



CYPRUS ENERGY REGULATORY AUTHORITY

2020 National Report

to the European Commission for the year 2019

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List of abbreviations

ACER	Agency for the Cooperation of Energy Regulators
CEER	Council of European Energy Regulators
CEF	Connecting Europe Facility
CERA	Cyprus Energy Regulatory Authority
CRA	Core Regulated Activity
DEFA	Natural Gas Public Company Ltd (CYGAS)
DSO	Distribution System Operator
EAC	Electricity Authority of Cyprus
EastMed	Eastern Mediterranean
ETYFA	Natural Gas Infrastructure Company Ltd
FtM	Front-of-the-Meter
HDVC	High Voltage Direct Current
ICE	Internal Combustion Engines
KDP	Regulatory Administrative Act
LNG	Liquefied Natural Gas
LNG Operator	Liquefied Natural Gas System Operator
LNG Owner	Liquefied Natural Gas System Owner
MDMS	Meter Data Management System
MECI	Ministry of Energy, Commerce and Industry
MRTC	Meter Repair & Testing Centre
ODS	Owner of the Distribution System
OTS	Owner of the Transmission System
PCI	Project of Common Interest
PSO	Public Service Obligations
PV	Photovoltaic
RAVB	Regulated Asset Value Base
RES	Renewable Energy Sources
RES-E	Electricity Generation Systems from RES
SGC	Southern Gas Corridor
SRA	Separated Regulatory Accounts
TDR	Transmission and Distribution Rules
TSO	Transmission System Operator
TSOC	Transmission System Operator of Cyprus
TSR	Trading and Settlement Rules
TYNDP	Ten Year National Development Plan

1. Foreword

The gradual transition to clean energy and a carbon-neutral economy is one of the greatest challenges of our time. To this end, in 2019, the European Commission has completed the reform of its energy policy framework, which:

- (a) sets out the regulatory requirements for the transition to clean energy; and
- (b) sets the EU on track to meet its commitments under the Paris Agreement.

Also, on 22 May 2019, the EU Council of Ministers approved the four remaining pieces of the "Clean Energy for All Europeans" package.

The new rules will strengthen the interconnections and flexibility of the European electricity market, while focusing more on consumers, putting them in the centre of the energy transition. At the same time, the new framework is expected to create growth and green jobs and allow the EU to play a leading role in fighting climate change after the Paris Agreement.

In 2019, the Cyprus Energy Regulatory Authority (CERA) within the framework of European and national legislation, took a series of decisions aimed at shaping and developing the energy market of Cyprus, in conditions of healthy competition, consumer protection and encouraging the use of Renewable Energy Sources (RES). Also, CERA made various important decisions aiming at the harmonization of the regulatory framework of our country based on the provisions of the Energy Union.

CERA's main objective is to design and implement a comprehensive set of regulatory measures and actions that will prepare our country to participate in a smooth, organized and efficient way, in the process of incorporating the integrated European energy market. At the same time, it must safeguard the necessary security of energy supply in the country, both on a physical and an economic level, and to ensure energy costs accessible to the national economy and the consumer.

To this end, CERA proceeded in 2019 to issue a series of key decisions, as well as to undertake and implement relevant initiatives and actions, always within the competences prescribed by the national legislation and the Community Law. Some of these key decisions and actions of CERA in the energy sector of our country concern:

- The regulatory practice and methodology of natural gas tariffs.
- The elaboration of a thorough techno-economic study of the redesign of the transmission system and the distribution system for 2021-2030.
- The establishment of basic principles of regulatory framework for the operation of electricity storage systems in front-of-the meter in the wholesale electricity market.
- The regulatory accounting instructions for the preparation of unbundled accounts and the submission of budgetary unbundled accounts.
- The functional unbundling of the activities of the Electricity Authority of Cyprus (EAC).

CERA has also issued draft Regulatory Decisions which were published for public consultation on the determination of the Supplier of Last Resort in the electricity market and the functional unbundling of the EAC's activities.

Regarding the adequacy of electricity supply, CERA, based on the authority provided by the Law, has drafted a study on the electricity system adequate capacity of Cyprus for the next 10 years. The results have shown that between 2022 and 2024 there is a serious shortage of

capacity in the electricity system and there is an urgent need for a new conventional capacity of around 450 megawatts due to the annual increasing demand for electricity, but mainly due to the imminent withdrawal of six steam turbines of EAC's power plant in Dhekelia. Today, the total conventional generation capacity licensed by CERA is expected to cover up to 725 megawatts by 2024, capable of solving the problem of capacity generated in our country between 2022 and 2024.

Regarding the functional and accounting unbundling of EAC's Core Regulated Activities (CRAs), that is Generation, Transmission, Distribution and Supply, during the reference year, the third and final audit was completed, where specific discrepancies emerged in the context of EAC's compliance with the regulatory framework. CERA, after taking into account the findings of the third audit, pointed out these findings to EAC, which responded within the timeline based on the instructions of CERA. CERA, after thoroughly studying all the data submitted, verified the compliance of EAC at the given time and the observance of the provisions of the Regulatory Decision 04/2014 (KDP 372/2014) "Functional Unbundling of EAC's Activities".

The reform framework for the electricity market for the full commercial operation of the competitive electricity market in Cyprus is designed to be compatible with the European Union's target model, which has been adopted by most European Union Member States and has been established with CERA's Regulatory Decisions in previous years.

It is noted that despite the delay in the implementation of the competitive electricity market in Cyprus, which is mainly due the delay of the implementation of two software programs, prerequisites for the operation and monitoring of the electricity market, based on the current data, CERA is looking forward to the introduction of healthy competition in the electricity market of Cyprus around the end of 2021.

In order to cover the time until the full commercial operation of the new electricity market model, a relevant Regulatory Decision for the introduction of a transitory regulation in the electricity market, including detailed Regulations, has been in force since 2017. The transitory regulation of the electricity market concerns "Bilateral Contracts between Producers and Suppliers" and it seems that it has already given the necessary impetus to start licensing independent suppliers. Specifically, during 2019, 7 independent suppliers were licensed and a total of 13 independent suppliers have been licensed for the period of validity of the transitory regulation of the electricity market.

CERA will continue to carry out its work for the formation of a human-centred and fair energy regulation with a focus on the consumer.

Dr. Andreas Poullikkas
Chairman

2. Main developments in the gas and electricity markets

This Report covers the annual reporting obligation, required by the Article 59(1)(i) of the Directive (EU) 2019/944 on common rules for the internal market in electricity and Article 41(1)(e) of the Directive 2009/73/EC concerning common rules for the internal market in gas.

The Report concerns the calendar year 2019 and follows the reporting structure recommended by the Council of European Energy Regulators (CEER).

Due to the fact that there is no natural gas market in Cyprus, the report focuses mainly on the internal electricity market and covers this sector for the year 2019.

During the year under review, CERA, taking into account the trends followed at European level and bearing in mind the needs of the energy system in Cyprus, had to take a series of important decisions in order to complete the regulatory framework in the energy sector, focusing on the security of supply, the consumer protection and ensuring fair competition through the development of an economically viable and efficient electricity market and the possibility of increasing the share of RES in the competitive market.

The energy sector in Cyprus is undergoing fundamental transformations concerning its structure and organisation, its institutional framework and the diversification of its energy mix. The Cypriot electricity sector is today 100% covered on the supply side and more than 90% on the generation side, by the state-owned Electricity Authority of Cyprus (EAC). In an effort to open up the market to new participants, CERA has proposed the net-pool model as being the most appropriate trading arrangement approach for the Cyprus electricity market. The formulation of a net-pool incorporates both, a bilateral contracts market and a central Day Ahead Market. In the near future, an Intra-Day Market will be organized. The proposed design includes also a real time balancing mechanism that provides the Transmission System Operator (TSO) with the ability to purchase the required operational reserves, activate balancing services and settle imbalances.

Due to the delays in the implementation of the competitive electricity market in Cyprus, which mainly concern the installation of two software programs, prerequisites for the operation and monitoring of the electricity market, CERA decided on a transitory regulation of the electricity market in Cyprus, prior the full implementation of the new electricity market model. The transitory regulation will be based on bilateral contracts between producers and suppliers for the supply of a standard quantity of electricity (kWh) on a monthly basis. The transitory regulation of the electricity market in Cyprus started on 1 September 2017 and will be in force until the full implementation of the new electricity market model.

During the year under review, CERA proceeded with the issuance of five Regulatory Decisions and two draft Regulatory Decisions:

- Regulatory Decision 01/2019 (KDP 203/2019), regarding the declaration of regulatory practice and methodology of gas tariffs.
- Regulatory Decision 02/2019 (KDP 204/2019), on the elaboration of a detailed techno-economic study for the redesign of the transmission system and the distribution system for 2021-2030.

- Regulatory Decision 03/2019 (KDP 224/2019), on the establishment of basic principles of regulatory framework for the operation of electricity storage systems in front-of-the-meter in the wholesale electricity market.
- Regulatory Decision 04/2019 (KDP 324/2019), regarding the regulatory accounting instructions for the preparation of unbundled accounts and the submission of budgetary unbundled accounts.
- Regulatory Decision 05/2019 (KDP 419/2019), regarding the functional unbundling of the activities of EAC.
- Draft Regulatory Decision on the determination of the Supplier of Last Resort in the electricity market.
- Draft Regulatory Decision regarding the functional unbundling of EAC's activities.

At the same time CERA proceeded with the issuance of a series of Decisions, the most important of which:

- Approval of proposed amendments by the TSOC on the Electricity Trading and Settlement Rules (TSR) - Version 2.0.1.
- Permitted revenues and Regulated Basic Electricity Tariffs for the year 2019.
- Approval of the new EAC tariffs plans for 2019.
- Revision of charges for net-billing, self-generation, and net-metering.
- Approval of a compliance program of the Distribution System Operator (DSO).
- Approval of the publication of unbundled EAC accounts for the year 2017.
- Approval of the fee for the recovery of Public Service Obligations (PSO).
- Setting a threshold for generation units and RES units for participation in the transitory regulation of the electricity market.
- Approval of methodologies, proposed by the TSOC, for calculating the parameters of the regulations of the transitory regulation of the electricity market - Version 1.2.
- Approval of the financial statements of CERA for the year ended on 31 December 2018.
- Approval of amendments, proposed by the TSOC, on the consolidated version 4.0.0 and the amending versions 4.0.1 and 4.0.2 to the Transmission and Distribution Rules (TDR) - Version 5.0.0.
- Approval of the methodologies for calculating the projected annual exported electricity in the transmission system and the projected annual energy generation from RES submitted by the TSOC.
- Installation of an additional temporary generation capacity by EAC-Generation Directorate for the purposes of achieving the capacity adequacy of the power generation system for 2020.
- Approval of the parameters submitted by the DSO for the transitory regulation of the electricity market for the year 2019.
- Approval of agreements of EAC with companies active in the field of telecommunications.
- Approval of a methodology submitted by the TSOC for long-term forecasting of total electricity generation and capacity.
- Inclusion of investment expenditures in the Regulated Asset Value Base (RAVB) of the Generation CRA.
- Budget for the year 2020 and medium-term fiscal framework of CERA for the years 2020-2022.
- Approval of fuel clause coefficients and basic tariffs for purchasing RES energy for the period July - December 2019.
- Work Planning in relation to the implementation of provisions concerning the closed distribution networks.

- Approval of the TSOC’s proposal for the long-term forecast of annual maximum of total electrical capacity and total electrical energy generated for the decade 2019 - 2028.
- Overview and revision of the statement of regulatory practice and methodology of electricity tariffs.
- Issuance of draft regulations for the repealing and replacement of the Laws Regulating the Electricity Market (Performance Indicators) Regulations of 2005.
- Instructions for the submission of data to CERA by holders of operating licences who operate electricity generation power plants with a capacity of more than 8 MW.
- Modification of standard licences terms contained in Annexes 2 to 6 of the Laws Regulating the Natural Gas Market (Issuance of Licences) Regulations of 2006.
- Monitoring the process for the full commercial operation of the new electricity market model.
- Monitoring the process for the full installation and operation of the Meter Data Management System (MDMS) software by the DSO.
- Approval of the publication of unbundled EAC accounts for the year 2018.
- Issuance of guidelines regarding the framework for modifying the licences / exceptions from licence for the construction and operation of a power plant.
- Approval of the proposed amendments by the TSOC on the TSR - Version 2.1.0.
- Approval of the proposed amendments by the TSOC on the TDR - Version 5.1.0.
- Approval for the use of the transmission system and the distribution system for purposes not related to electricity.

Figure 1 presents the licensing of activities of the electricity and natural gas markets.

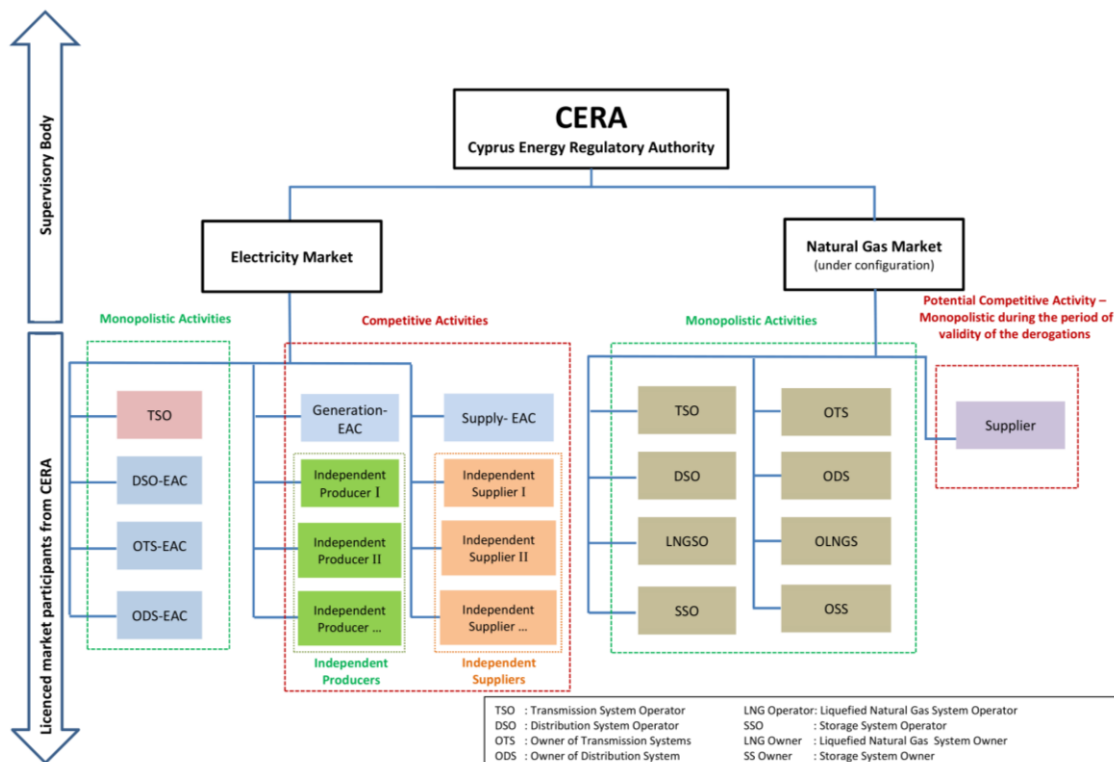


Figure 1. Licencing of activities of the electricity and natural gas markets

2.1. Evaluation of the market development and regulation

In light of the long-term nature of policy goals on energy security, mitigation of climate change, and environmental protection, the applied range of regulatory measures may provide a transparent environment for the long-term development of new technologies.

For storages and other technologies offering flexibilities the previous legislative framework and the market design in Cyprus seem to create barriers for upcoming investments related to energy storage technologies and flexibility services. In 2019 several Regulatory Decisions were taken and necessary amendments in the TSR were identified in order to mitigate this situation and enhance the deployment of such technologies and allow further integration of intermittent resources. CERA's decisions are based on the fact that storage technologies - and also other measures as demand-side and generation management - will need a flexible market and a sophisticated regulatory design in order to significantly add value to the future energy system.

In this respect it is considered that CERA's Regulatory Decisions and Decisions that were taken in 2019 open the way towards a functional and reliable energy market.

2.2. Report on the implementation of the Clean Energy Package

It should be noted that Articles 3, 5 and 6, Article 7(1), points (c) and (g) of Article 7(2)) Articles 8 to 17, Article 18(5) and (6), Articles 19 and 20, Article 21(1), (2) and (4) to (8), point (c) of Article 22(1), points (b) and (c) of Article 22(2), the last subparagraph of Article 22 (2), Articles 23 to 27, Article 34(1), (2) and (3), Articles 35 to 47, Article 48(2) and Articles 49 and 51 of Regulation (EU) 2019/943 do not apply to Cyprus until its transmission system is connected to other Member States' transmission systems via interconnections.

