the same time, while it is known that the actual capacity of the lignite-fired units is (due to technical characteristics of their equipment, quality and quantity of the fuel and/or exceedance of the environmental limits) lower by ca. 900 MW than the theoretic capacity that it is declared for the CATs allocation, these units are still compensated for their full capacity.

Finally, while the hydroelectric units have an average hourly production of 1.100-1.400 MW during the peak hours, and just for the 4-5% of the peak hours these units produce more than 2.000 MW, they are compensated with CATs corresponding to 2.500 MW.

According to the abovementioned analysis, it is clear that the unilateral implementation of the margin reduction of the Variable Cost Recovery Mechanism constitutes a blatant violation of the equal treatment's rules, if it will not take place in parallel with the proper adjustment and rationalization of the CATs' mechanism.

Because a series of handlings targeting to the elimination of the competition, assisted by the dramatic liquidity limitation of our member-companies caused by PPC's abusive practices, make immediate the risk of causing irreversible and catastrophic effects in the Greek electricity market, we kindly ask you to contribute so that the total bundle of RAE's measures for the electricity market restructuring will be implemented as soon as possible in a cohesive way.

Yours sincerely

Anastasios Kallitsantsis

President