

Energy Privatisation Alert

Bill regarding the establishment of the new “small PPC” through the spin-off of relevant assets of PPC and Steps towards Privatisation of Transmission System Operator (ADMIE)

12 March 2014

Bill Regarding the Establishment of the new “small PPC”

On 11 March 2014, the Hellenic Government launched a public consultation on a detailed bill for the spin-off of several assets of Public Power Corporation (PPC), the former electricity incumbent, into a new so-called “small PPC” which will be offered for privatisation as a major step of the privatisation of PPC itself.

As may be recalled from our Privatisation Alert (May 2013), the privatisation of PPC was to take place in three steps: (a) the unbundling and sale of shares of ADMIE, the electricity transmission system operator; (b) the establishment of the small PPC; and (c) later on the privatisation of PPC itself. The Ministerial Committee Decision approving the overall scheme was published in the Government Gazette last June.

The bill relates to the second step above.

It is noted that the new company that will be created shall acquire at least 30% of PPC’s generation assets and clientele. In particular these assets comprise:

- (a) The lignite power plants Amyntaio I & II of 600MW capacity
- (b) The lignite power plants Melitis I of 330MW capacity
- (c) The generation licence for the lignite power plant Melitis II of 450MW capacity
- (d) The mining rights of PPC on lignite which according to the law “cover the long term needs of the abovementioned power plants” at the mines of Amyntaio (incl. Lakkia mine), Klidi, Lofos Melitis, Komninon I & II and Vevi
- (e) The following hydro plants: Platanovrisi (116MW), Thisavros (384MW), Agra (50MW), Edessaioi (19MW) and Pournari I & II (combined capacity 334MW)
- (f) The natural gas powers plant Komotini (485MW)

The spin-off will comprise liabilities as well as assets of the relevant power plants, which will be regarded as comprising a “sector” of PPC’s business.

The sector to be transferred to the new company will also comprise employment agreements and all other relevant rights and obligations relating to these power plants (including employees, encumbrances, land rights, guarantees, ongoing litigation etc.). The number of employees to be transferred will be determined by the Board of PPC.

The sector to be transferred will also comprise the supply agreements of PPC which are related to this sector. The Board of PPC shall identify which agreements shall be transferred following an experts' report along the following principles: (a) the supply capacity to be transferred will equal to 30% of the total supply of PPC to its customers; (b) the supply contracts reflect 30% of the total number of supply contracts pro rata to basic and particular customer categories of PPC (save for high and medium voltage customers where the allocation will not be pro rata to the number of contracts but to the quantity of energy supplied which may result in both PPC and the new company supplying these customers). Customers in non-interconnected islands are excluded.

There are various detailed provisions about the transfer of these supply contracts which will be concluded unilaterally, without the agreement of the customers themselves. PPC and the new company may agree for PPC to continue supply to such customers.

The net value of these assets will be calculated and PPC will obtain shares in the new company according to such value. 100% of the shares in the new company shall be sold to the highest bidders through a public tender to be conducted in the future.

From a legal point of view, the spin-off will take place with the issuance of a relevant resolution by PPC's Shareholders.

After the sale of the shares of the new company, PPC will undertake the liabilities of the transferred sector up to the value of such sector.

The envisaged time schedule is for the establishment to have been concluded by the end of 2015.

The above constitutes a summary of the published plan; we shall be happy to provide you with more information as required.

Steps towards the Privatisation of ADMIE

On 7 March 2014, the Government submitted to Parliament the draft tender notice for the sale of 66% of the shares of the Greek transmission system operator, ADMIE. This will be a step towards the full unbundling of ADMIE, while the remaining 34% of

the shareholding will be retained by the Greek State (no longer PPC). A recently passed law (4237/2014) also amends in several aspects the tender process.

Two stages are provided in the tender process submitted to Parliament: the first will be an expression of interest phase, where the applicants will be selected according to whether they comply with the various legal, financial and technical criteria; the second will be the stage of submission of binding offers. At that stage, the prequalified applicants will be invited to submit binding offers after review of relevant documentation in a virtual data room as well as review of a Vendors' Due Diligence Report and of the draft shareholders and share transfer agreements. The unbundling and sale of the shares to the investor is to be completed by the end of the second quarter of 2014.

We shall be happy to provide you with detailed information on the tender process and requirements.

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