In accordance with the Regulation (EU) 2019/943, in the event the transmission system of Cyprus is not connected to other Member States' transmission systems by means of interconnections by 1 January 2026, Cyprus shall assess the need for derogation from those provisions and may submit a request to prolong the derogation to the Commission. The Commission shall assess whether the application of the provisions risks causing substantial problems to the operation of the electricity system in Cyprus or whether their application in Cyprus is expected to provide benefits to the functioning of the market. On the basis of that assessment, the Commission shall issue a reasoned decision to prolong the derogation in full or in part.

CERA in order to fulfil its duties concerning the monitoring of the implementation of rules relating to the roles and responsibilities of transmission system operators, distribution system operators, suppliers, customers and other market participants pursuant to Regulation (EU) 2019/943 (for the articles that derogations do not apply for Cyprus); is in close cooperation with the Ministry of Energy, Commerce and Industry (MECI), concerning the harmonisation of the relevant legislation. The national legislative package that incorporates the provisions of the Directive (EU) 2019/944 and some of the provisions of the Regulation (EU) 2019/943 is expected to be finalised by 2020.

Furthermore, CERA safeguards that the roles and responsibilities of each market participant are clearly defined and provided through the TSR.

3. The electricity market

3.1. Network regulation and technical functioning

Unbundling

Article 43 of the Directive 2019/944 provides for the ownership unbundling of transmission systems and transmission system operators. However, Cyprus, according to Article 66 (Derogations) of the Directive 2019/944, has obtained an exemption from Article 43 and therefore Cyprus has maintained its present regime on TSO unbundling.

The Cyprus TSO (TSOC) is legally unbundled and functions independently in terms of organisation and decision making from the Owner of the Transmission System (OTS), the Owner of the Distribution System (ODS) and the Distribution System Operator (DSO) which is the Electricity Authority of Cyprus (EAC).

TSOC is located separately from EAC. TSOC presents himself to customers as a separate entity with his own name, logo and website. However, TSOC is provided with all of its employees by EAC.

Towards the smooth implementation of the electricity market model, further legal arrangements were required to upgrade the legal unbundling of the TSO and to achieve an advanced independence. In this respect MECL in cooperation with CERA prepared a draft bill which was under public consultation between 25 February - 5 April 2019. At the moment, the amending legislation is at the Legal Service for legislative check.

The ODS has also been nominated as the DSO and although it is not independent in the sense that the TSOC is, it has the same duty of safeguarding third party access to the distribution network and the equal treatment of all users of the said network.

According to current legislation the DSO must establish a compliance programme, which sets out measures taken to ensure that discriminatory conduct is excluded, and ensure that observance of it, is adequately monitored. The compliance programme sets out the specific obligations of employees to meet that objective. An annual report, setting out the measures taken, shall be submitted to CERA for approval by the body responsible for monitoring the compliance programme.

In March 2018 a compliance programme was submitted to CERA by the DSO and following consultations a revised compliance programme was submitted on December 2018. CERA with its Decision 53/2019, dated 22 February 2019, approved the compliance programme accompanied with some additional data provided from the DSO on 11 February 2019.

DSO is provided with all of its employees by EAC.

In August 2014, CERA issued the “Accounting and Functional Unbundling” Regulatory Decisions for EAC, as well as the “Regulatory Accounting Guidelines (RAG)” for the preparation of the Separated Regulatory Accounts (SRAs) of EAC. These decisions set the basis for the unbundling of the four regulated activities of generation, transmission, distribution and supply and the non-regulated activities of the organisation.

Accounting Unbundling

Regarding the accounting unbundling of EAC, Article 108(4) of the Laws Regulating the Electricity Market of 2003 to 2018, provide that EAC should maintain SRAs for each of its activities that were licensed by CERA as well as the non-regulated activities. The SRAs for the year ended 31 December 2019 are expected to be submitted to CERA by the end of August 2020.

By Regulatory Decision 04/2019 (KDP 324/2019), CERA estimated that, for better information of CERA and for the facilitation of its supervisory role, the data included in the budgeted SRAs of the year following the current one, needs to be available sooner than expected. Therefore, it has been decided that the budgeted SRAs for the year following the current year (two years after the reporting year) are to be submitted to CERA by 30 June. In addition, if there are amendments, the budgeted SRAs will be re-submitted to CERA. The Regulatory Decision 04/2019 will be implemented by the budgeted SRAs of the year 2020 and beyond.

By Decisions 59/2019 and 304/2019, CERA instructed EAC to publish the SRAs audited and approved by its Board, for the years that ended respectively on 31 December 2017 and 31 December 2018, on EAC's website, with explanations on how to calculate the performance based on the average RAVB for the CRA of Generation, Transmission and Distribution and the margin cost based on the account management costs for the CRA of Supply. Also, CERA gave specific instructions to EAC concerning the preparation of the unbundled accounts of the year 2018 and later.

Functional Unbundling

CERA, based on the provisions of the Regulatory Decision 04/2014 (KDP 372/2014) "Functional Unbundling of EAC Activities", hired through an open tender process external consultants on the terms of carrying out checks on the compliance level on the operational methods of the EAC, based on the functional unbundling of its activities, according to the regulatory framework, with the implementation of specialized audits that implemented in three distinct time periods.

According to the terms of reference, during the reporting year, the third and final audit was carried out, where a relevant in-depth and detailed report was submitted to CERA by its external consultants, in which the findings of this audit were recorded and specific exclusions were highlighted in the context of the compliance of EAC with the regulatory framework.

Subsequently, CERA, after taking into account the findings of the third audit, took the appropriate actions, pointing out to the Board of Directors of EAC these findings and in particular the specific deviations with instructions for their correction and full implementation and compliance with the provisions of the regulatory framework with a time milestone the 30 November 2019.

EAC responded within the above timeframe based on CERA's instructions. CERA, after thoroughly studying all the data submitted to it, determined the compliance of EAC at the given time to the provisions of the Regulatory Decision 04/2014 (KDP 372/2014).

On 20 December 2019, by Regulatory Decision 05/2019 (KDP 419/2019), CERA decided to amend the Regulatory Decision 04/2014, so that the inspection / testing of consumer electrical

installations is carried out by the OTS or the ODS depending on the case, as provided for by the Electricity Law (Chapter 170) and the Regulations issued under it, until they are amended. In addition, any costs incurred to the OTS or the ODS from the above activity are not recoverable from the regulated tariffs approved by CERA based on the provisions of Regulatory Decision 02/2015 (KDP 208/2015) "Statement of Regulatory Practice and Tariffs Methodology" as this activity does not in itself concern the range of activities of the electricity market.

Moreover, on 20 December 2019, CERA announced the publication in the Official Gazette of the Republic of Cyprus, a draft Regulatory Decision entitled "Functional Unbundling of EAC Activities" and notified all interested persons to submit in writing, any comments, objections and / or representations on the draft Regulatory Decision. According to the draft Regulatory Decision, CERA decided to amend the Regulatory Decision 04/2014, with the removal, in the whole text, the term Business Unit (BU) and replace it with the term Core Regulated Activity (CRA).

Also, according to the draft Regulatory Decision, the activities of the Meter Repair & Testing Centre (MRTC) remain within the responsibilities of the ODS instead of the responsibilities of the non-regulated activities of EAC and concern:

- meter verification (accuracy control),
- meter programming and configuration,
- construction and control of measuring devices (medium and low voltage),
- investigating damage / failures in meters / receivers,
- meter management (storage, issuance, withdrawal, etc.),
- training and support of distribution personnel on meter matters,
- the planning and control of remote-control receivers, and
- the management of sealing channels and seals.

Network extension and optimization

According to the Laws Regulating the Electricity Market of 2003 to 2018, CERA, by a Regulatory Decision, gives instructions to the TSOC and the DSO to prepare and issue technical rules, which are subject to CERA's approval, on the operation of the transmission system and the distribution system, respectively.

In general, the Transmission and Distribution Rules (TDR) are designed to achieve the development, the maintenance and the operation of an efficient, coordinated and economically viable transmission and distribution system whilst facilitating competition in generation and supply of electricity.

The Rules:

- govern the technical requirements and constraints that will apply wherever licence holders wish to connect to the transmission system and/or distribution system or use the transmission system or distribution system for the transportation of electricity,
- ensure that the technical conditions that apply to licence holders who wish to connect to or use the transmission system or distribution system do not result in them being subject to undue discrimination,
- foster efficiency, reliability, and economy in the use and development of the transmission system and the distribution system.

By Decisions 119/2019 and 316/2019, CERA approved the proposal of the TSOC for modification of the TDR. Given the time required by the TSOC to supply the relevant software and hardware for the implementation of the new revised and approved TSR, CERA will decide at a later stage the date of the official publication of the revised TDR, as it cannot be put into force before the publication of the new revised and approved TSR. Also, in the context of full transparency, updating and timely information of all interested investors for possible involvement in the competitive electricity market but also for the information of any other interested persons and / or participants in the electricity market, the revised TDR will be published on the website of the TSOC without however being in force.

On 14 June 2019, by Regulatory Decision 02/2019 (KDP 204/2019), CERA called on TSOC and DSO to jointly proceed with the drafting a detailed techno-economic study of the redesign of the transmission and distribution system for the period 2021-2030 and submit it to CERA until 31 March 2021. The aim of the study is, among other things, to be able to install more electricity generation systems from RES (RES-E) and to eliminate the problems of lack of capability to absorb the capacity by new RES-E units and to eliminate the possibility that the transmission system and / or the distribution system may become an inhibitory factor to the significant increase in the expansion of RES-E.

Table 1, shows the basic features of the transmission and distribution networks for the last 4 years.

Table 1. Basic features of the transmission and distribution networks

Indicator	2016	2017	2018	2019
Number of TSOs	1	1	1	1
Extension of TSO grid (Km)	1,320	1,320	1,320	1,359
Sum of all TSO investments and expenditures in networks (Mill EUR)	9	32.4	38.3	42.6
Number of DSOs	1	1	1	1
Extension of DSO grid (Km)	25,709	24,875	26,363	26,708
Sum of all DSO investments and expenditures in networks (Mill EUR)	26	16	115	88

Network tariffs

CERA, as the regulator, has the duty and the authority to approve the methodologies used to calculate the connection fees and the network use charges, and establish the terms and conditions for connection and access to the transmission and distribution system. The regulator may also require from the TSO and DSO to change the tariffs or methodologies used for determining the transmission and distribution tariffs to ensure that these are proportional and non-discriminatory.

CERA, after estimating that with the implementation of the new TSR and the new electricity market, which according to the latest information from the TSOC, will be in operation on 7 October 2021, a regulatory practice statement and methodology of electricity tariffs which is in line with the new electricity market rules needs to be in force, decided to hold an open tender for the recruitment of consultants for the overview and revision of the regulatory practice statement and methodology of electricity tariffs. The relevant contract has been signed and the task for the possible revision of the statement of regulatory practice and methodology of electricity tariffs has begun (Decision 198/2019).

On 25 January 2019, by Decision 16/2019, CERA approved the revision of network usage charges, ancillary services and other services that will be imposed for the implementation of net-billing, self-generation and net-metering using photovoltaic (PV) systems and / or biomass in homes, and / or industrial and / or commercial facilities accordingly, operating under the support schemes of MECI for 2019.

The revised charges arose due to differences between tariffs for the usage of transmission (T-NH) and distribution of medium and low voltage (T-NM, T-NL) systems with the Decision of CERA 05/2019. The Decision also states that the methodology for calculating charges and credits for net-billing, self-generation and net-metering will remain the same as that followed in Decisions taken by CERA in 2013, until it is reviewed after the completion of a relevant study by CERA regarding the rational and cost-effective calculation of the network usage fees and ancillary services of the above three categories.

On 22 January 2019, CERA issued the Decision 05/2019, by which the tariffs for the four regulated activities of the EAC and the TSOC for the year 2019 were approved.

The charges for the use of network for the year 2016 - 2019, as approved by CERA are shown in Table 2.

Table 2. Charges for the use of networks and other operational expenses

CHARGES FOR THE USE OF NETWORKS AND OTHER OPERATIONAL EXPENSES		2016 €cents/kWh	2017 €cents/kWh	2018 €cents/kWh	2019 €cents/kWh
Use of Transmission System Tariff (T-NH) for consumers connected to:	High Voltage	0.86	0.54	0.55	0.51
	Medium Voltage	0.86	0.86	0.87	0.81
	Low Voltage	0.86	0.88	0.88	0.82
Use of Distribution System Tariff (T-NM) for consumers connected to:	High Voltage	-	-	-	-
	Medium Voltage	1.33	1.00	1.01	0.93
	Low Voltage	1.33	1.02	1.03	0.95
Use of Distribution System Tariff (Low Voltage)	High Voltage	-	-	-	-
	Medium Voltage	-	-	-	-

(T-NL) for consumers connected to:	Low Voltage	1.47	1.14	1.15	1.08
Tariff for the recovery of expenses of the Cyprus TSO (T-TSO)		0.09	0.09	0.15	0.15
Tariff for the provision of Ancillary Services and long-term reserve (T-AS) for consumers connected to:	High Voltage	0.65	0.65	0.65	0.61
	Medium Voltage	0.67	0.67	0.66	0.62
	Low Voltage	0.67	0.67	0.67	0.64

Figure 2, presents the network usage fees for consumers connected to low voltage (includes T-NH, T-NM, T-NL, T-TSO and T-AS). It is noted from the figure, that the network usage fees decreased by 18% since 2016.

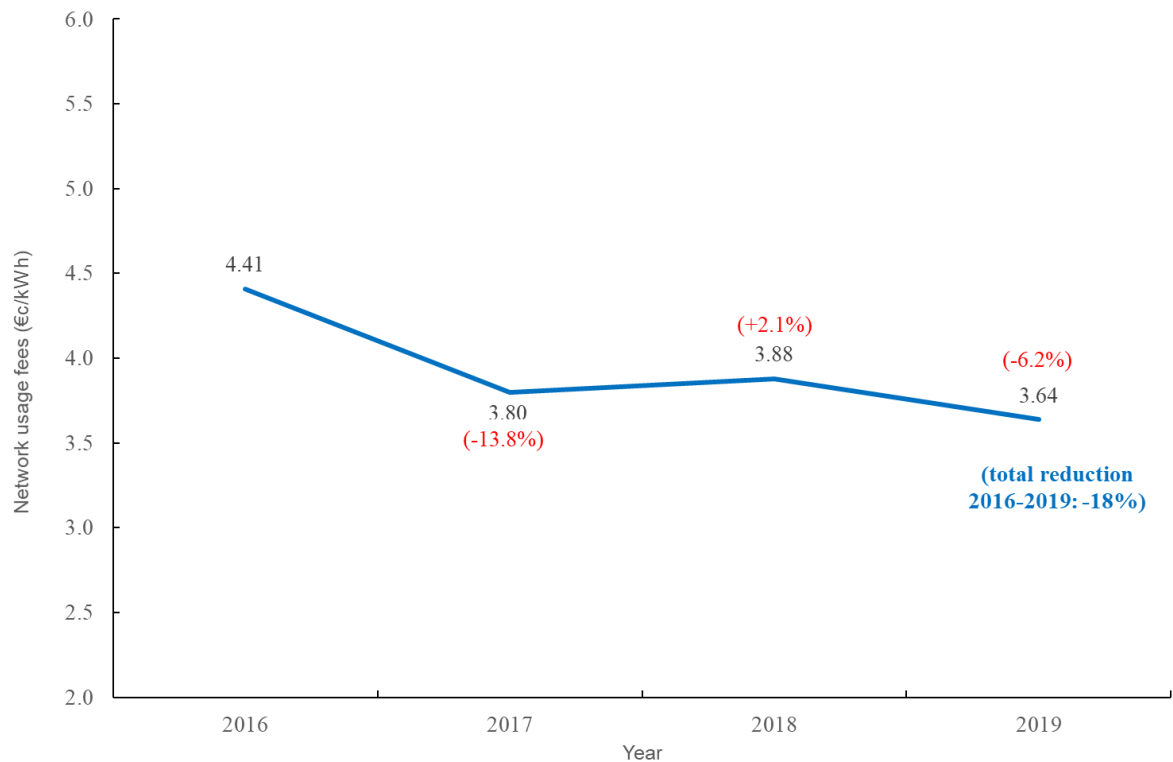


Figure 2. Network usage fees for consumers connected to low voltage

Monitoring balance of supply and demand

Adequacy of electricity supply

CERA in accordance with the Laws on Regulating the Electricity Market of 2003 to 2018, has the responsibility, for the adequacy of electricity supply in Cyprus, the reliability and security of the generation, transmission and distribution system and the quality of electricity supply. CERA systematically monitors the adequacy, quality and reliability of supply and whenever it

ascertains possible shortfalls informs the Minister of Energy, Commerce and Industry, who after consulting with CERA and the TSOC, takes the indicated corrective measures.

