

## DECISION OF RAE UNDER NO. 868/2020

**Definition of the Administratively Defined Position Nomination Penalty Price of Energy Financial Instruments, as well as of any other parameter and technical detail for the application according to the stipulations of section 6.8 of the Day-Ahead and Intra-Day Market Trading Rulebook and article 18 par. 4 of L. 4425/2016, as applying**

### The Regulatory Authority for Energy

During its ordinary meeting, at its headquarters, **on the 20<sup>th</sup> of May 2020, which continued on the 21<sup>st</sup>, 22<sup>nd</sup> and 25<sup>th</sup> of May 2020, and**

#### Taking into account:

1. The provisions of Chapter C' "*Stipulations coming under the competency of the Ministry for the Environment and Energy*" of L. 4425/2016 "*Urgent regulations of the Ministries of Finance, Environment and Energy, Infrastructure, Transport and Networks and the Ministry of Labor, Social Security and Social Solidarity, on the application of the agreement on fiscal targets and structural reforms and other stipulations*" (GG A' 185/30.09.2016), as applying and especially articles 7, 8, 9, 10, 11, 15 and 18 par. 4 of this law.
2. The stipulations of L. 4001/2011 "*On the operation of Energy Markets for Electricity and Natural Gas, for Research, Production and Hydrocarbon transmission networks and other regulations*" (GG A' 179/22.08.2011), as applying.
3. The Day-Ahead and Intra-Day Market Trading Rulebook, (decision of RAE under the No. 1116/2018, GG B' 5914/31.12.2018, as applying following its modification by the No. 820/2020 Decision of RAE, GG B' 1941/21.05.2020), and in particular the provisions of section 6.5.
4. The Decision of the Deputy Minister of Environment and Energy "*Setting a schedule for the date of commencement of the Day-Ahead, Intra-Day and Balancing Markets of L. 4425/2016 (A' 185), as applying*" (ΥΠΕΝ/ΔΗΕ/7083/112, GG B' 172/30.01.2020).
5. The No. 1124/5.12.2019 Decision of RAE "*On defining the public limited company "HELLENIC ENERGY EXCHANGE S.A." and distinctive title "HEEx S.A." as "Nominated Electricity Market Operator/NEMO", in accordance with paragraph 2 of the article 8 of L. 4425/2016 (GG A' 185/30.09.2016), as applying*".
6. The No. 36/2020 Decision of RAE with the subject "*Approval, in accordance with par. 1 of article 9 of L. 4425/2016 and par. 1 of the article 117C of L. 4001/2011 as applying, of the*

*operation of the public limited company operating under the name "HELLENIC ENERGY EXCHANGE S.A." and distinctive title "HEnEx S.A." as Energy Exchange for the administration and operation of the Day-Ahead and Intra-Day Market" (GG B' 742/10.03.2020).*

