

To the attention of:

Regulatory Authority for Energy (RAE)

Dr. Athanasios Dagoumas
President

**Independent Power Transmission
Operator (IPTO)**

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Chief Executive Officer

In copy to:

**Coordinated Auction Office in South
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Chairman of the Board of Directors

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Mr. Arben Kllokoqi, Electricity Expert, ECRB

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EFET¹ reaction to the reduction of cross-border electricity transmission capacities to zero at the Greek borders

The European Federation of Energy Traders (EFET) would like to express our concerns about the allocation by the Greek TSO IPTO of zero cross-border transmission capacities to Greece's neighbouring borders for the second month in a row.

As indicated in the SEE CAO announcements of the auctions for monthly cross-border transmission capacity for April and May 2022, IPTO has allocated zero available transfer capacity (ATC) for exports to Albania, North Macedonia and Turkey. According to details

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

on the April auction provided by JAO, allocation of monthly ATC from Greece to Bulgaria has also been reduced to zero.

These reductions of cross-border transmission capacities over the past couple of months, especially in the context of volatile electricity prices, have us particularly concerned:

- The allocation of zero ATC for exports from Greece is not supported by well-publicised reasons justifying the inability of IPTO to guarantee those capacities.
- Reductions of cross-border transmission capacity prevents connecting electricity markets across Europe and hence jeopardises affordability and security of electricity supply.
- The unavailability of long-term capacities could impact regional competition should it ultimately lead to market participants refraining from trading electricity at the Greek borders.
- The decision of IPTO raises the risk of reductions of cross-border transmission capacities by neighbouring countries seeking to protect their respective local markets.

The decision of IPTO not to allocate ATC for exports to neighbouring countries is not properly justified

Cross-border transmission capacity reductions – like any other limitation of market participants' access to cross-border transmission capacity – should be properly justified by threats to system security.

The announcements and auction specifications published by SEE CAO for the April and May auctions and JAO for the April auction did inform market participants on the reduction of capacities. However, neither the TSOs nor the allocation offices provided justification as to the reasons behind those capacity reductions.

Regulation (EU) 2019/943 on the internal market for electricity and Regulation (EU) 2015/1222 on capacity allocation and congestion management (CACM) foresee that TSOs should not discriminate between internal and cross-border transactions. Network management measure like cross-border capacity reductions have the effect of limiting cross-border transactions. If not justified on system security grounds, they would be considered discriminatory. Hence, TSOs need to provide sound and transparent justification of the system security reasons underlying any reductions of cross-border transmission capacity. By failing to do so for the April capacity reduction at the Greek-Bulgarian border, the concerned TSOs are in breach of their obligations. And while the Electricity and CACM

Regulations are not applicable to the borders between Greece and Albania, North Macedonia and Turkey, we believe it is the duty of the TSOs to provide proper justifications – especially when the application of the above-mentioned EU Regulations is expected soon as part of some of these countries' commitment in the framework of the Energy Community.

We therefore request IPTO to provide justifications for the reduction of ATC to zero at its borders with Bulgaria (for April) as well as Albania, North Macedonia and Turkey (for April and May). These justifications should provide details on the system security threats underlying the limitation of cross-border transactions to Greece's electrical neighbours.

The reduction of ATC from Greece runs contrary to the integration of the EU electricity market and jeopardises affordability and security of electricity supply

Access to cross-border capacity helps manage local price volatility and lowers barriers to cross-border trade and market entry. TSOs need to ensure that the maximum available cross-border transmission capacity is made available to the market, respecting security constraints, to optimise the pooling of electricity resources and demand at European level.²

The reduction of cross-border ATC capacity from Greece to neighbouring bidding zones to zero for two consecutive months runs contrary to the logic of interconnecting electricity markets across Europe. By doing so, it isolates European markets from one another, and jeopardises affordability and security of electricity supply in the whole region of Southeast Europe. In practical terms, the cross-border capacity reductions of April and May have reduced options for long-term scheduling of flows by 500 to 1,000 MW.

With more limited capacity allocated in the forward timeframe, market participants have to rely on daily cross-border capacities to back cross-border transactions. Uncertainty over the daily availability of cross-border capacities at the borders of Greece impacts market prices and risk assessments carried out by market participants. This uncertainty could contribute to higher volatility of electricity prices. It could also pose security of supply problems in the South-East Europe regions, should long-term supply commitments not be able to be met with the cross-border capacities made available in the daily auctions.

The unavailability of cross-border capacities could limit competition, isolate the Greek market and trigger retaliatory action by neighbouring TSOs

Seeing the Greek TSO reduce cross-border capacities to neighbouring countries without sound system security justifications risks isolating the Greek market. This would have

² For more information see our EFET Insight into Accessing Cross-Border Transmission Capacity in Electricity https://efet.org/files/documents/20220406_EFET_Insight_7_Transmission_Capacity.pdf

negative consequences on competition and liquidity in the Greek market itself, and for the wider South-East Europe region.

Over the past nine months, wholesale electricity prices have been particularly volatile throughout Europe. We understand the desire of Member States to take measures to limit the effects of wholesale energy prices levels and volatility on their vulnerable consumers. However, to conserve trust in an unbiased management of the networks, including across borders, it is vital that TSOs maintain a neutral position when allocating cross-border transmission capacity. In particular, we insist that the calculation of available cross-border transmission capacity should exclude forecast of prices in local or neighbouring countries. TSOs' decisions on the allocation of cross-border transmission capacity should rely on sturdy capacity calculation methodologies, and any possible reductions of capacity should be solely based on technical reasons – e.g., maintenance works, risk of overloads.

The reduction of long-term capacities without sound system security justification could affect the trust of market participants in the Greek market and network management. This would impact regional competition and ultimately lead to electricity market participants refraining from trading at the Greek borders.

Furthermore, the decision of IPTO could trigger similar decisions on reduction of cross-border transmission capacities by neighbouring countries which may seek to protect their respective local markets. The possibility for creating such a chain reaction by TSOs in the region of Southeast Europe would have consequences for the Greek market, given that Greece is a net importer of electricity.

Hence, we urge IPTO to provide the system security justifications that led to the cross-border transmission capacity reductions of April and May. This could help clear suspicions that these capacity reductions have been enacted to keep electricity prices low in Greece, to the detriment of other countries in the region of Southeast Europe and restore full trust in the Greek market and management of the Greek network.

Yours sincerely,
On behalf of the European Federation of Energy Traders



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