As shown in Figure 3, during the year under review, the adequacy is at sufficiently high levels and within the reserve margin of installed capacity, between 20% - 40%, as provided by the Decision 144/2017 of CERA, dated 17 July 2017, regarding the methodology for the calculation of the installed capacity reserve margin.

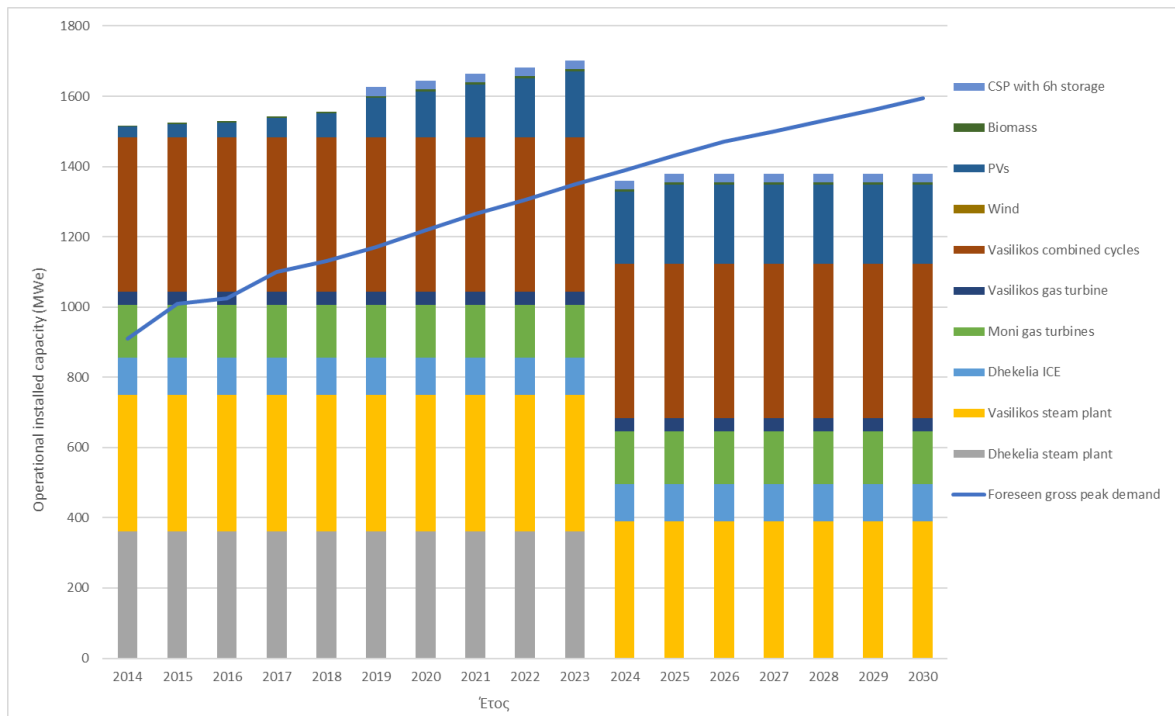


Figure 3. Installed Operational Capacity (MWe) for the period 2014 - 2030

The maximum demand for 2019 was recorded on Thursday, 11 July 2019, at 14:45 hours, when the total maximum power rose to 1074MW.

The following important records concern the recorded total electrical energy generated during 2019:

- The total gross electricity produced reached 5,112,723 MWh.
- EAC-Generation contributed with 4,619,130 MWh.
- RES producers contributed with 493,748 MWh.
- EAC stations produced 227,703 MWh for their local needs.
- The energy from conventional units of the EAC-Generation injected to the transmission system reached 4,391,427 MWh.
- The energy imported from the transmission system to the EAC substations and the large producers reached 4,603,483 MWh.
- The recorded losses of the transmission system amounted to 62,855 MWh, or 1.35%, of the injected energy to the transmission system.
- The recorded losses of the distribution system amounted to 128,000 MWh, or 2.8%, of the energy injected to the distribution system.

The Load Factor of conventional generating stations was 52.6% in 2019 compared to the Load Factor for the year 2018 which was 53.4%.

Figure 4, shows the total electricity generation in 2019.

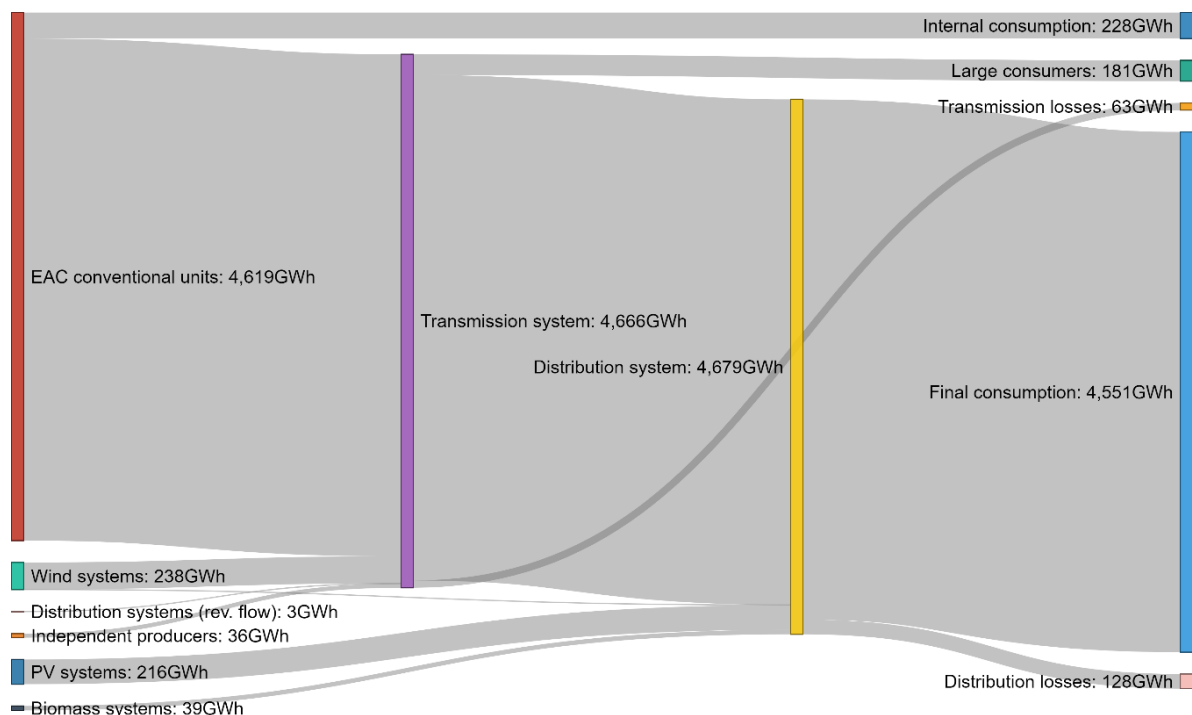


Figure 4. Sankey diagram for the total electricity generation in 2019

Monitoring investments in generation

Cost reflective market prices and transparent market mechanisms operated by independent operators under rules and regulations of an independent regulator should provide relevant signals for investors to timely respond to such needs. However, the combination of a small system size, without interconnections and natural gas availability, as in the case of Cyprus, reduces the margins for the effective response to such market signals to critical levels.

In line with the spirit of the Directive, the Law assigns priority to the market in offering the appropriate signals to investors to construct the most appropriate type and size of generation capacity, in order to meet the various needs of the market. To that effect, the Law adopts and prescribes a licensing procedure, implemented through licences issued by CERA to interested prospective investors, subject to various criteria which are only supposed to safeguard participants rather than prescribe specific solutions.

Moreover, recognising the specificities of electricity and its importance for the economy, the Law introduces a safety valve, in the form of a tendering process, by which CERA may justifiably intervene when the licensing process appears to be unable to timely bring about the needed generation capacity. For the specification of the need based on which the tendering process may be initiated the Law refers to the mandate of CERA to act so as to ensure security, continuity, quality and reliability of electricity supply. CERA is thus enabled to require from the TSOC timely information on the expected needs of the system, and may provide the appropriate regulatory signals, where necessary; or, CERA may commence the tendering process described by the Law where CERA considers that despite such signals, or due to unforeseen circumstances, the market is unable or unwilling to bring about the needed investment. Clearly, the process should be directed to resolve the specific problem identified

by the TSOC, which the market cannot address in a timely manner, i.e. it should specify characteristics of new generation corresponding to the requirements of the TSOC.

Figures 5 and 6 present historical generation data from RES which are connected to the network.

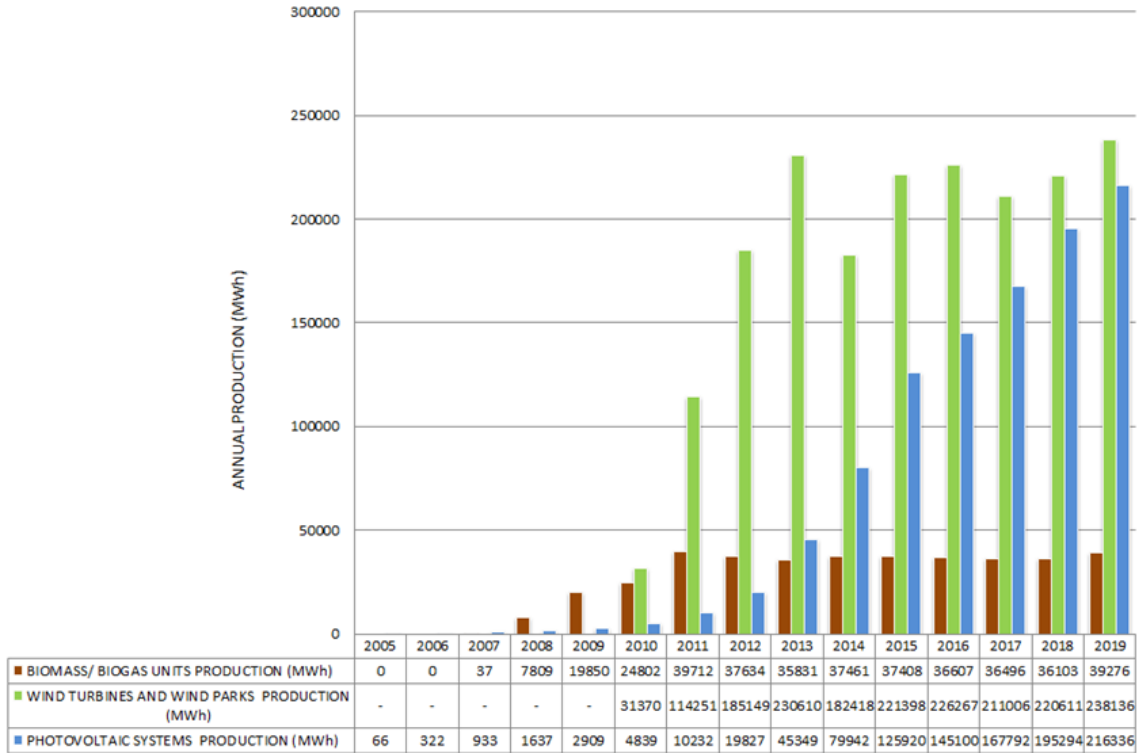


Figure 5. Annual RES generation (MWh) 2005-2019

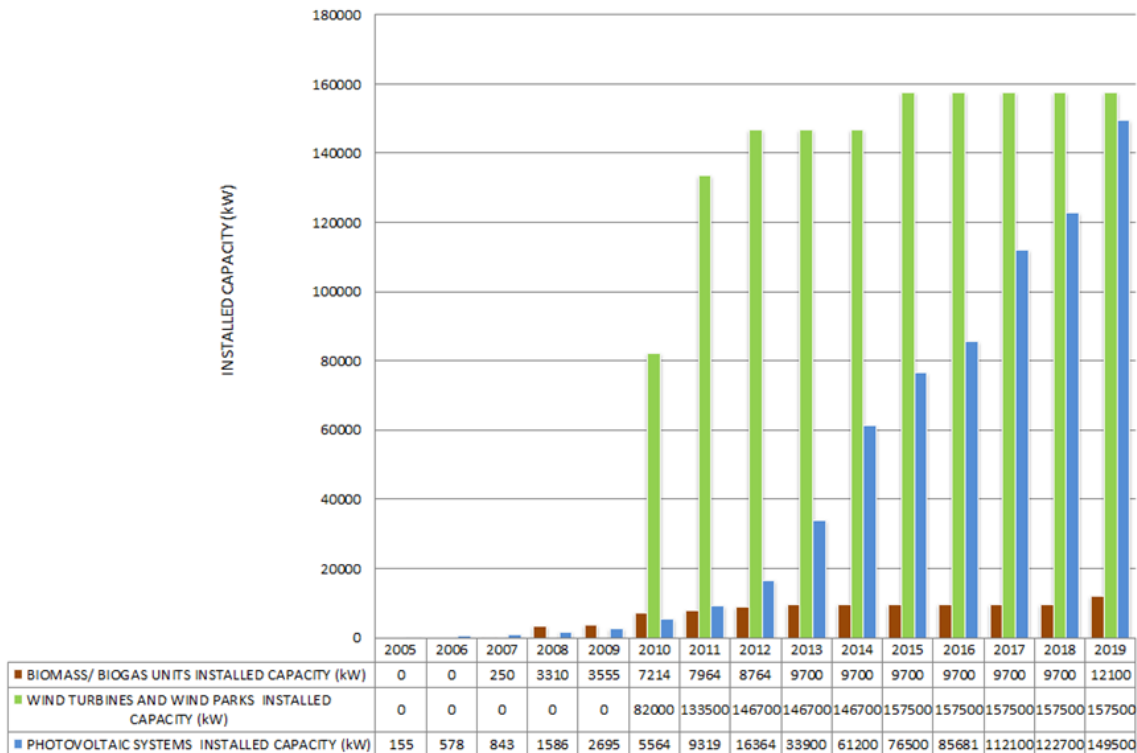


Figure 6. Annual Installed Capacity (kW) RES 2005-2019

Moreover, by Decision 125/2019, CERA decided the installation of an additional temporary generation capacity of 130MWe by EAC-Generation, which should be available from the period of 1 June 2020 to 5 September 2020 in case its existing licensed generation units which meet the requirements of the legislation in relation to emissions, are not sufficient to meet the demand for electricity and the margin of operational reserve during this period.

Conventional Units for commercial use

In 2019, 2 applications for a licence for the construction of power plants for commercial use of a total capacity of 235MWe were submitted and 3 licences were issued for the construction of power plants for commercial use, with total capacity of 269.5MWe. One operation licence for a power plant for commercial use was issued, with total capacity of 4.5MWe.

The installed electrical capacity of conventional units for commercial use has not been differentiated during the year 2019, it remains at 1478MWe, as it was in the previous year 2018. Table 3 below shows the total installed capacity of EAC's conventional units for 2019 and the geographical distribution of the power plants is presented in Figure 7.