7. The under Reg. No. RAE I-258026/02.04.2019 proposal of HEnEx S.A. on the Definition Administratively Defined Position Nomination Penalty Price of Energy Financial Instruments subject to the provisions of section 6.8 of the Day-Ahead and Intra-Day Market Rulebook.
8. The Public Consultation of RAE on the above mentioned proposal of HEnEx S.A, that took place from 10.04.2019 up until 17.05.2019<sup>1</sup> as well as the views submitted by the Hellenic Association of Independent Power Producers. RAE I-261063/17.05.2019)<sup>2</sup>.
9. The under Reg. No. RAE I-267409/10.09.2019 letter of HEnEx S.A. with the subject "*Indexing of the public consultation comments - Regulation methodologies – views*".
10. The under Reg. No. O-79222/14.10.2019 letter of RAE with the subject: "*Proposals of HEnEx S.A. on issuing decisions by RAE, based on the Day-Ahead and Intra-Day Markets Trading Rulebook*".
11. The under Reg. No. RAE I-269698/17.10.2019 letter of HEnEx S.A.. (No./DATE./HEnEx: 2394/16.10.2019) with the subject: "*Proposal of HEnEx S.A. on the amendment of provisions of the Day-Ahead and Intra-Day Markets Trading Rulebook and the Proposals and Decisions issued subject thereto*".
12. The under Reg. No. RAE I-271456/13.11.2019 letter of HEnEx S.A.. (No./DATE./HEnEx: 2592/13.11.2019) with the subject: "*Amendment of Provisions of the Day-Ahead and Intra-Day Markets Trading Rulebook (GG B' 5914/31.12.2018)*".
13. The under Reg. No. RE I-275984/31.01.2020 letter of HEnEx S.A.. (No./DATE./HEnEx: 203/31.01.2020) with the subject: "*Submission of Proposals, Methodologies and Draft Technical Decisions based on the Day-Ahead and Intra-Day Markets Trading Rulebook of the Hellenic Energy Exchange S.A..*".
14. The RAE Public Consultation on the aforementioned proposals of HEnEx S.A.. (relevant document 13), that took place from 05.02.2020 up until 28.02.2020<sup>3</sup> and about which the following remarks have been posted in its website <sup>4</sup>:
  - (a) The under Reg. No. RAE I-277077/18.02.2020 letter of UNICEN.
  - (b) The under Reg. No. RAE I-277724/28.02.2020 letter of Public Power Corporation.
  - (c) The under Reg. No. RAE I-277805/28.02.2020 letter of Hellenic Association of Independent Power Producers.
  - (d) The under Reg. No. RAE I-277876/03.03.2020 letter of Natural Gas - Hellenic Energy Company.
  - (e) The under Reg. No. RAE I-277879/03.03.2020 letter of HERON.
15. The under Reg. No. O-81505/17.03.2020 letter of RAE with subject "*Proposals of HEnEx S.A. on the amendment of Day-Ahead and Intra-Day Markets Trading Rulebook as well as the relevant Methodologies and Technical Decisions in the frame of its application*".

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<sup>1</sup> [http://www.rae.gr/site/categories\\_new/about\\_rae/activity/global\\_consultation/current/1004.csp](http://www.rae.gr/site/categories_new/about_rae/activity/global_consultation/current/1004.csp)  
[http://www.rae.gr/site/categories\\_new/about\\_rae/factsheets/2019/maj/0705\\_1.csp](http://www.rae.gr/site/categories_new/about_rae/factsheets/2019/maj/0705_1.csp)

<sup>2</sup> [http://www.rae.gr/site/categories\\_new/about\\_rae/factsheets/2019/maj/0406.csp](http://www.rae.gr/site/categories_new/about_rae/factsheets/2019/maj/0406.csp)

<sup>3</sup> [http://www.rae.gr/site/categories\\_new/about\\_rae/activity/global\\_consultation/current/2020/0502\\_2.csp?viewMode=normal](http://www.rae.gr/site/categories_new/about_rae/activity/global_consultation/current/2020/0502_2.csp?viewMode=normal)  
[http://www.rae.gr/site/categories\\_new/about\\_rae/factsheets/2020/maj/2102\\_3.csp](http://www.rae.gr/site/categories_new/about_rae/factsheets/2020/maj/2102_3.csp)

<sup>4</sup> [http://www.rae.gr/categories\\_new/about\\_rae/activity/global\\_consultation/history\\_new/2020/0503\\_lix\\_0502\\_1.csp](http://www.rae.gr/categories_new/about_rae/activity/global_consultation/history_new/2020/0503_lix_0502_1.csp).

16. The under Reg. No. RAE I-279139/24.03.2020 letter of HEnEx S.A.(No./DATE/HEnEx: 716/23.03.2020) with subject "*Transfer of planned proposals of HEnEx S.A. on the amendment of Day-Ahead and Intra-Day Markets Trading Rulebook as well as the relevant Methodologies and Technical Decisions in the frame of its application*".
17. The under Reg. No. RAE I-279630/01.04.2020 letter of HEnEx S.A. (No./DATE./HEnEx: 762 /31.03.2020) with the subject: "*Transfer of proposals of HEnEx S.A. on the amendment of Day-Ahead and Intra-Day Markets Trading Rulebook as well as the relevant Methodologies and Technical Decisions in the frame of its application*".
18. The fact that in accordance with the provisions of par. 1 of article 32 of L. 4001/2011, the regulatory acts issued by RAE are published in the Official Gazette.
19. The fact that the provisions hereof do not entail any charge on the State Budget.

