

DECISION OF RAE UNDER NO. 1658/2020

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 Rulebook and article 18 par. 4 of L. 4425/2016,

as applying

The Regulatory Authority for Energy

At its regular meeting, at its headquarters, **on the 23rd of December 2020**, and

Taking into account :

- 1. Chapter C' "Stipulations coming under the competency of the Ministry for the Environment and Energy" 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. L. 4001/2011 "On the operation of Energy Markets for Electricity and Natural Gas, for Research, Production and Hydrocarbon transfer networks and other regulations" (GG A' 179/22.08.2011), as applying, and mainly 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 No. 820/2020 Decision of RAE (GG B' 1941/21.05.2020) and the No. 1228/2020 Decision of RAE (GG B' 4124/24.09.2020), and in particular the provisions of section 6.5.

4. *The No. 1124/5.12.2019 Decision of RAE "On defining the public limited company "HELLENIC ENERGY EXCHANGE S.A." and distinctive title "HEnEx 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 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).*
6. *The No. 868/2020 Decision of RAE with 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 according to the stipulations of section 6.8 of the Day-Ahead and Intra-Day Market Rulebook and article 18 par. 4 of L. 4425/2016, as applying" (GG B' 2330/15.06.2020).*
7. *The No. 1298/2020 RAE Decision with subject "As regards the day of commencement of the Day-Ahead and Intra-Day Market coupled operation in accordance with the provisions of article 9 of L. 4425/2016 (GG A ' 185), as applying, and the provisions of Chapter 7 of the Day-Ahead and Intra-Day Market Trading Rulebook, as applying" (GG B' 4415/07.10.2020).*
8. The under Reg. No. RAE I-292791/07.12.2020 proposal of HEnEx S.A. (HEnEx: 2459/04.12.2020) 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 2021.

9. The under Reg. No. RAE I-293231/15.12.2020 letter of HEnEx S.A. (HEnEx: 2504/14.12.2020) with the subject: "*Reporting of non-compliance charges for November 2020*".
10. The Public Consultation of RAE on the above mentioned proposal of HEnEx S.A, that took place on 15.12.2020 up until 18.12.2020¹, as well as the results of the same².
11. 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

Whereas, in accordance with par.(a), of section (A), of par.2 article 7 L. 4425/2016 regarding the Day-Ahead Market:

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

Whereas, 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 Regulations 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 Regulations relate must comply with their obligations arising from them. The Rulebook

¹ http://www.rae.gr/site/categories_new/about_rae/factsheets/2020/gen/1512.csp
http://www.rae.gr/site/categories_new/about_rae/factsheets/2020/gen/1712_3.csp

² http://www.rae.gr/site/categories_new/about_rae/factsheets/2020/maj/231220.csp

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 trading [...]*

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 Energy 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 outside the aforementioned Market. [...]*"

Whereas, in Chapter 6 of the Day-Ahead and Intra-Day Market Rulebook (hereinafter referred to as the "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 ETS of HEnEx shall issue:

a) Either a confirmation that the submitted Physical Delivery/Offtake Nomination(s) fully cover the quantity $NDP_{pos-rem}$ and $NDP_{neg-rem}$ respectively.

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 ETS 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:

p : index of Participant

a : 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

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 $PPFMMQ_{p,h,D}$ 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:

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

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*

LTPTR_{S_{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 ETS 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."

Whereas, 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 Market, has been approved in accordance with par. 1 of article 9, of L. 4425/2016 and par. 1 of 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 868/2020 (rel. 6) the Administratively Defined Position

Nomination Penalty Price of Energy Financial Instruments was defined, as follows:

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

wherein:

$ADP_PNFMMQ_{h,D}$ *the 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 of Delivery Dayh of Delivery Day D.*

Likewise, by the same decision (rel. 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 work 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 of the 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.

Whereas, with a relevant letter (rel. 8), HEnEx S.A., in application of the provisions of section 6.8 of the Rulebook, submitted to RAE, a proposal regarding the definition of the Administratively Defined Position Nomination Penalty Price of Energy Financial Instruments. With its proposal, HEnEx S.A. proposes the maintenance of algorithm in order to identify the Administratively Defined Position Nomination Penalty Price, as this has been approved by the 868/2020 decision of RAE, given the short time since the launch of the new markets, when the said Non-Compliance Charge started to be imposed, and the limited amount of data to draw safe conclusions about the potential impact of the non-submission of Physical Delivery/Offtake Nominations the clearing price of the Day-Ahead Market and in order to assess the need to revise the calculation parameters. RAE raised again the relevant proposal of HEnEx S.A. in Public Consultation from 15.12.2020 until 18.12.2020. 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.

Whereas, according to the Reporting of non-compliance charges for November 2020 of HEnEx S.A. (ref. 9), there were no cases of Non-Compliance Charges of sub-section 6.8.1 of the Rulebook, for November 2020.

Whereas, the aforementioned proposal of HEnEx S.A. as regards the maintenance of the algorithm in order to identify the Administratively Defined Position Nomination Penalty Price, 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 Market and the Intra-Day Market operation Rulebook, as applying, the maintenance of the algorithm in order to identify the Administratively Defined Position Nomination Penalty Price, as follows:

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

wherein:

$ADP_PNFMMQ_{h,D}$ *the 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 of Delivery Dayh 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, 23 December 2020

The President of RAE

Ass. Prof. Athanasios Dagoumas