Table 3. Total Installed Capacity of EAC's Conventional Units (MW)

Total Installed Capacity of EACs' Conventional Units (MW)					
Power Station	CCGT units (MW)	Steam units (MW)	Gas Turbines (MW)	Internal Combustion Engines (ICE) (MW)	Installed Capacity per Station (MW)
Moni	-	-	4x37.5=150	-	150
Dhekelia	-	6x60=360	-	2x50=100	460
Vassilikos	2x220=440	3x130=390	1x38=38	-	868
Installed Capacity per type of unit	440	750	188	100	1478

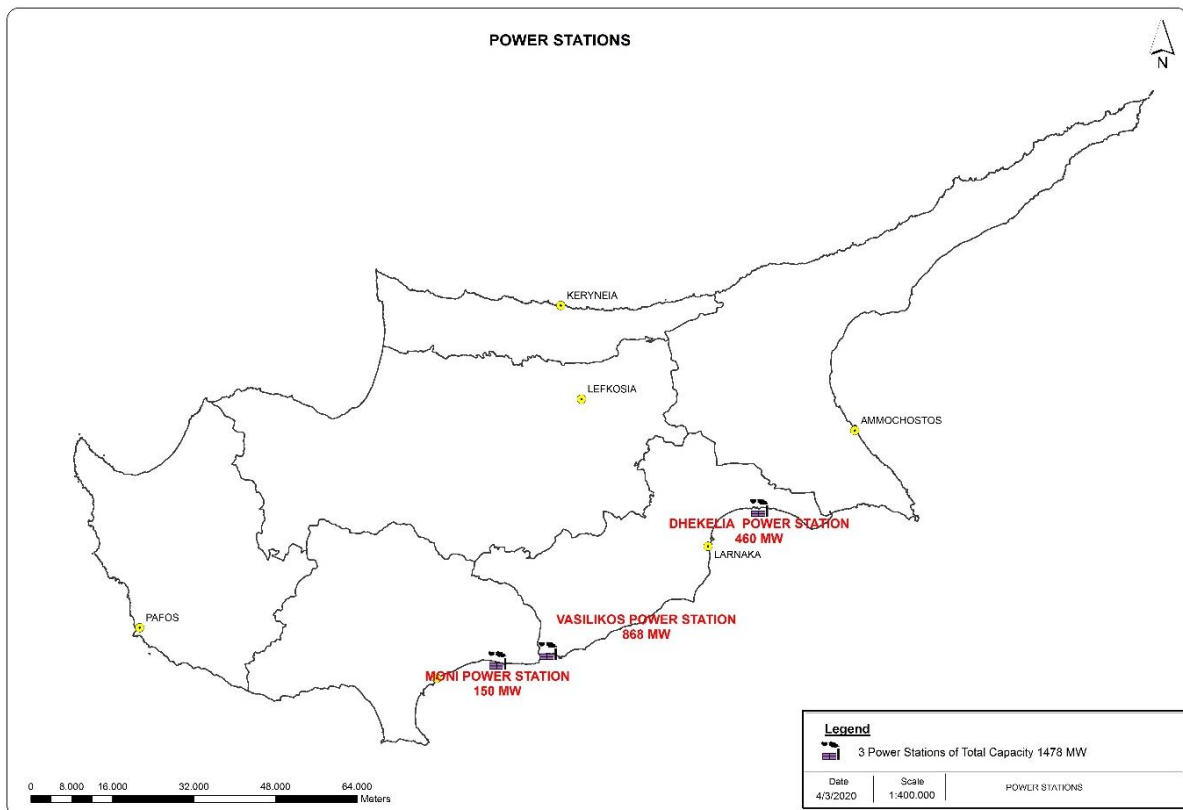


Figure 7. Geographical distribution of installed conventional units for commercial use until 2019

Renewable Energy Sources

Wind farms:

In 2019, no licences have been issued for the construction and operation of wind farms. The installed capacity of wind farms for commercial use has not been differentiated in the year 2019, it remains at 157.5MWe, as it was in the previous year 2018.

PV Systems:

In 2019, 3 applications were submitted for the issuance of a licence for the construction of power plants for commercial use, with total electrical capacity of 20.19MWe and one application for a licence for the operation of a power plant for commercial use, with total electrical capacity of 8MWe. In 2019, 3 licences were issued for the construction of a power plant for commercial use, with a total electrical capacity of 20.19MWe.

Solar Thermal Units:

In 2019, one application was submitted for the issuance of a licence for the construction of a solar thermal unit and natural gas combustion, for the generation of electricity for commercial use, with a total capacity of 50MWe.

Kinematic-magnetic Units

In 2019, 2 applications were submitted for the issuance of a construction licence for commercial use power plants, using kinematic-magnetic energy, with total capacity of 6MWe.

The following Figures 8, 9, 10 and 11, present statistical data on construction and operation licences issued by CERA for electricity generation, from conventional units and RES units for the period starting from the establishment of CERA until the end of 2019.

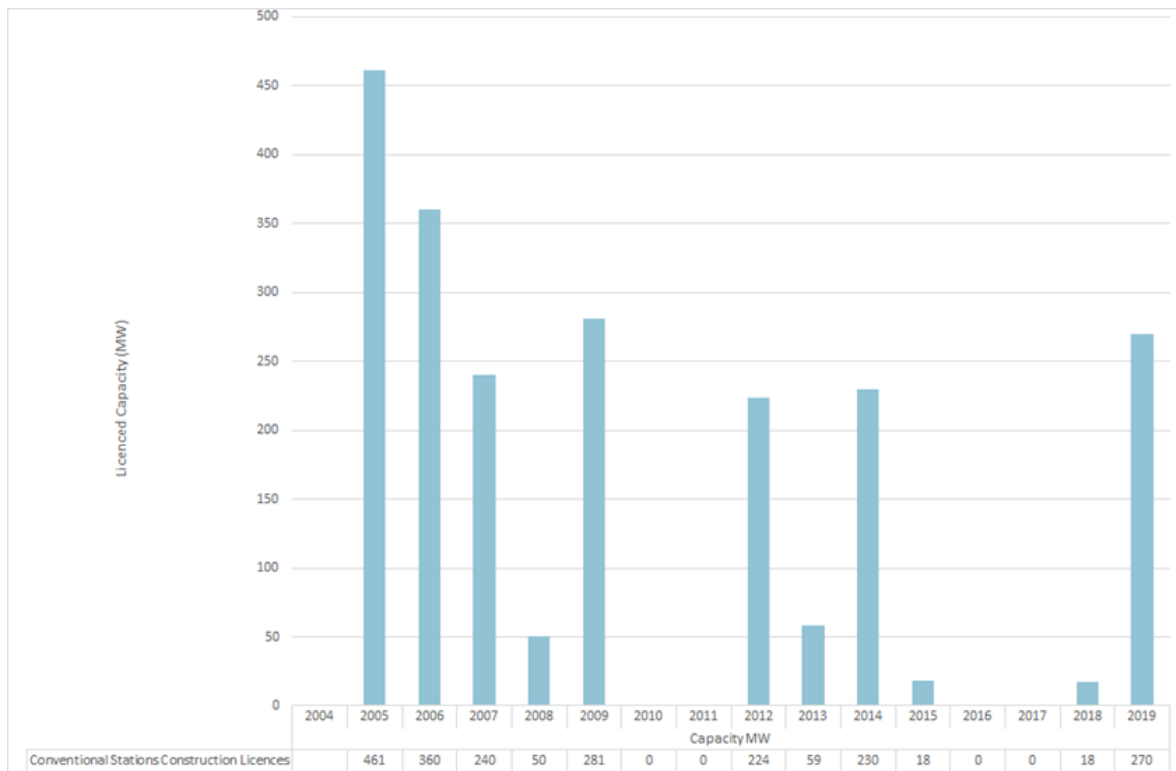


Figure 8. Construction licences for conventional power plants issued from 2004 to 2019

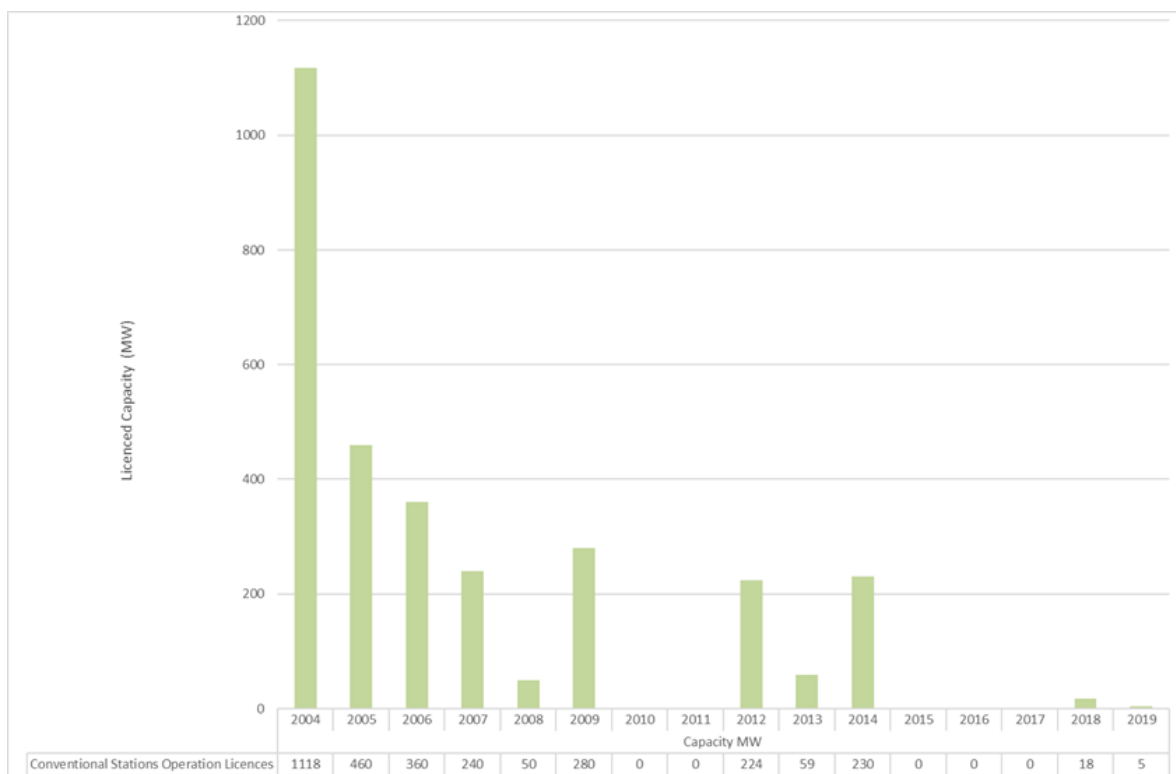


Figure 9. Operation licences for conventional power plants issued from 2004 to 2019

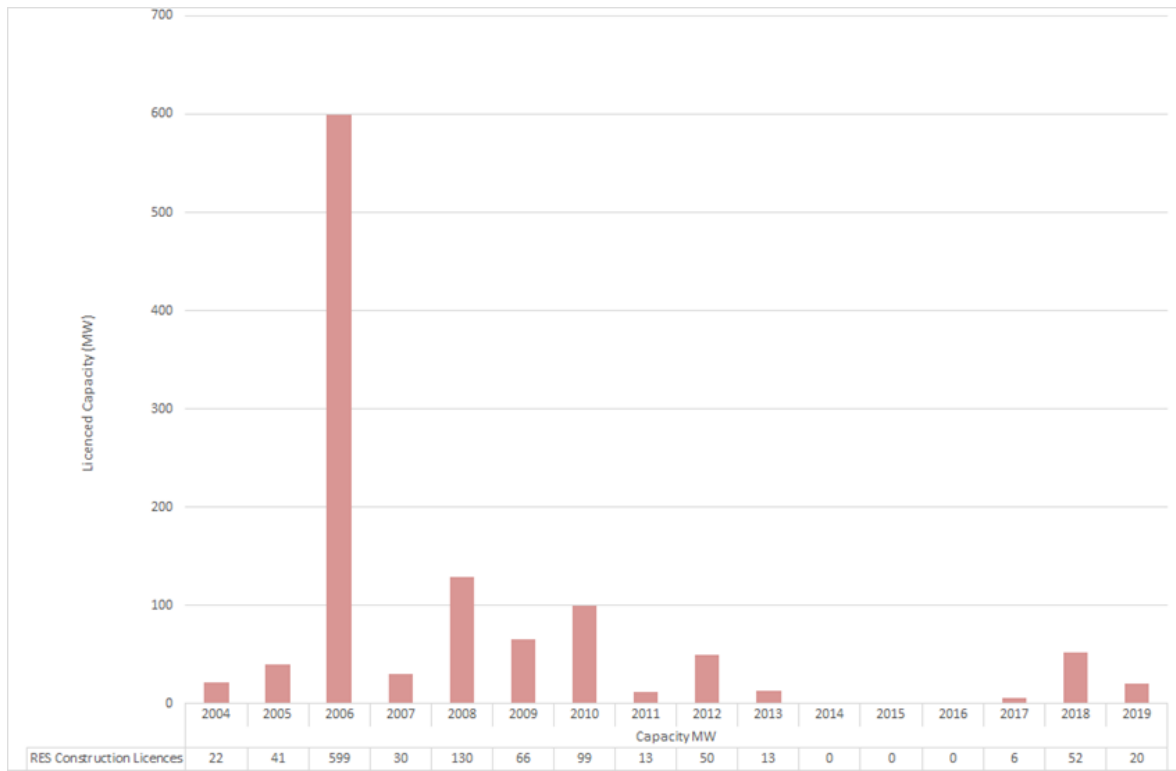


Figure 10. Construction licences for RES power plants issued from 2004 to 2019

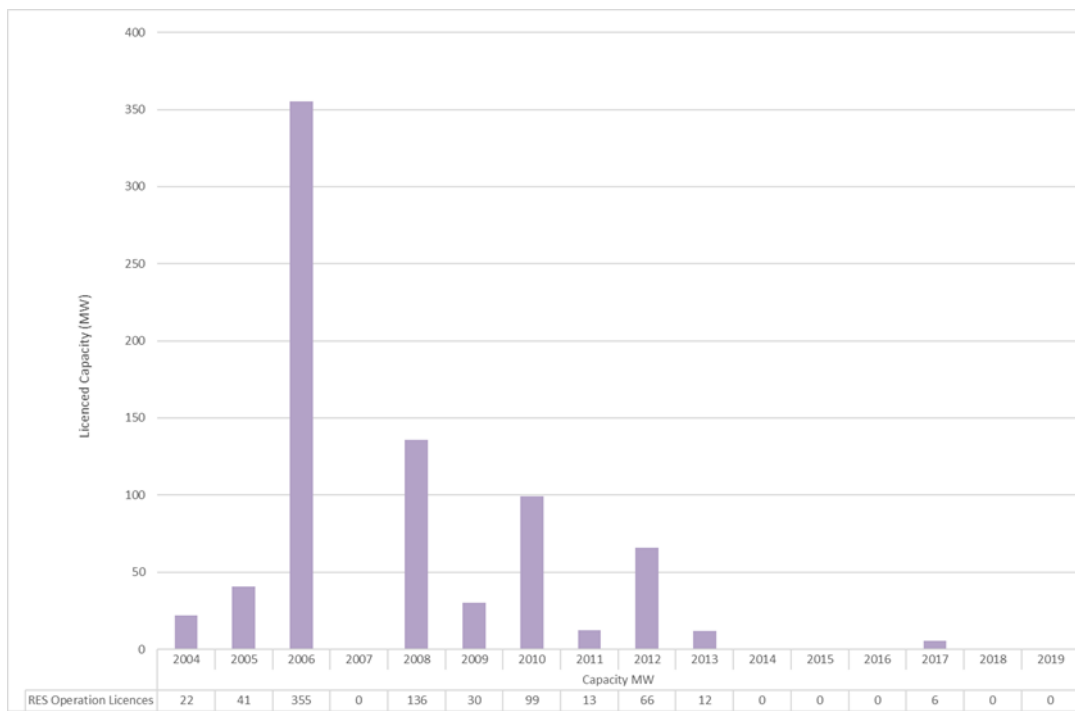


Figure 11. Operation licences for RES power plants issued from 2004 to 2019

Licences for construction and operation of self-consumption power units

Conventional units for self-consumption

In 2019, no licences have been issued for the construction and operation of power units for self-consumption (self-generation), using conventional fuels. The installed capacity of conventional units for self-consumption has not been differentiated during the year 2019, it

remains at 32.7MWe, as it was in the previous year 2018.

Renewable Energy Sources

In 2019, no licences have been issued for the construction and / or operation of power units from RES for self-consumption.

Exceptions from construction and operation licences of power units

Exceptions from a licence, issued by CERA under Article 35 of the Laws Regulating the Electricity Market of 2003 to 2018, concern the:

- Construction and operation power plants using RES with generation capacity of up to 5MW.
- Construction and operation power plants with conventional fuels up to 1MW for self-consumption or for reserve purposes.

Conventional units for self-consumption, autonomous self-generating systems or reserve purposes

In 2019, 123 exemptions have been issued from construction and operation licences, for power units using conventional fuels for reserve purposes and autonomous self-generation systems with a total installed capacity of 30.04MWe.

The total installed capacity of conventional units for reserve purposes and autonomous self-generation systems is 218.2MWe.

Renewable Energy Sources

Commercial use

PV Systems:

In 2019, 106 exceptions were issued for the construction of PVsystems, with a capacity of 147.89MWp and 29 exceptions for operation licences, with a total installed capacity of 10.1MWp.