## **Has come to the following conclusions:**

### **I. Legal framework - duties**

*Because*, according to point (a), section (A), par. 2 of article 7 of L. 4425/2016 regarding the Day-Ahead Market:

*"...Energy quantities which have been nominated through transactions on Energy Financial Instruments and/or other wholesale energy products of the Regulation (EU) No. 1227/2011 with the obligation of physical delivery are declared in the Day-Ahead Market. ..."*

*Because*, article 18 of the same law provides for, among other things, the following:

*"[...]2. Energy Exchange Rulebook [...] defines the terms and conditions for the operation of the Day-Ahead and Intra-Day Market [...]. The Rulebooks include transparent and non-discriminatory rules, which are based on objective criteria regarding the access of the Participants to the Electricity Markets. The Participants and any other person to whom the Rulebooks relate must comply with their obligations arising from them. The Rulebook determines the consequences that occur in case of breach of its rules. The following are specifically specified: [...]"*

*b) The obligations and rights of the Participants, [...]"*

*g) The rules and procedures for transaction conducting [...]"*

*ja) The imposition of measures and the consequences of breaching the Energy Exchange Rulebook [...]"*

*jf) Any other regulation necessary for the smooth, transparent and efficient operation of each Electricity Market.[...]"*

*4. Methodologies, parameters and other special approvals provided by the Market Codes, are decided by RAE, following a suggestion of the Market Operators and are published in the Government Gazette. [...]"*

9. The Rulebook of Energy Exchange defines and specializes furthermore the Day-Ahead Market, in particular the following:

a) **The process for registering the quantities of energy that have been traded in Energy Financial Instruments in the Energy Derivatives Market of the Energy Exchange or even in other wholesale energy products conducted over the counter [...]**"

**Because**, in Chapter 6 of the Day-Ahead and Intra-Day Markets Trading Rulebook (hereinafter referred to as "Rulebook", Decision RAE 1116/2018, GG B' 5914/31.12.2018, as amended by the No. 820/2020 Decision of RAE, GG B' 1941/21.05.2020), the physical settlement procedures of the Energy Financial Instruments were specifically identified. In particular, **section 6.8 "Actions of HEnEx after the Physical Delivery/Offtake Nomination gate closure time"** of the Rulebook as applying, the following are provided:

*"1. After the validation checks are performed and after the Physical Delivery/Offtake Nomination gate closure time, the ETSS of HEnEx shall issue:*

- 1) Either a confirmation that the submitted Physical Delivery/Offtake Nomination(s) fully cover the quantity  $NDP_{pos-rem}$  and  $NDP_{neg-rem}$  respectively.*
- 2) Or a notification that the submitted Physical Delivery Nominations and/or Physical Offtake Nominations do not fully cover the  $NDP_{pos-rem}$  quantity and  $NDP_{neg-rem}$  respectively, stating the quantity  $NDP_{pos-rem}$  and quantity  $NDP_{neg-rem}$  per Market Time Unit of Delivery Day. In this case, the Participant is required to submit additional Physical Delivery Nominations and/or Physical Offtake Nominations no later than thirty (30) minutes after the Physical Delivery/Offtake Nomination gate closure time.*

