

DECISION OF RAE UNDER NO. 1011/2021

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 for the year 2022 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 6th of December 2021**, and

Taking into account:

1. The 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 amended by the L. 4512/2018 (GG A' 5/17.01.2018) as applying and especially article 18 par. 4 of this law.
2. The 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, and especially article 32.
3. The Day-Ahead and Intra-Day Market Trading Rulebook, (Decision of RAE under the No. 1116/2018, GG B' 5914/2018, as applying following its modification by the Decisions of RAE 820/2020 (GG B' 4124/24.09.2020), 610/2021 (GG B' 3857/18.08.2021), 775/2021 (GG B' 4982/27.10.2021) and 987/2021, and in particular the provisions of section 6.5.
4. The No. 1124/2019 Decision of RAE "*On defining the public limited company "HELLENIC ENERGY EXCHANGE S.A." and distinctive title "HEEnEx 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*".
5. 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 "HEEnEx S.A." as Energy Exchange for the*

administration and operation of the Day-Ahead and Intra-Day Market" (GG B' 742/10.03.2020).

6. The No. 868/2020 Decision of RAE with the subject *«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 for the year 2022 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»* (GG B' 2330/15.06.2020).
7. The No. 1658/2020 Decision of RAE with the subject *«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 for the year 2022 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»* (GG B' 5976/31.12.2021).
8. The under Reg. No. RAE I-312820/03.11.2021 proposal of HEnEx S.A. (HEnEx: 1594/02.11.2021) 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 for the calendar year 2022.
9. The Public Consultation of RAE on the above mentioned proposal of HEnEx S.A, that took place from 11.11.2021 up until 22.11.2021¹ as well as its results².
10. 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, [...]

¹ <https://www.rae.gr/diavoulefseis/15735/>

² <https://www.rae.gr/diavoulefseis/17301/>

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", 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 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> |

h: index of Market Time Unit
D: index of Delivery Day
PDN_{a,h}: Validated Physical Offset Nomination for Entity *a* for Market Time Unit *h* in MWh

and calculates the $Q_{p,h,D}$ quantity, as the minimum price between the PPFMM $Q_{p,h,D}$ 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:

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

wherein:

i: index of Generating Unit;
j: index of the Dispatchable and Non-Dispatchable RES Units
k: Interconnection index
AvailCap_{i,h,D}: Available Capacity of the Generating Unit *i* for Market Time Unit *h* of Delivery Day *D*
AvailRESCap_{j,h,D}: Available Capacity of the Dispatchable and Non-Dispatchable RES Portfolio for Market Time Unit *h* of Delivery Day *D*
LTPTRs_{k,h,D}: 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, $PNFMMQ_{p,t,D}$, 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. 5) 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 for the calendar year 2022

Because, by the RAE Decision 868/2020 (rel. 5), the Administratively Defined Position Nomination Penalty Price was defined 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;
$DAM_MP_{D,h}$:	The Clearing Price of the Day-Ahead Market for the Market Time Unit h of Delivery Day D .

In this regard, with the same decision (ref. 6), a procedure for Reporting Non-Compliance Charge was established, 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 10th 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.”

Because, by the RAE Decision 1658/2020 (rel. 7), the Authority decided, following a relevant proposal of HEnEx S.A., the maintenance of the algorithm for determining the Administratively Defined Position Nomination Penalty Price, as approved by the decision of RAE 868/2020, given the short period of time from the go-live of the new markets, when the said Non-Compliance Charge started to apply, and the limited data to draw safe conclusions regarding the possible impact of non-submission of Physical Delivery/Offtake Nominations on the Clearing Price of the Day Ahead Market and to evaluate the need to revise the calculation parameters.

Because, by the relevant document 8, HEnEx S.A., pursuant to the provisions of section 6.8 of the Rulebook, submitted a proposal to RAE for the determination of the Administratively Defined Position Nomination Penalty Price for the calendar year 2022. In its proposal, HEnEx S.A. presented briefly the results of a relevant analysis carried out for the period of the first eleven months from the go-live of the new markets of Law 4425/2016, namely from 01.11.2020 to 30.09.2021. Based on the results of the above analysis, the non-compliance charges (NCC) of subsection 6.8 of Rulebook were imposed for three (3) Delivery Days out of a total of three hundred and thirty-four (334) Delivery Days of the examined period, namely at 0,9% of the total Delivery Days. Also, the charges were imposed on a total of eighty-two (82) Market Time Units in a total of eight thousand fifteen (8,015) Market Time Units of the examined period, namely at 1.02% of the total hours, while in total they amounted to € 1,035,918.41 and concerned two (2) Participants. In conclusion, according to HEnEx S.A., the algorithm for calculating the Administratively Defined Position Nomination Penalty Price for the calendar year 2021 acted as a deterrent for the Participants and therefore it is proposed to maintain it with a small adjustment, given that the Clearing Price of the Day Ahead Market (DAM_MPD, h) may receive a negative price, as follows:

$$ADP_PNFMMQ_{h,D} = 1,5 \times ABS(DAM_MP_{D,h})$$

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;

$ABS(DAM_MP_{h,D})$: The absolute value of the Clearing Price of the Day-Ahead Market for the Market Time Unit h of Delivery Day D .

Because, RAE submitted the relevant proposal of HEnEx S.A. in Public Consultation from 11.11.2021 to 22.11.2021, in the context of which no comments were submitted by the participants on this proposal (rel. 9).

Because, the above proposal of HEnEx S.A. for the modification of the algorithm for the determination of the Administratively Defined Position Nomination Penalty Price, given that the Clearing Price of the Day Ahead Market (DAM_MPD, h) may take negative price, it is considered reasonable as to the purpose of its adoption.

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, the modification of the algorithm for the determination of the Administratively Defined Position Nomination Penalty Price, as follows:

$$ADP_PNFMMQ_{h,D} = 1,5 \times ABS(DAM_MP_{D,h})$$

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;

$ABS(DAM_MP_{h,D})$: The absolute value of the Clearing Price of the Day-Ahead Market for the Market Time Unit h of Delivery Day D .

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, December 16th, 2021

The President of RAE

Dr. Nikolaos G. Boulaxis