The total installed capacity of PV systems for commercial use, which are included in the support schemes of MECl is 87.52MWe.

Biomass / Biogas Systems:

In 2019 no exemptions from licence have been issued for the construction and operation of power units using biomass / biogas. The installed capacity of biomass / biogas units for commercial use has not been differentiated during the year 2019, it remains at 9.7MWe as it was in the previous year 2018.

Self-consumption

PV Systems with the method of self-generation / net-billing in commercial and industrial premises:

In 2019, 144 exceptions were issued from the construction licences of PV systems, with a capacity of 23.3MWe and 34 exceptions from operation licence, with a total installed capacity of 1.5MWe.

The total installed capacity of PV systems with the method of self-generation / net-billing is 9.6MWe.

Biomass / biogas systems with the method of self-generation / net-billing:

In 2019, no exceptions were issued for a construction licence of biomass / biogas systems.

The installed capacity of biomass / biogas systems with the method of self-generation / net-billing has not been differentiated in the year 2019, it remains at 3.1MWe as it was in the previous year 2018.

Figures 12 and 13, present the capacity of the exceptions from RES construction licence and from RES operation licence respectively, which were issued in the period 2004 - 2019.

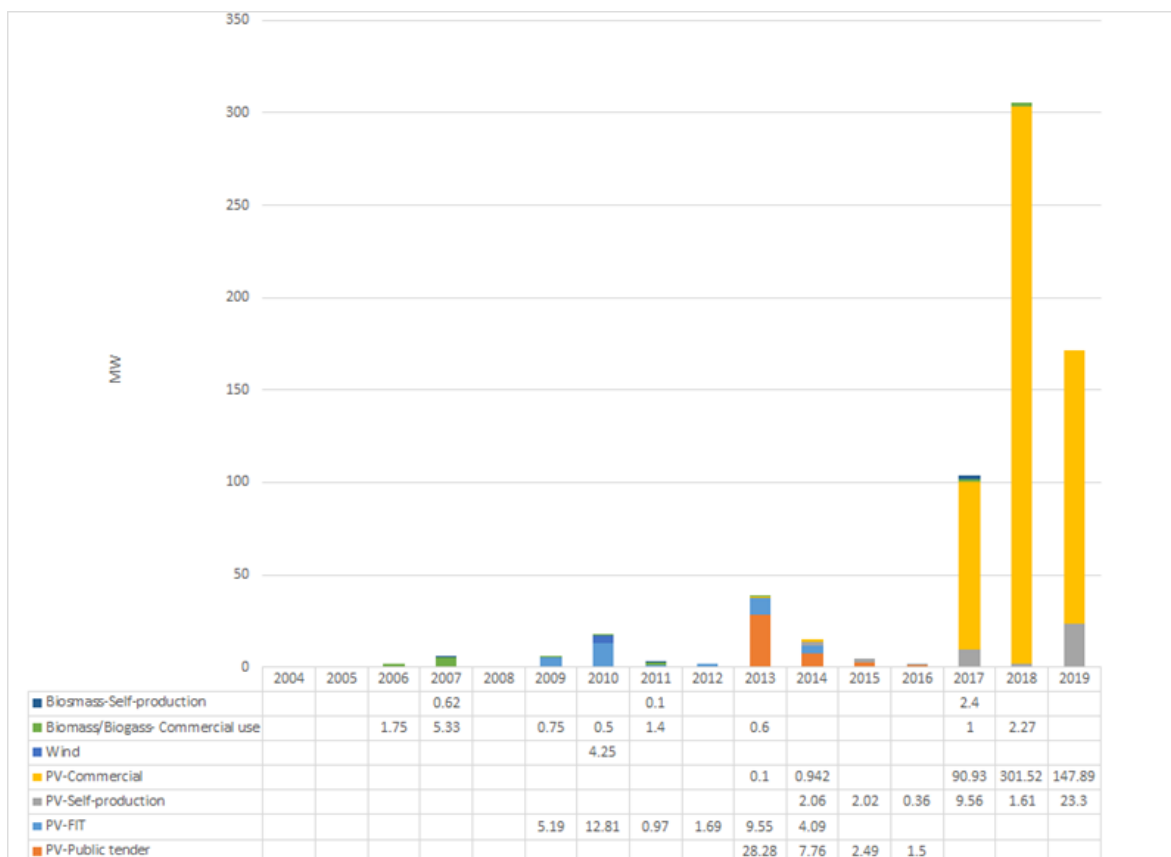


Figure 12. Capacity (MW) of exceptions from RES construction licence issued for the period 2004 – 2019

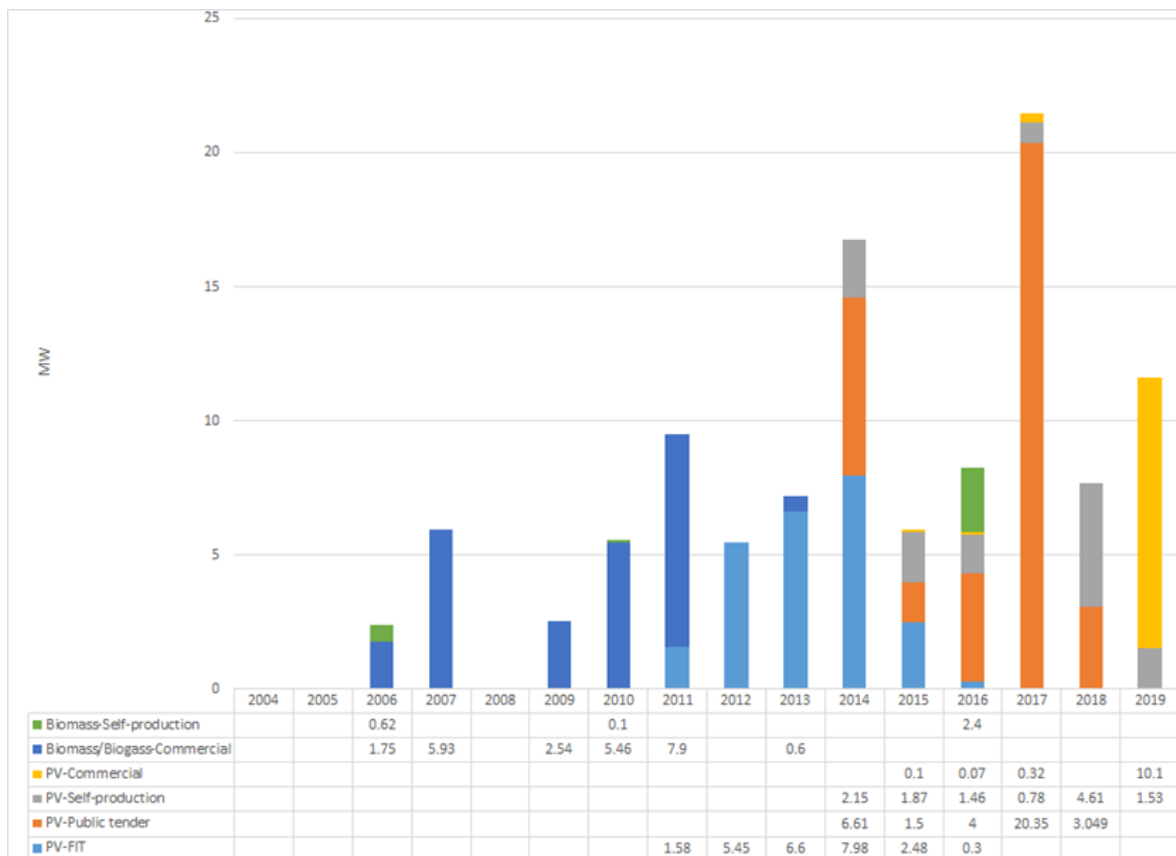


Figure 13. Capacity (MW) of exceptions from RES operation licence issued in the period 2004 – 2019

PV Systems with the method of net-metering

During the year 2019, the installation of 3166 PV systems, with a total installed capacity of 15,396MWe, has been carried out. The total installed electrical capacity of the PV systems of the net-metering category during the year 2019 is 53.99MWe.

Figure 14 shows the number and capacity of installed PV systems with the method of net-metering for the period 2013 - 2019.

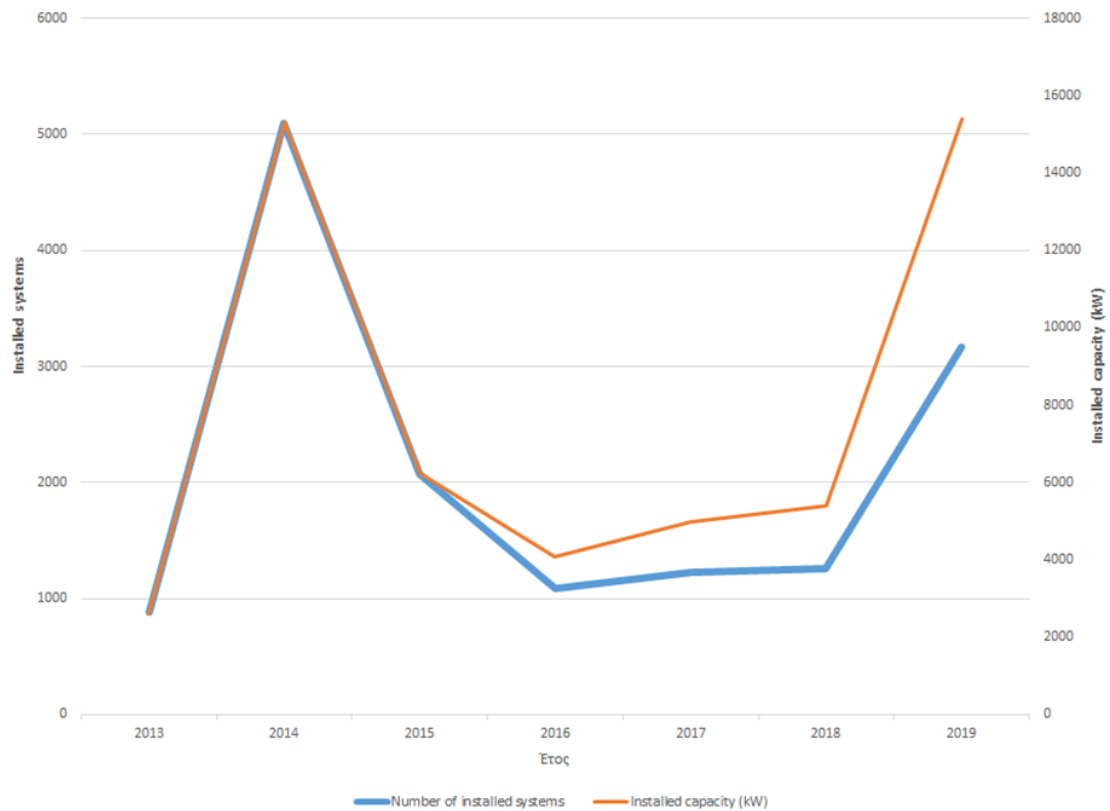


Figure 14. Number of installed systems and installed capacity (kW) of net-metering systems for the years 2013 – 2019

Pilot / innovative systems

In 2019, in the context of CERA’s Decision 1494/2016, one exemption from a construction licence for the generation of electricity with the use of kinematic-magnetic energy, with a total electrical capacity of 20kWe, was submitted and issued.

Figure 15 shows the geographical distribution of the installed RES units, with a capacity of more than 20kWp, until 2019. The figure shows the uniform distribution of RES units in the territory of the Republic of Cyprus.

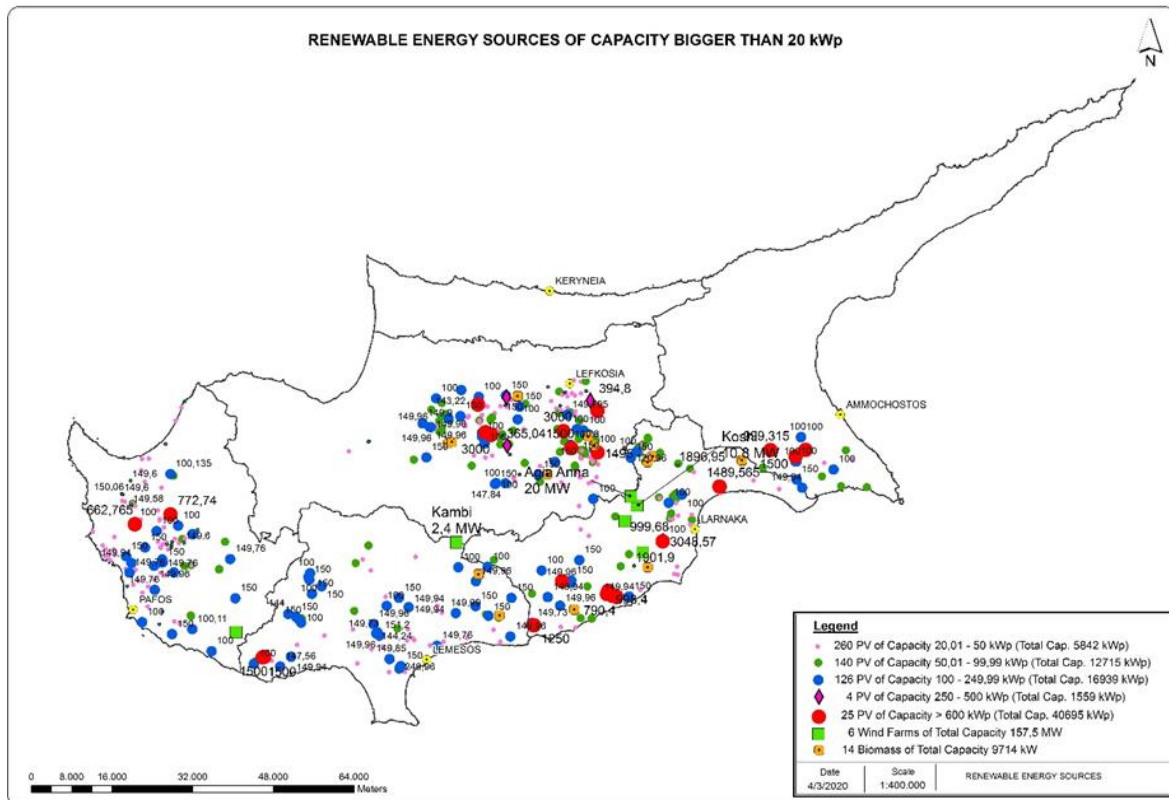


Figure 15. Geographical Distribution of installed RES Units with a capacity of more than 20kWp by 2019

Forecast of total maximum capacity (MW) and total generated energy (GWh) for the decade 2019 – 2028

On 4 June 2019, CERA approved the methodology submitted by the TSOC, concerning the long-term forecasting of electricity generation and capacity.

This methodology aims at the long-term forecasting of electricity generation as a function of the projected change in Gross National Product (GDP) and the change in the selling price of electricity to the consumer. The method of multiple linear regression is followed, with the dependent variable the normalized electricity generations and as independent variables the change in GDP, the change in the selling price of electricity to the consumer and the degree-days of heating and cooling. The changes in these prices are calculated in relation to the previous corresponding period.

Then, based on the calculated coefficients, the energy consumed by the final consumer in the distribution system (low voltage), is initially provided and then the total generation of the system (conventional generation and RES) is estimated, taking into account the losses at each voltage level and the self-consumption of the generating stations. In this way, the decreasing percentage of conventional generation in the energy mix is taken into account, due to the increasing penetration of generation by RES

Figures 16 and 17 present the forecast of total generated energy (GWh) and total maximum capacity (MW) for the period 2019 - 2028. These forecasts were submitted on 24 June 2019 by the TSOC to CERA. CERA approved this proposal by Decision 169/2019.

The upper limit represents the expected demand in extreme conditions, that is conditions of

prolonged heat wave in summer and low temperatures in winter. The lower limit represents the expected demand in mild temperatures.