*In case:*

- i. The Participant does not submit additional Physical Delivery Nomination(s) or the submitted additional Physical Delivery Nominations do not fully cover the  $NDP_{pos-rem}$  quantity, then the ETSS of HEnEx calculates for each Participant  $p$  και and for each Market Time Unit  $h$  of Delivery Day  $D$  the Participant Positive Forward Market Mismatch Quantity,  $PPFMMQ_{p,h,D}$ , as follows:*

$$PPFMMQ_{p,h,D} = NDP_{pos} - \text{Sum}_{(a=1, N)} (PDN_{a,h})$$

*wherein:*

- |                           |  |
|---------------------------|--|
| <i>p:</i>                 | <i>index of Participant</i>  |
| <i>a:</i>                 | <i>index referring to Generating Units, Dispatchable and Non-Dispatchable RES Portfolio, RES FiT Portfolios, as well as rooftop Photovoltaics and/or Interconnections with the remaining confirmed LT-PTRs</i> |
| <i>h:</i>                 | <i>index of Market Time Unit</i>   |
| <i>D:</i>                 | <i>index of Delivery Day</i>   |
| <i>PDN<sub>a,h</sub>:</i> | <i>Validated Physical Offset Nomination for Entity a for Market Time Unit h in MWh</i>   |

*and calculates the  $Q_{p,h,D}$  quantity, as the minimum price between the  $PPFMMQ_{p,h,D}$  quantity and the sum of the remaining capacity of Generating Units and Dispatchable and Non-Dispatchable RES Portfolio and the remaining of confirmed LT-PTRs:*

$$Q_{p,h,D} = \min\{PPFMMQ_{p,h,D} \sum_{i,j,k} (AvailCap_{i,h,D} + AvailRESCap_{j,h,D} + LTPTRS_{k,h,D})\}$$

wherein:

- i*: index of Generating Unit;
- j*: index of the Dispatchable and Non-Dispatchable RES Units
- k*: Interconnection index
- AvailCap<sub>i,h,D</sub>*: Available Capacity of the Generating Unit *i* for Market Time Unit *h* of Delivery Day *D*
- AvailRESCap<sub>j,h,D</sub>*: Available Capacity of the Dispatchable and Non-Dispatchable RES Portfolio for Market Time Unit *h* of Delivery Day *D*
- LTPTRS<sub>k,h,D</sub>*: remaining confirmed LT-PTRs for imports acquired by Participant *p* for Interconnection *k* for Market Time Unit *h*.

*HEnEx* calculates a non-compliance charge equal to the product of the quantity  $Q_{p,h,D}$ , and the Administratively Defined Position Nomination Penalty Price.

- ii. The Participant does not submit additional Physical Offtake Nomination(s) or the submitted additional Physical Offtake Nominations do not fully cover the  $NDP_{neg-rem}$ , then the ETSS of *HEnEx* calculates for each Participant *p* and for each Market Time Unit *h* of Delivery Day *D* the Participant Negative Forward Market Mismatch Quantity,  $PNFMMQ_{p,h,D}$ , as follows:

$$PNFMMQ_{p,h,D} = NDP_{neg} + \text{Sum}_{(i=1, N)} (PON_i)$$

wherein:

- $PON_{i,h}$ : Validated Physical Delivery Nomination for Entity *i* at the Market Time Unit *h* in MWh

and imposes a Non-Compliance Charge calculated equal to the product of the absolute value of the Participant Negative Energy Financial Instrument Mismatch Quantity,  $PNFMMQ_{p,h,D}$ , and an Administratively Defined Position Nomination Penalty Price. In the case of a Participant, who holds no Load Portfolio, nor any Pumping Unit, the above Non-Compliance Charge is imposed at the minimum, between the quantity  $PNFMMQ_{p,h,D}$  and the quantity of the remaining confirmed LT-PTRs for exports.

