

Energy Democracy & the Future of Public Power Corporation (PPC)¹

Background note for WG-2 on Energy democracy – controlling energy companies on the local and national level, Socioecological Transformation – Focus Energy, Vienna, 3-5 July 2013, Rosa Luxemburg Foundation.

Introduction

This short note outlines a set of possible measures and reforms for the modernization of PPC. Overall, four major complementary fields of action can be distinguished:

- Modernization of PPC’s public service mission (energy as a right/public service).
- Introduction of democratic procedures for PPC’s management (how the expectations of the various internal and external stakeholders are taken into account into PPC’s strategy and missions?).
- Improvement of PPC’s productive efficiency (efficient use of resources in a period of fiscal and economic crisis is a democratic expectation - citizens and society expect public enterprises to be efficient both from a social and an economic point of view).
- Upgrading of PPC’s contribution to the establishment of a sustainable -both socially as environmentally- new economic development model.

1. PPC’s public service mission

Firstly, it should be mentioned that the term “public service” which is widely used in several countries in Western Europe, is not widely used in the public debate in Greece. This is due to the fact that Greece chose an ‘organic approach’ for energy public services (i.e. the public service mission was almost entirely assimilated with the existence of the electricity public enterprise).

Greece has experienced in recent years, a drastic increase of energy poverty due to various factors such as the collapse of households’ purchasing power (which is estimated at 50 % in average) and to the continuous rise in energy prices (including electricity prices). The government has

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disregarded fundamental provisions of the European legislation on public services (services of general economic interest) by including a significant property tax in electricity bills. At the same time, the government threatened consumers – through PPC- that their access to electricity will be ended in case that this tax was not paid.

Overall, current economic and social conditions impose immediate action in order to struggle against energy poverty, though, in an environmentally responsible way. Again, 4 lines of action can be proposed:

a/ **Establishment of a *Right to Energy*** which will ensure that no individual suffers from energy deprivation. This could take the form of a free basic amount of energy for each individual / household suffering from extreme poverty and social exclusion.

b/ Improvement of the scope and efficiency of **existing social tariffs** (e.g. more beneficiaries, less bureaucratic procedures).

c/ **Introduction of specific support units for assisting consumers who are experiencing problems as regards the payment of their electricity bills** (i.e. specific call-free phone number, putting an end to electricity cuts with the introduction of a ‘provisional maintenance of energy provision’ status, personalized payment settlements, information about financial support aiming at lowering households ‘energy consumption and improving their energy efficiency, establishment of a specific fund for the payment of bills for persons in extreme poverty situation).

d/ **Establishment of a Solidarity Fund** in order to finance the above mentioned measures and mechanisms. This fund will receive economic contributions from all businesses participating in the energy electricity market.

- ✓ *Note 1:* In the medium term, the goal should be to lower the cost of energy for all households and not through special social tariffs for vulnerable only individuals. This realistic goal can be achieved through the reorganisation of the electricity market and the implementation of a genuine democratic long-term energy planning. In the short-term however, the use of social tariffs is needed, as a tool for struggling against energy poverty.
- ✓ *Note 2:* Social policy in the energy sector should not tolerate waste of energy from part of consumers. The notion of *Climate Justice* should be implemented strictly in all PPC’s activities. This notion should allow the implementation of ‘socially responsible environmental policies’ and ‘environmental responsible social policies’.

2. Introduction of democratic procedures

Various actions can be implemented concerning the democratic functioning of PPC including the clarification and enhancement of the missions mentioned in the company's charter and its foundation law or/and concerning the procedures for the nomination of the Board of Directors and the executive council.

Another potential reform of major importance could be the establishment of formal institutions aiming at the highest possible consultation and implication of PPC's stakeholders in its management. A formal committee of PPC's stakeholders (Committee of Social Consultation) could be in charge of collecting and promoting to the board expectations towards PPC's of a wide number of stakeholders (consumers unions, environmental organisations, local authorities, research institutes and energy experts, professional chambers, trade unions, etc). This Committee will produce a report which will be taken into account from PPC's board and will be presented at the parliament and publicly. On-line consultations tools will be needed also for enhancing the capacity of PPC to gain as much as possible social legitimatisation against privatisation advocates.

3. Improvement of PPC's efficiency and capacity for external evaluation

Ensuring that all public enterprises are run in an efficient way is a democratic expectation. Waste of funds as well as corruption have proved to be key-arguments of privatisation advocates. Thus, restoring back transparency and productive efficiency should be included in debates for energy and economic democracy. Moreover, improvement of efficiency could help financing public service missions.

Introduction of Performance Contracts (Contrats d'Objectifs ou de Service Public in French) represent a first step towards this direction. Detailed contracts can be signed between PPC's management and the competent public authorities (i.e. Ministry of Energy), according to the existing international experience (see EDF's case). These contracts will have duration of 1 to 2 years and will define the social, economic and environmental goals of PPC as well as the economic resources available for their implementation and the indicators which will be used to assess their level of achievement from the Government, the Parliament but also the Committee of Social Consultation and the society more generally.

4. Contribution of PPC to the introduction of a sustainable (both socially as environmentally) new development model for the Greek Economy

Briefly, the following orientation can be mentioned.

a/ Compliance of PPC's strategic plan and performance contract to the long-term democratic energy planning (the strategic plan lasts 5 years and the performance contract is used for its year by year implementation).

b/ PPC will support the development of dispersed renewable energy generation, providing both infrastructures and expertise on energy issues. Support of energy cooperatives should be also included as a top priority. PPC will have also to invest in renewable energy itself, by choosing the best locations for its investments both socially and from an economic point of view (e.g. offshore wind farms?).

c/ In the long term, drastic reduction of lignite in PPC's energy mix is needed both in terms of climate change mitigation and public health. In the medium term, PPC will need to build new plants for the withdrawal of older, less efficient and thus and more polluting ones.

d/ Investment in electricity networks will be achieved according to democratic energy planning (present investments are market-driven and do not serve *General Interest*).

Final comment

The above proposals for the modernization of PPC can be implemented if only the architecture and functioning of the electricity market is revised. PPC, as it is already the case to some extent, will encounter major financial-competitive problems, if trying to implement measures for enhancing its social efficiency alone and against purely profit-driven competitors. This is due to the fact that the mandate of the energy regulation authority (RAE) and the goal of energy private corporations differ from PPC's *general interest* mission. In consequence, introduction of a democratic energy planning and the transition from a competition-driven regulation to a 'social regulation' of the electricity market do represent two crucial (and highly uncertain) conditions for a democratic, accountable, environmentally-friendly and socially-oriented Public Power Corporation.

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