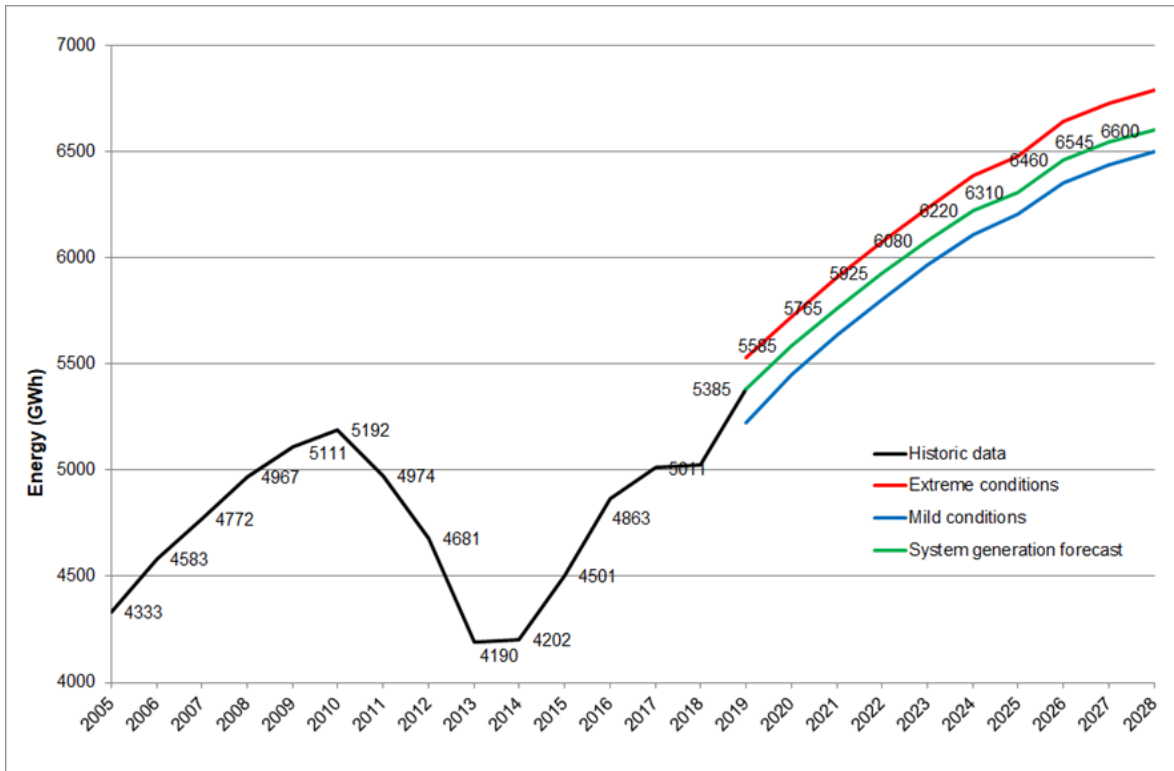


Figure 16. Forecast of total generated energy (GWh) 2019 – 2028

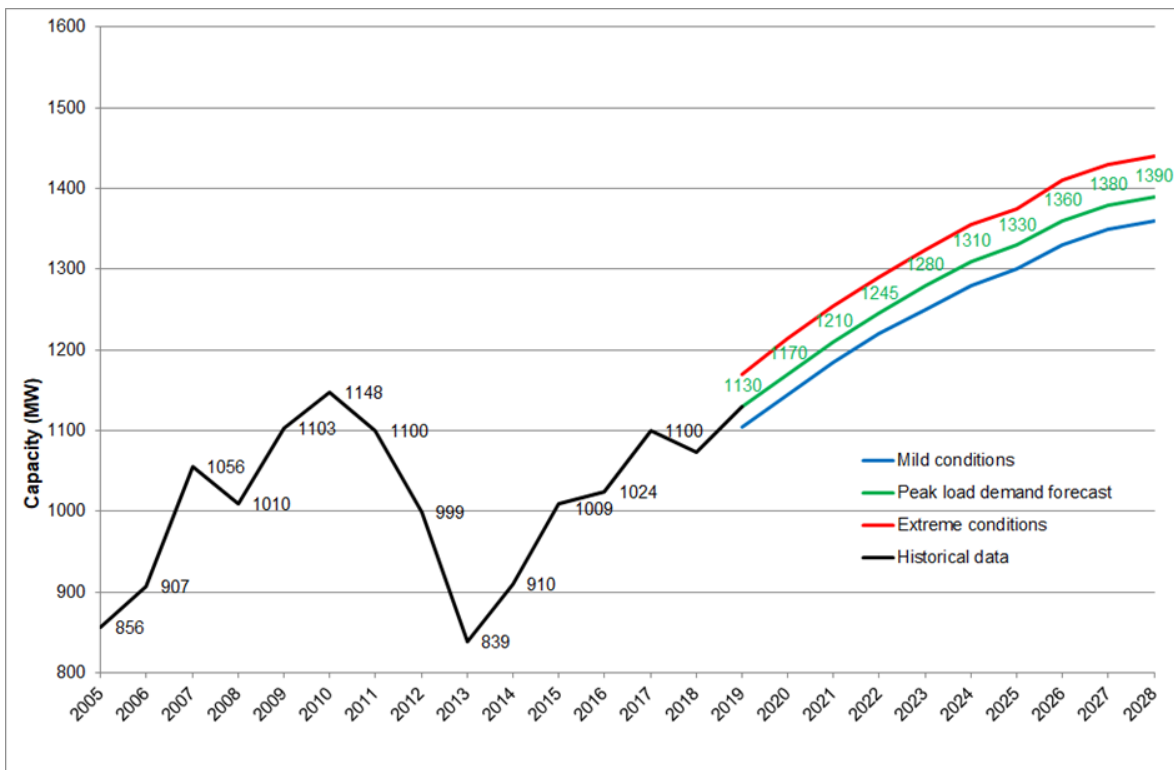


Figure 17. Forecast of total generated energy (GWh) 2019 – 2028

Cross-border issues

On 31 October 2019, the EC submitted to the European Parliament and the Council the fourth consecutive list of 195 key energy infrastructure projects, which is an update on the third list approved in November 2017, known as Projects of Common Interest (PCI), which will contribute to the achievement of European energy and climate goals and will allow the gradual build-up of the Energy Union with the integration of energy markets in Europe, while at the same time, allowing the termination of energy isolation of some Member States.

The delegated act containing the fourth list of PCIs has been submitted for a period of two months, which may be extended once.

The list of PCIs is updated every two years, so that projects that meet new needs are added and the outdated ones are deleted.

PCIs benefit from rapid licensing procedures and more favourable arrangements and can be eligible for financial support from the "Connecting Europe Facility". Funds of €5.35 billion are available for trans-European energy infrastructure under the "Connecting Europe Facility" for the period 2014-2020, contributing to the faster implementation of PCIs and making them more attractive to investors.

The projects that concern Cyprus which are included in the union catalogue are as follows:

- Israel - Cyprus - Greece cluster (currently called "EuroAsia Interconnector"). The cluster includes the following PCIs:
 - Electrical Interconnection between Hadera (Israel) and Kofinou (Cyprus) and
 - Electrical Interconnection between Kofinou (Cyprus) and Korakia (Crete, Greece).

In addition to the PCIs included in the fourth list of key energy infrastructure projects, the implementation of the 2000MW electricity interconnection between Egypt and Cyprus of the so-called 'EuroAfrica Interconnector' project is in progress. The project envisages the implementation of the Egypt-Cyprus electricity interconnection using submarine cables of high voltage direct current (HVDC), with a capacity of 2000MW. In addition, the project envisages that the interface will be completed in two phases, with the first phase providing the ability to transfer 1000MW. The EuroAfrica Interconnector project has completed the cost-benefit studies and is expected to offer significant economic and geopolitical benefits to the states involved and will contribute to the goal of lifting energy isolation.

3.2. Competition and market functioning

3.2.1. Wholesale markets

The Electricity Market was liberalised by 35% with effect from 1 May 2004 and was further liberalised by approximately 65% in total with effect from January 2009, to include all "non-domestic" consumers which are able to select their supplier according to what is in their best interest. From 1 January 2014 the market is fully liberalised and all consumers of electrical energy are able to choose their supplier. However, currently there is no other active supplier in Cyprus apart from EAC.

Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

In 2015, CERA published the Regulatory Decision 01/2015 by which CERA decided to adopt a study titled "The new electricity market arrangements in Cyprus". The study proposes a design regarding the new electricity market arrangements in Cyprus, based on the decision for implementing a net-pool model as being the most appropriate trading arrangement approach for the Cyprus electricity market, which is fully compliant with the EU target model.

Following the above decision, in 2017, by Regulatory Decision 04/2017, CERA decided on the implementation of transitory regulation of the electricity market in Cyprus prior the full implementation of the new electricity market model. The transitional period is based on bilateral contracts between producers and suppliers for the supply of a standard quantity of electricity (kWh) on a monthly basis. The implementation and operation of transitory regulation does not require a market software, due to the fact that the related tasks are relatively simple and can be implemented with simple spreadsheets.

The transitory regulation of the electricity market in Cyprus started on 1 September 2017 and will be in force until the full implementation of the new electricity market model where the work of all market participants, EAC-Generation and EAC-Supply will be transferred to the new electricity market.

In the year under review, by Decision 251/2019, CERA after thoroughly examining and studying all the relevant documents and data presented to it, and considered that the reason that probably contributed to the impossibility of implementation and completion of the schedule for the full commercial operation of the new electricity market model, as required by Regulatory Decision 01/2017 (KDP 34/2017) "On the implementation of a binding schedule for the full commercial operation of the new electricity market model", seems to be mainly related to the legislation on Public Procurement and its implementation by the TSOC, whose audit does not fall within the scope of responsibilities and powers of CERA, decided as it continues to closely monitor the actions of the TSOC towards the full commercial operation of the new electricity market model and intervenes where it has jurisdiction by the Law. In addition, CERA decided that the TSOC will continue to inform CERA with monthly reports on any progress made for the full commercial operation of the new electricity market model.

Moreover, by Decision 252/2019, CERA, after thoroughly examining and studying all the relevant documents and data presented to it, and considered that the reason that probably contributed to the impossibility of implementation and completion of the full installation and operation of MDMS, as required by the Regulatory Decision 01/2017 (KDP 34/2017) "On the implementation of a binding schedule for the full commercial operation of the new electricity market model", it seems to be mainly related to the legislation on Public Procurement and its implementation by the DSO, whose audit does not fall within the scope of responsibilities and powers of CERA, decided as it continues to closely monitor the actions of the DSO towards the full installation and operation of the MDMS and intervenes where it has jurisdiction by the Law. In addition, CERA decided, as the DSO informs CERA with monthly reports, for any progress made for the full installation and operation of MDMS.

In this context, CERA approved the methodologies for calculating the parameters of the regulations (Decision 119/2019) submitted by the TSOC and the parameters concerning distribution losses coefficients of the distribution system (medium and low voltage) for 2019

(Decision 131/25019) submitted by the DSO, for the transitory regulation of the electricity market.

Also, by Decision 96/2019, CERA amended its previous Decision 234/2018, regarding the threshold for participation in the transitory regulation of the electricity market for producers either with conventional generation units or with RES units and set a new threshold for participation in its transitory regulation of the electricity markets for producers either with conventional generation units or with RES units, with a normal meter, at 50kW for a generation licence for the station of net nominal capacity that they represent.

By Regulatory Decision 03/2019 (KDP 224/2019), CERA decided that, participation in the wholesale electricity market of electricity, storage facilities in-front-of-the-meter, which are not combined with on-site electricity consumption, except the one necessary for the operation of the facility, have licensed facilities, which meet the technical requirements of the TDR, their operation is planned and determined by their participation in the wholesale electricity market based on the provisions of TSR and have the ability to both discharge electricity to the electrical system and store electricity from the electrical system. In addition, TSOC was instructed to proceed with all necessary modifications of the TSR and / or the TDR, and to submit to CERA for approval a final proposal of modifications of the TDR and the TSR until 31 July 2020, so that the participation of the electricity storage facilities in-front-of-the-meter in the operation of the electricity market to be possible without discrimination. Finally, it decided that in-front-of-the-meter storage facilities would not pay network usage fees during their charging cycle.

Monitoring the level of prices

By Decision 05/2019, CERA approved the permitted revenues and the regulated basic electricity tariffs for the year 2019, as presented in Table 8 (next section 3.2.2.).

The following Table 4 presents the Wholesale Tariff (T-W) for Year 2019 which concerns electricity selling prices of EAC-Generation to EAC-Supply and to other producers or suppliers at the basic fuel price (€300/Metric Ton).

Table 4. Wholesale Tariff (T-W)

Period	Summer (1 June – 30 September)	
	Weekday	Weekend/Holidays
Peak Hours (09:00 - 23:00)	14.20	8.89
Off Peak Hours – All Days (23:00 – 09:00)	8.62	8.41
Period	Other Seasons (1 January – 31 May / 1 October – 31 December)	
	Weekday	Weekend/Holidays
Peak Hours (16:00 - 23:00)	8.99	8.63
Off Peak Hours – All Days (23:00 – 16:00)	8.06	7.66

The Wholesale Tariff (T-W) is adjusted based on the Weighted Average Fuel Price, which is announced by EAC every month, and the Fuel Adjustment Coefficient for Customers at the High Voltage, which is approved by CERA every 6 months adjusted with the loss adjustment factor at high voltage for each month. The approved Fuel Adjustment Coefficient at High voltage and the monthly loss adjustment factor at high voltage as set by CERA's Decision

107/2019 is shown at the Table 9 (next section 3.2.2.).

Specifically, the Adjusted T-W at a particular hour equals with the T-W at the Basic Fuel Price (i.e. with fuel cost 300€/MT) adjusted by the product of the difference between the Weighted Average Fuel Price and the Basic Fuel Price times the approved Fuel Adjustment Coefficient for Customers at the High Voltage, which applies for that particular month divided by the loss adjustment factor at high voltage (i.e. multiplied with the modified Fuel Adjustment Coefficient at High Voltage for Customers).

Figure 18 presents the average price of the basic Wholesale Tariff (T-W) per unit exported for the years 2016 to 2019 (in €c / kWh).

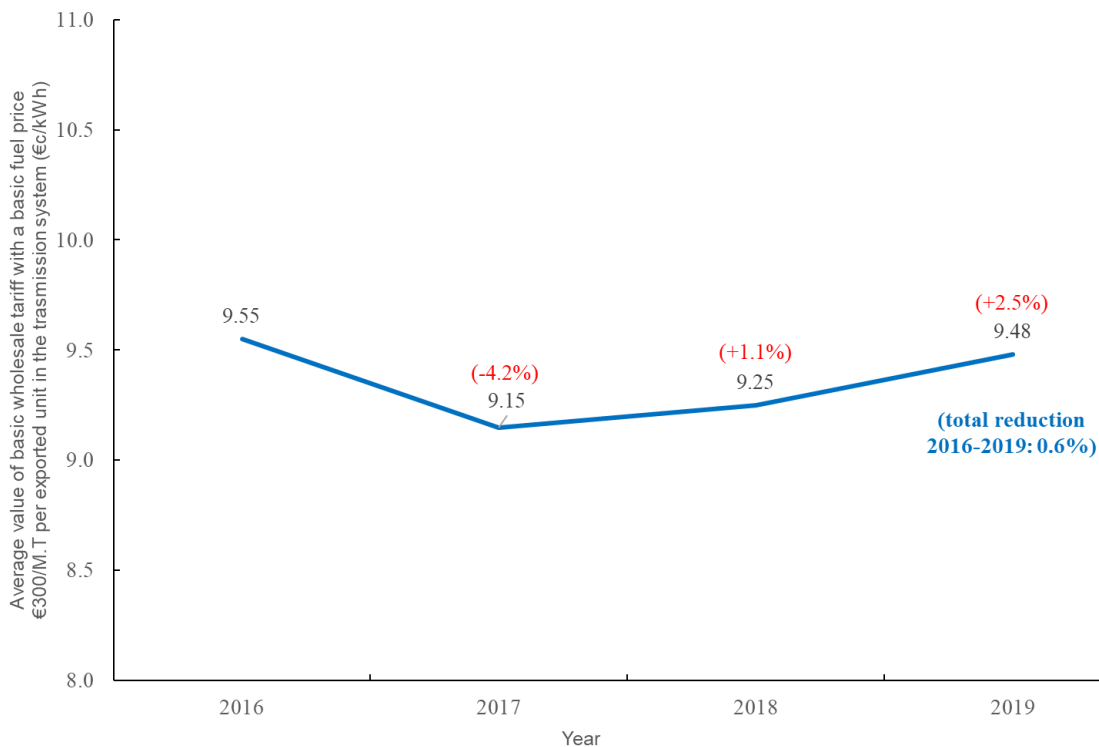


Figure 18. Average value of the basic wholesale tariff

3.2.2. Retail market

Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

Market opening and competition

Currently EAC is the only active supplier of electricity. However, in 2019, 3 applications for the supply of electricity to final customers were submitted for the period of validity of the transitory regulation of the electricity market. In 2019, 7 independent suppliers were licensed and a total of 13 independent suppliers have been licensed for the period of validity of the transitory regulation of the electricity market.