**2. The value of the Administratively Defined Position Nomination Penalty Price, as well as any other parameters and technical details of application, including periodic reference data of *HEnEx* to RAE, is determined by decision of RAE, following a recommendation of *HEnEx*. Such decision shall take effect at least two (2) months after the approval date of the new value of the Administratively Defined Position Nomination Penalty Price, unless otherwise set out in the relevant RAE decision.**

**3. Non-compliance charges for Position Nomination of Energy Financial Instruments shall be notified to the Clearing House at a time and with a procedure that are to be defined by a relevant Technical Decision of *HEnEx*."**

*Because*, by the RAE Decision 36/2020 (rel. 6) the operation of the public limited company operating under the name "HELLENIC ENERGY EXCHANGE S.A." and distinctive title "HEnEx S.A." as Energy Exchange for the administration and operation of the Day-Ahead and Intra-Day Markets, has been approved in accordance with par. 1 of article 9 of L. 4425/2016 and par. 1 of the article 117C of L. 4001/2011, as in force.

## **II. On the proposal of HEnEx S.A. regarding the definition of the Administratively Defined Position Nomination Penalty Price of Energy Financial Instruments**

*Because*, by the RAE Decision 1116/2018 (rel. 3), a schedule has been set for the submission on behalf of HEnEx S.A. of proposals to RAE to be approved, in accordance with paragraph 4 of article 18 L. 4425/2016, which included the definition of the Administratively Defined Position Nomination Penalty Price of Energy Financial Instruments. With a relevant letter (rel. 7), HEnEx S.A. submitted to RAE, among other things, a proposal regarding the definition of the Administratively Defined Position Nomination Penalty Price of Energy Financial Instruments in application of the provisions of section 6.8 of the Rulebook. RAE has submitted the relevant proposal of HEnEx S.A. in Public Consultation from 10.04.2019 until 03.05.2019, which was extended until 17.05.2019 (rel. 8). For the specified proposal of HEnEx S.A. no comments were submitted by the participants that would lead to the need to amend the proposal of HEnEx S.A.

*Because*, from the analysis of the proposals as a whole of HEnEx S.A., as well as of the results of the relevant proposals, the need for further elaboration of the submitted methodologies and amendment of the Rulebook was identified (rel. 10-12).

*Because*, by the dated as of 23.01.2020 decision of the Deputy Minister of Environment and Energy (rel. 4) the schedule was set for the date of commencement of the Day-Ahead, Intra-Day and Balancing Markets of L. 4425/2016, as in force. In particular, according to point A:

*"The expiry date for the submission of the proposals required subject to the stipulations of L. 4425/2016, as applying, on Regulations, Codes, Manuals, methodologies, as well as technical decisions to the Regulatory Authority for Energy, is the 31st of January, 2020,[...]"*.

*Because*, with the dated as of 31.01.2020 document (rel. 13), HEnEx S.A. timely submitted, among other things, its final proposal regarding the definition of Administratively Defined Position Nomination Penalty Price subject to the provisions of section 6.8 of the Rulebook. RAE raised again the relevant proposal of HEnEx S.A. in Public Consultation (rel. 14). The results of the Public Consultation did not provide any comment leading to the need to amend the proposal of HEnEx S.A. (ref. 17).

*Because*, in accordance with the proposal of HEnEx S.A., the non legal submission of Physical Delivery/Offtake Nominations for positions on Energy Financial Instruments, the level of Clearing Price in the Bidding Zone where Sell/Buy Orders are integrated may be artificially affected. In such cases, the Participants may be deemed to expect a different financial result of Clearing Prices in the Day-Ahead Market than would be guaranteed by the submission of Priority Price-Taking Orders and under certain conditions even make their Orders Marginal. In this sense, it is considered reasonable that the Position Nomination Penalty Price of the Energy Financial Instruments should be directly related to the financial result of the non legal submission of Physical Delivery/Offtake Nominations for the Delivery Days *D* on which no compliance is observed.