As a general assessment to whether the market is seen to be active, it could be said that the market seems to become active. By considering the conditions under which Cyprus has to act,

i.e. small isolated system, the progressively opening of the electricity market where it constitutes a contemporary activity for the island, the situation can be justified.

The total consumption of customers and the average consumption by type of consumer is given in Table 5.

Table 5. Consumers, total and average sales

CONSUMERS, TOTAL & AVERAGE SALES						
As at 31 December	2014	2015	2016	2017	2018	2019
NUMBER OF CONSUMERS						
Domestic	433,072	437,577	442,293	444,895	450,318	454,490
Commercial	85,188	85,525	86,494	87,065	88,152	88,999
Industrial	9,836	9,712	9,596	9,760	9,975	10,209
Agricultural	15,536	15,748	15,886	15,902	16,194	16,239
Public Lighting	10,942	11,138	11,287	10,878	11,584	11,771
TOTAL	554,574	559,700	565,556	568,500	576,223	581,708
SALES TO CONSUMERS (MWh)						
Domestic	1,407,656	1,475,972	1,567,312	1,641,033	1,622,544	1,686,934
Commercial	1,630,789	1,659,588	1,728,200	1,755,094	1,816,143	1,854,824
Industrial	656,097	685,864	819,693	856,422	883,962	848,901
Agricultural	135,680	129,447	155,638	156,453	154,878	138,786
Public Lighting	85,257	85,211	87,648	86,578	91,137	85,937
TOTAL	3,915,479	4,036,082	4,358,491	4,495,580	4,568,664	4,615,382
AVERAGE SALES PER CONSUMER (kWh)						
Domestic	3,250	3,373	3,544	3,689	3,603	3,712
Commercial	19,143	19,405	19,981	20,158	20,602	20,841
Industrial	66,703	70,620	85,240	87,748	88,618	83,152
Agricultural	8,733	8,220	9,797	9,839	9,564	8,546
Public Lighting	7,792	7,650	7,765	7,959	7,867	7,301

On 20 December 2019, CERA announced the publication in the Official Gazette of the Republic of Cyprus of a draft Regulatory Decision entitled "On the Determination of the Supplier of Last Resort in the Electricity Market" and notified the holders of licences, applicants for licences or other interested parties that they can submit in writing, any comments, objections and / or representations on the draft Regulatory Decision.

According to the draft Regulatory Decision, CERA decided to designate EAC-Supply as the Supplier of Last Resort in the electricity market, until the full implementation of the new model of the electricity market in Cyprus.

Tariffs at which consumers will enjoy the right of a universal service under the status of the Supplier of Last Resort are defined as the respective tariff categories of EAC-Supply and will be invoiced on the basis of the approved adjustable tariffs according to Regulatory Decision 02/2015 (KDP 208/2015) "Declaration of Regulatory Practice and Methodology of Electricity

Tariffs” and its respective amendments or revisions that apply to the other customers of EAC-Supply, who belong to the same category of consumers.

Guidelines were also set for the selection of the Supplier of Last Resort in the electricity market by CERA, following an invitation for expression of interest and after the full implementation of the new model of the electricity market in Cyprus.

Switching procedure

As there is only one supplier operating at present, switching procedures for customers to change suppliers are not possible. However, CERA with its Decision 145/2017 dated 17 July 2017 has approved the process of switching supplier as submitted by the DSO.

Moreover, according to the Laws Regulating the Electricity Market in Cyprus of 2003 to 2018, when customers wish, subject to the terms of the contracts, to change supplier, the change will be made by the interested supplier within three weeks (15 working days) and customers have the right to receive all relevant information for their consumption. These rights are granted to all customers without discrimination in relation to cost, effort or time. In addition, customers are not charged for the change of supplier.

Monitoring the level of prices

By Decision 05/2019, CERA approved the permitted revenues and the regulated basic electricity tariffs for the year 2019, as presented in Table 6. The permitted revenues of the year 2019, include accounting adjustments of the year 2017, based on the revenue adjustment methodology issued by CERA, according to which there was a decrease of 0.1%, on average, in the total of the regulated basic tariffs, for the year 2019.

Table 6. Approved Permitted Revenue of Regulated Activities for the Year 2019

Recovery from Tariff	2019 Permitted Revenue submitted by Regulated Activities (€)	Accounting adjustments (€)	2019 Permitted Revenue approved by CERA (€)
Wholesale electricity tariff (T-W) at basic price	374,727,438	8,394,154	383,121,592
Purchase of RES energy at basic price	45,084,441	-	45,084,441
Use of Transmission System Tariff (36kV and above) (T-NH)	39,732,523	(3,332,918)	36,399,605
Use of Distribution System Tariff (medium and low voltage), which includes a charge component related to the DSO (T-NM, T-NL)	83,510,465	(8,079,353)	75,431,112
Tariff for Business Management Services provided to customers (invoicing, etc) (T-BM)	17,011,738	(114,784)	16,896,953

Tariff for the provision of Ancillary Services and long-term reserve (T-AS)	28,957,168	(736,744)	28,220,424
Tariff for the recovery of expenses of the TSO (T-TSO)	9,037,000	(1,467,000)	7,570,000
Tariff for the recovery of expenses of metering incurred by the DSO (T-MET)	3,571,523	-	3,571,523
Supply tariffs and electricity market charges to the end consumer (T-RET)	601,632,296	-5,336,646	596,295,650

The determination of the allowed revenues of each regulated activity and the new, cost-oriented tariffs contribute to greater transparency and set the benchmark on which stakeholders interested in participating in the electricity market will be based.

By Decision 15/2019, CERA approved the electricity tariff plans for the year 2019, as they have been submitted by EAC-Supply, and gave instructions to EAC to publish the approved tariffs plans for the proper notification of electricity consumers and other electricity market participants.

Figures 19 and 20 present historical data for each of the years 2016 to 2019 (in €/kWh) for:

- The EAC permitted revenues per unit sold.
- The average price of the basic Low Voltage Tariff (Single Rate Domestic Use Tariff - Code 01).

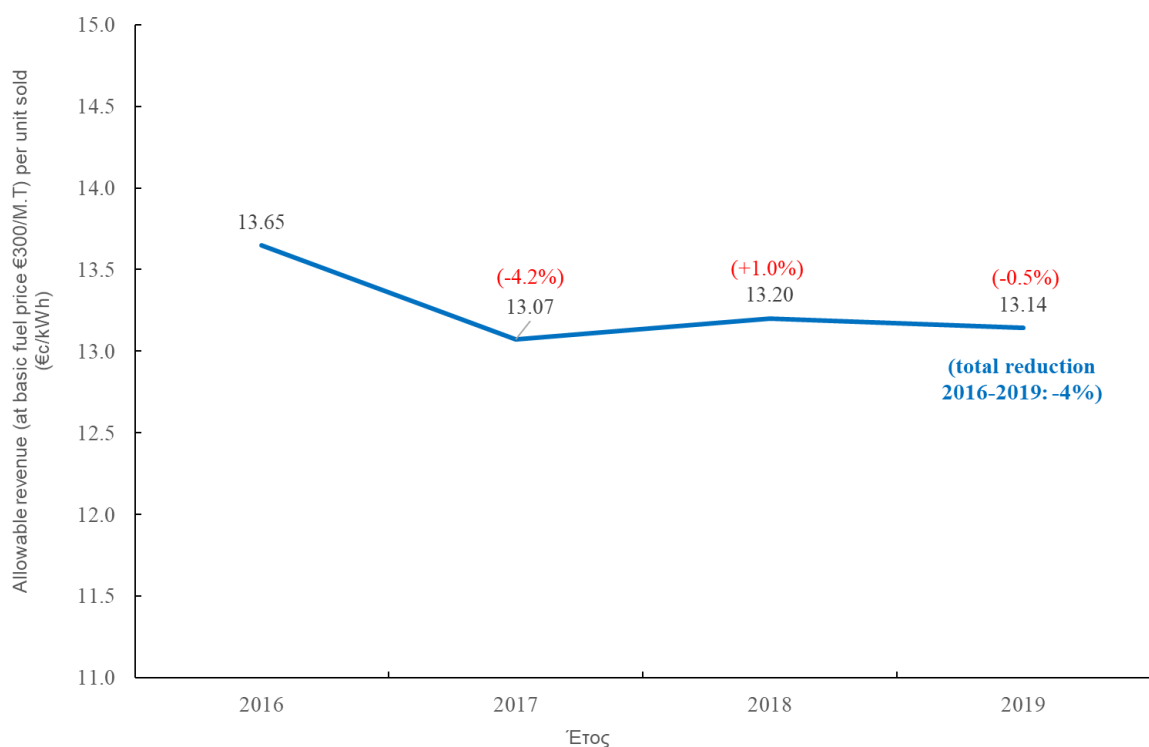


Figure 19. Allowed EAC Revenue per unit sold, for the years 2016 to 2019

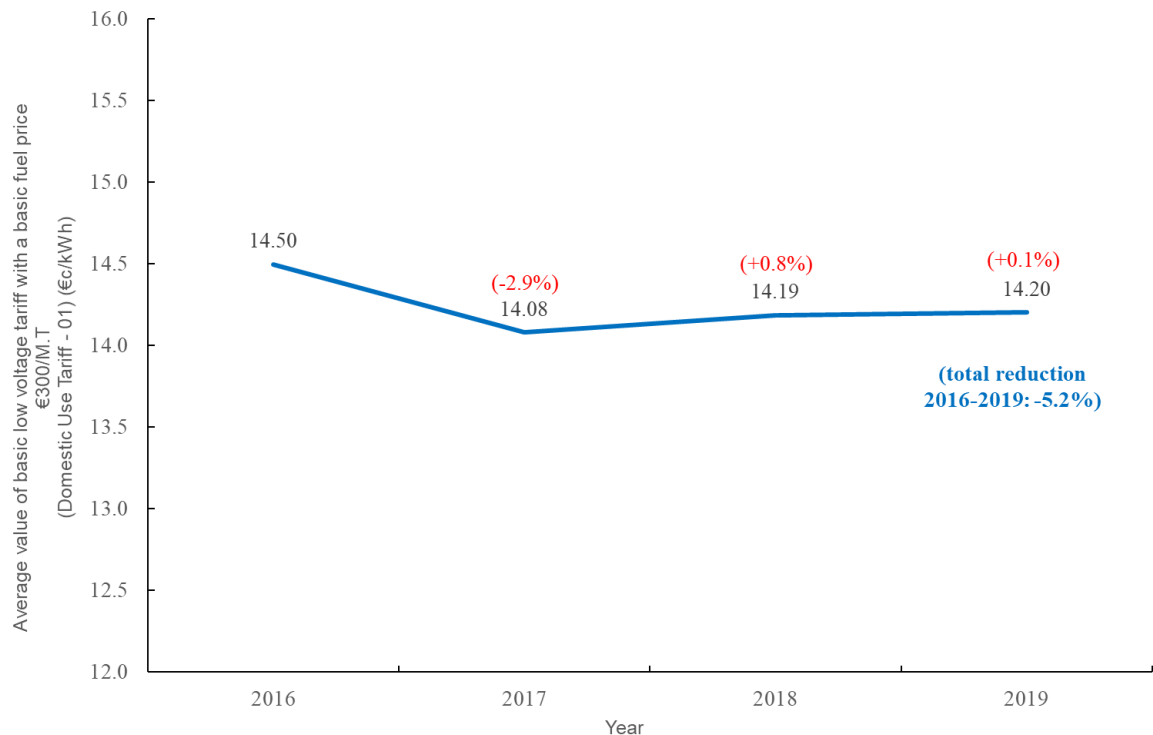


Figure 20. Average value of the basic low voltage tariff (Domestic Tariff Single User Registration - Code 01) for the years 2016 to 2019

Figure 21 presents the average price per kWh sold, excluding RES fee and VAT, for the years 2012 to 2019:

- 01: Single Rate Domestic Use Tariff
- 10: Bi-monthly Low Voltage Single Rate Commercial Use Tariff
- 20: Bi-monthly Low Voltage Single Rate Industrial Use Tariff
- 30: Monthly Low Voltage Commercial and Industrial Use of Seasonal Double Rate Tariff
- 40: Monthly Medium Voltage Commercial and Industrial Use of Seasonal Double Rate Tariff
- 50: Monthly High Voltage Commercial and Industrial Use of Seasonal Double Rate Tariff

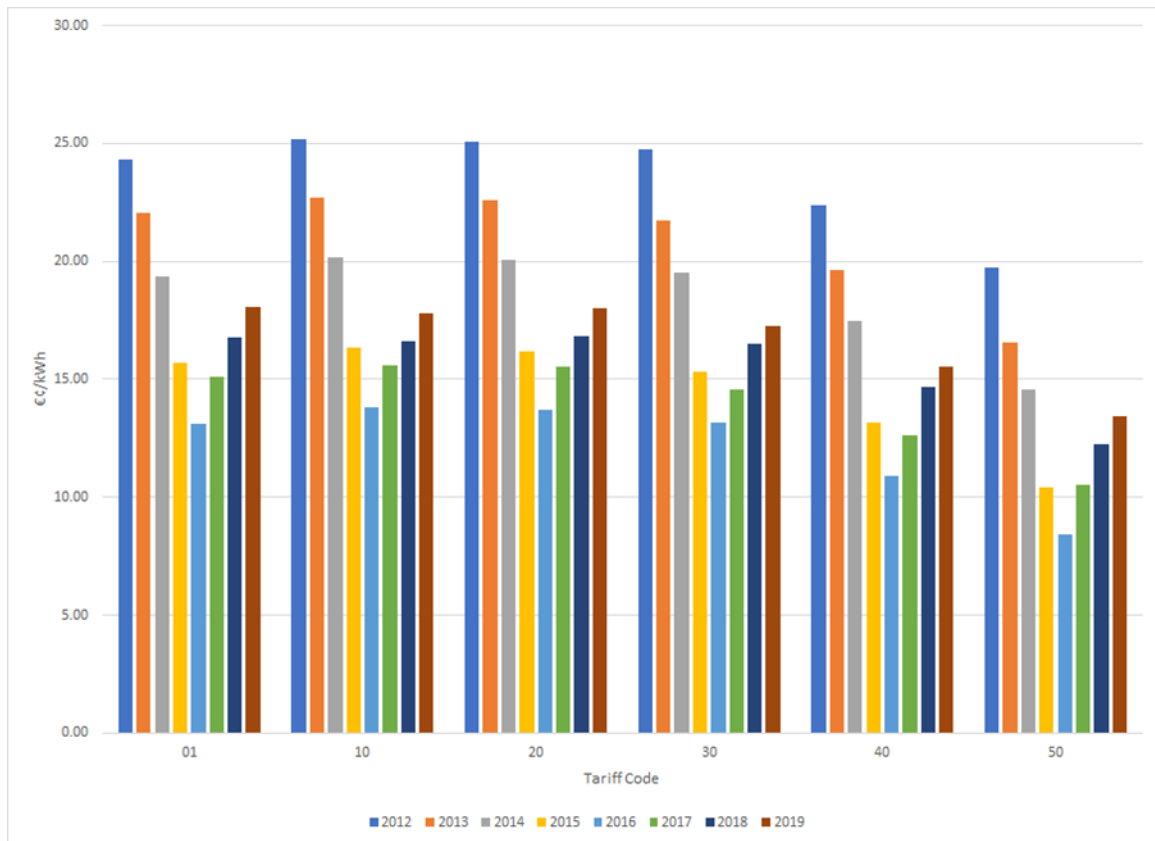


Figure 21. Average Tariff Rate Excluding RES fee and VAT

From Figure 21, we observe that the tariffs with codes 01, 10, 20 and 30 (for domestic use, low voltage commercial use and low voltage industrial use respectively) are at higher levels than other tariffs, while the tariffs coded 40 and 50, which are Seasonal Time of Day (STOD) for industrial uses of medium voltage and high voltage respectively are at lower levels.

The decrease in the price of the tariffs from 2017 onwards is due to CERA's Decisions on the new regulated electricity tariffs based on the Regulatory Decision 02/2015 "Statement of Regulatory Practice and Methodology of Electricity Tariffs" (KDP 208/2015). The upward trend in the average price of the 2018 and 2019 tariffs is due to the increase in fuel prices.

EAC Supply Invoice Analysis

Figure 22 shows the analysis of the electricity supply invoice per charge category, for a typical household consumer with bi-monthly consumption of 600 kWh in December 2019, at the basic price (i.e. excluding fuel adjustment).