*Because*, the Non-Compliance Charge is already linearly related to the degree of the discrepancy of the nominations according to the provisions of section 6.8 of the Rulebook. In

order for the Non-Compliance Charge to be deterrent to the Participants and to depend in each case on its potential financial result, as reflected in the configuration of the Clearing Price of the Day-Ahead Market for the Market Time Units during which non-compliance is observed, HEnEx S.A. suggests that the price of the Administratively Defined Position Nomination Penalty Price of Energy Financial Instruments should be calculated as follows:

$$ADP\_PNFMMQ_{h,D} = 1,5 \times DAM\_MP_{D,h}$$

wherein:

$ADP\_PNFMMQ_{h,D}$ :	Administratively Defined Position Nomination Penalty Price, for the Market Time Unit $h$ of Delivery Day $D$ ,
$D$ :	index of Delivery Day
$h$ :	index of Market Time Unit of the Delivery Day $D$ on which the non-compliance is observed;
$DAM\_MP_{h,D}$ :	The Clearing Price of the Day-Ahead Market for the Market Time Unit $h$ of Delivery Day $D$ .

*Because*, additionally, the proposal of HEnEx S.A. includes a proposal for the regular updating of RAE regarding accounts for the imposition of Non-Compliance Charges as well as an analysis of the effects of the non-compliance of the Participants.

*Because*, the aforementioned proposal of HEnEx S.A. in terms of price definition regarding the Position Nomination Penalty Price of the Energy Financial Instruments is considered reasonable as to the purpose of its adoption. In addition, the establishment of a procedure for regular reporting of non-compliance charges to RAE is necessary for the Authority to monitor the implementation of section 6.8 of the Rulebook, especially during the first period of operation of the new Markets, and therefore to be able, in cooperation with HEnEx S.A., to modify the Administratively Defined Position Nomination Penalty Price, if deemed appropriate.

### Decides:

Within the frame of its duties, subject to article 18, par. 4 of L. 4425/2016, and section 6.8 of the Day-Ahead and Intra-Day Markets Trading Rulebook, as applying;

1. The definition of Administratively Defined Position Nomination Penalty Price of Energy Financial Instruments as follows:

$$ADP\_PNFMMQ_{h,D} = 1,5 \times DAM\_MP_{D,h}$$

wherein:

$ADP\_PNFMMQ_{h,D}$ :	Administratively Defined Position Nomination Penalty Price, for the Market Time Unit $h$ of Delivery Day $D$ ;
$D$ :	index of Delivery Day
$h$ :	index of Market Time Unit of the Delivery Day $D$ on which the non-compliance is observed;
$DAM\_MP_{h,D}$ :	The Clearing Price of the Day-Ahead Market for the Market Time Unit $h$ of Delivery Day $D$

2. The establishment of a procedure for Reporting Non-Compliance Charge, as follows:

In case a Non-Compliance Charge is imposed for Positive and/or Negative Discrepancy in the Quantity of the Energy Financial Instruments Registration with Physical Delivery/Offtake, the Energy Exchange sends to RAE for the calendar month m and at the latest by the 10<sup>th</sup> working day of month m+1 a relevant monthly report which includes the following:

- a) the Participants for whom Non-Compliance Charges are imposed;
- b) Positive Discrepancy in the Quantity of the Energy Financial Instruments Registration with Physical Delivery and/or Negative Discrepancy in the Quantity of the Energy Financial Instruments Registration with Physical Offtake, per Market Time Unit and Delivery Date D, for which no legal Physical Delivery or Offtake Schedule Reports have been submitted;
- c) the Clearing Price for each Bidding Zone and the Market Time Unit for the Market Time Units during which non-compliance is observed;
- d) the total calculated charges as well as the details pertaining to the calculations;
- e) analysis of the effects of non-compliance on Clearing Prices including exploring opportunistic or coordinated market manipulation practices, and
- f) historical statistics on non-compliance charging.

The data of the monthly reports can be taken into account when formulating the proposal of the Energy Exchange regarding the definition of the parameters for the calculation of the non-compliance charge.

3. The entry into force of this decision from the day of commencement of operation of the Day-Ahead Market

*This Decision is notified to the company "Hellenic Energy Exchange S.A.", posted on the official website of RAE and published in the Government Gazette (GG).*

**Athens, May 25th, 2020**

**The President of RAE**

**Dr. Nikolaos G. Boulaxis**