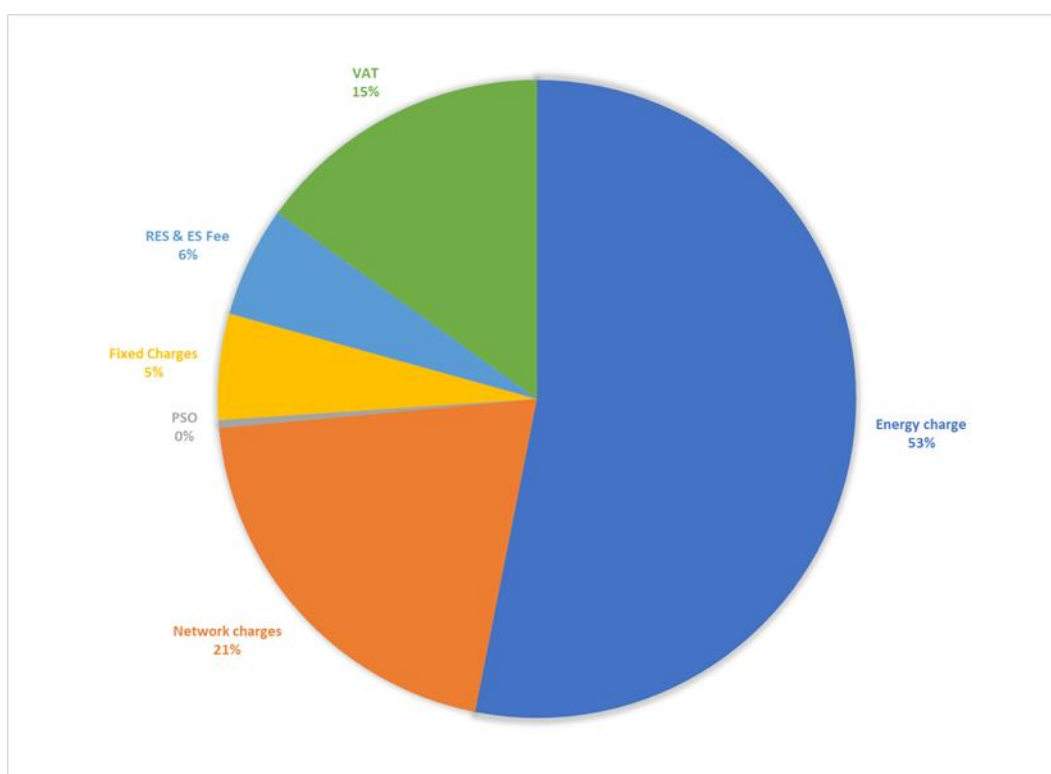


Figure 22. Electricity supply invoice analysis for a typical household consumer with bi-monthly consumption of 600 kWh (% on the final invoice), December 2019

Fuel clause coefficients

By Decision 230/2018 CERA determined the coefficients for fuel adjustment clause and the basic prices for the purchase of energy from RES for the period January – July 2019, and by Decision 158/2019, CERA determined the coefficients for fuel adjustment clause and the basic prices for the purchase of energy from RES for the period July - December 2019. The fuel clause coefficients and basic prices, are summarised in Table 7:

Table 7. Fuel clause coefficients and base prices, for 2019

Coefficients for fuel adjustment clause for consumers		
	January – June 2019	July – December 2019
	€/kWh/ 1€c	€/kWh/ 1€c
Low voltage	0.00024665	0.00023718
Medium voltage	0.00024156	0.00023173
High voltage	0.00023722	0.00022711
Coefficients for fuel adjustment clause for electricity from RES		
	€/kWh/ 1€c	€/kWh/ 1€c
Low voltage	0.00024156	0.00023173
Medium voltage	0.00023722	0.00022711
High voltage	0.00023290	0.00022313
Basic purchase prices of RES energy		
	€/kWh	€/kWh

Low voltage	7.466	7.185
Medium voltage	7.336	7.046
High voltage	7.206	6.927

CERA also instructed the CRA EAC-Generation to deduct from the calculation of the Weighted Average Fuel Cost of June 2019, and afterwards, until the Steam Power Unit No. 3 of Vassilikos Power Plant is fully operational, the monthly additional operating costs from the unavailability of the Vassilikos Steam Power Unit on electricity generation system, which was estimated at €1,840,155 per month.

Smart Metering

According to the Laws Regulating the Electricity Market in Cyprus of 2003 to 2018, CERA ensures the implementation of smart metering systems, if economically feasible, which help to actively engage consumers in the electricity market. The implementation of these systems may be subject to an economic assessment of all the long-term cost and benefit elements of the market and the individual consumers. CERA also sets the timeframe in which the spread of systems is feasible.

By the Regulatory Decision 02/2018 (KDP 259/2018) CERA invited the DSO to proceed with the appropriate actions to initiate the required procedures for the complete and massive installation of smart metering systems by setting the date of commencement of operations the 1 January 2019 and completion within 8 years, which includes individual actions with the ultimate goal of installing 400,000 smart meters.

However, taking into account the provisions of the Directive (EE) 2019/944, whereby the DSO has been informed by CERA accordingly, it is expected that 400,000 smart meters shall be installed by 2025 as per DSO's schedule. The installation of the meters is expected to start by the end of 2021 or early 2022.

Consumer protection and dispute settlement

The consumer protection measures, are effective and enforced through the Laws Regulating the Electricity Market of 2003 to 2018 and the Laws Regulating the Natural Gas Market of 2004 to 2018 respectively, which transposed the provisions of the said directives.

CERA has also been granted the power to contribute to ensuring high standards of universal and public service in compliance with market opening, to the protection of vulnerable customers, and to the full effectiveness of consumer protection measures.

CERA ensures that consumers are provided with all necessary information concerning their rights, current legislation and the means of dispute settlement available to them in the event of a dispute.

CERA has prepared and issued in electronic and hard copy format all the information needed regarding consumer's rights. This information is available at CERA's premises, at Citizens Service Centre and at the local district offices of the MECI. The Office of CERA, the Citizens Service Centre and the MECI shall constitute the single points of contact for consumer information purposes.

In summary, the energy consumers' rights that are covered by national legislation and comply with relevant EU directive can be classified in six categories:

- Universal service (i.e. the right to be supplied with electricity/gas of certain quality and price)
- Customer information requirements
- Change of supplier without imposing any charges
- Complaints handling and out-of-court settlement of disputes
- Protection of vulnerable consumers
- Fair commercial practices and general consumer rights

Moreover, the Members of CERA, based on the Decision of the Minister of Energy, Commerce and Industry, issued a Regulatory Decision (03/2016), by which CERA imposed on all electricity supply licensees, PSOs with respect to specific vulnerable groups of consumers, by including them in the special tariff (code 08) of EAC, which compared to the normal domestic tariffs (codes 01 and 02) has reduced charges and their supply of electricity cannot be cut off due to no payment. They are also provided with financial incentives for participating in a plan for setting up a PV system at their house with the net-metering method. The amount of the grant will be € 900/kW, with a maximum amount of €2,700 per system and per beneficiary, even if the applicant chooses to install a system beyond 3kW.

The categories of vulnerable consumers defined in the Regulatory Decision are:

- The recipients of public assistance provided by the Social Welfare Services of the Ministry of Labour, Welfare and Social Insurance,
- The beneficiaries of guaranteed minimum income provided by the Welfare Benefits Administration Service of the Ministry of Labour, Welfare and Social Insurance,
- Families with more than 3 dependent children with an annual gross family income up to € 51,258. The income criterion of €51,258 for annual combined gross family income is increased by €5,126 for each additional child over the number of fourth,
- The recipients of severe motor disability allowance provided by the Department for Social Inclusion of Persons with Disabilities, Ministry of Labour, Welfare and Social Insurance,
- The recipients of care allowance in paraplegic individuals granted by the Department for Social Inclusion of Persons with Disabilities, Ministry of Labour, Welfare and Social Insurance,
- The recipients of care allowance in quadriplegic individuals granted by the Department for Social Inclusion of Persons with Disabilities, Ministry of Labour, Welfare and Social Insurance,
- The recipients of the grant to blind granted by the Department for Social Inclusion of Persons with Disabilities, Ministry of Labour, Welfare and Social Insurance,
- Hemodialysis renal patients who receive a mobility allowance from the Department of Social Inclusion of Persons with Disabilities of the Ministry of Labour, Welfare and Social Insurance, and
- Individuals suffering from multiple sclerosis who are registered members of the Cyprus Multiple Sclerosis Association.

CERA has the power to issue Regulations concerning the protection of the interests of the consumers of electricity requiring that any supplier of electricity and the DSO, within a prescribed time period, propose and implement procedures for the submission of complaints by consumers, which allow consumers to register complaints and prescribing how any supplier and the DSO shall respond to complaints received by consumers.

The Regulations may impose requirements on suppliers and the DSO relating but not limited to:

- Procedures for the submission and, where appropriate, re-submission of proposed complaints procedures for approval.
- The timetable for the implementation of the complaint's procedures.
- Fines for failure to comply with the consumer complaints Regulations relating to the preparation or implementation or review of complaint procedures.
- A requirement that suppliers and the DSO review their complaints procedures at intervals of not more than five years.
- Establishing procedures to deal with complaints from consumers that are not settled through complaint procedures to the satisfaction of consumers.

Specifically, the following Regulations relevant to the above mentioned were enacted:

- Laws Regulating the Electricity Market (Complaint Submission Procedure) Regulations of 2005 (KDP 570/2005).
- Laws Regulating the Electricity Market (Performance Indicators) Regulations of 2005 (KDP 571/2005). CERA with the Decision 199/2019 published for public consultation a draft Regulation for the repeal and replacement of the "Laws Regulating the Electricity Market (Performance Indicators) Regulations of 2005" (KDP 571/2005), which lasted from 2 August 2019 until 2 September 2019. The content of the Regulations concerns the modernization of the Performance Indicators which include the obligations of the supplier and the DSO, consumer rights, performance standards and their minimum performance levels, as well as the fine imposed, in case of failure to comply, to the supplier and / or the DSO. Currently the draft Regulation is at the Legal Services of the Republic of Cyprus for legal vetting.

The first of the above-mentioned Regulations, determines the procedure for the submission of complaints by consumers in cases where suppliers of electricity and/or the DSO, are in breach of their obligations or duties and/or are acting outside the scope of their prescribed by the Law jurisdiction.

Specifically, the above-mentioned Regulations provide for the following, inter alia;

- Consumers' right to submit complaints to the suppliers and/or the DSO.
- The obligation of the supplier and/or DSO to respond to the complaints.
- The right to submit complaints to CERA and the procedure for examining complaints by CERA.
- The omission of the supplier and DSO to comply with CERA's' Decisions.
- The fines.

The Laws Regulating the Electricity Market (Performance Indicators) Regulations of 2005 (KDP 571/2005), set the minimum level of performance in relation to the performance indicators of the supply of electricity, which must be achieved by the supplier and the DSO. The Regulation sets the time limit within which a supplier and the DSO must respond, determines the fines, the procedure of payment and the time at which the fines are to be paid in cases where the supplier or the DSO fail to comply with the performance indicators set out therein.

By the implementation of these Regulations, the rights of the consumers are safeguarded, their protection is secured, the procedure for the submission of consumer complaints is regulated in the event that suppliers of electrical energy and/or the DSO are in breach of their obligations,

competences and duties, the end result being the improvement of the services offered to consumers.

The following figures show the results from 2007 to 2018 of the fines (€) imposed to EAC as the DSO and as the supplier, for failure to comply with the customer complaints regulation relating to the preparation or implementation or review of complaints procedures.

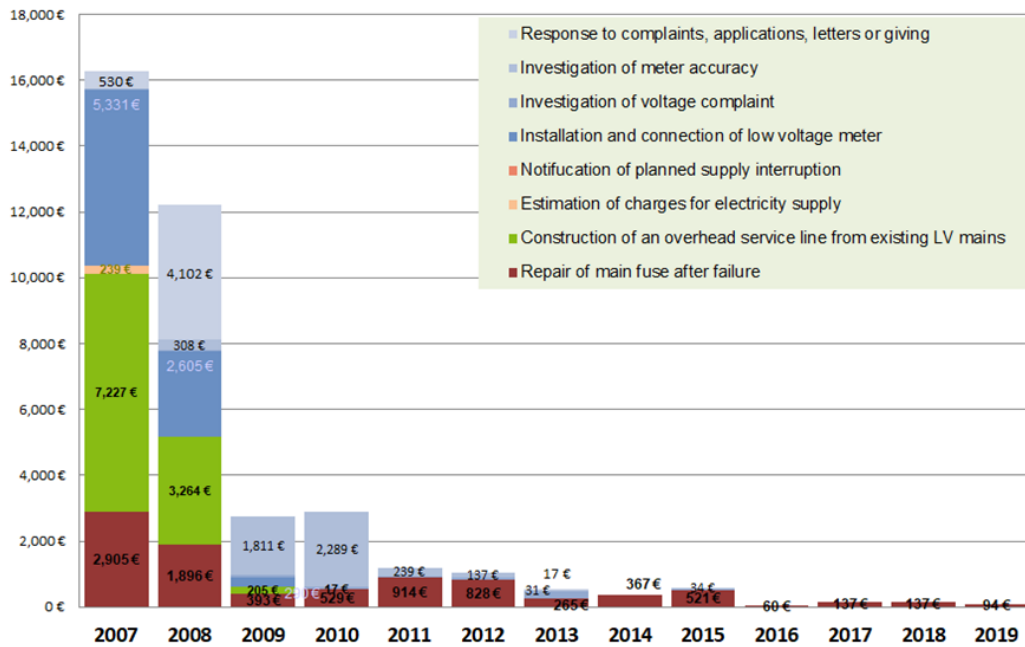


Figure 23. Performance Indicators of EAC as DSO

It is obvious from Figure 23 that there is a major decrease in the total amount paid by the DSO in the last few years comparing with previous years, which may be considered quite satisfactory.

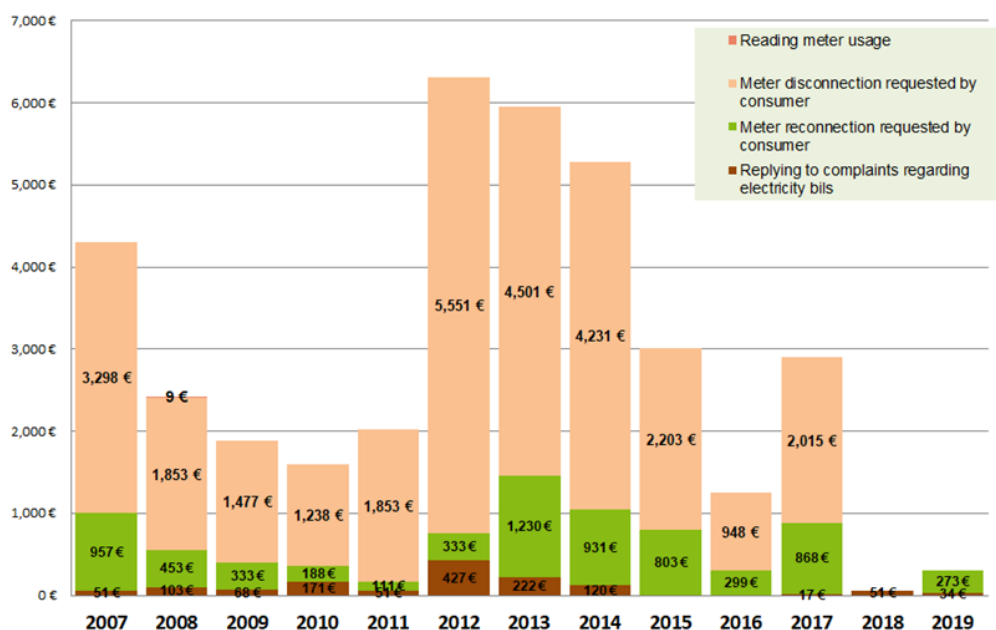


Figure 24. Performance Indicators of EAC as the supplier

Figure 24 indicates that there is a major decrease in the total amount paid by the supplier in 2019 comparing with the previous years.

Regarding consumer's complaints, which have been presented or formally submitted to CERA, it could be said that they were maintained within acceptable levels. Registered consumer complaints are shown in Figure 25. Most of the complaints were based on bill issues and connection to the grid. CERA handled with care the complaints, with the collaboration of EAC and TSOC, leaving the consumers in most cases satisfied.

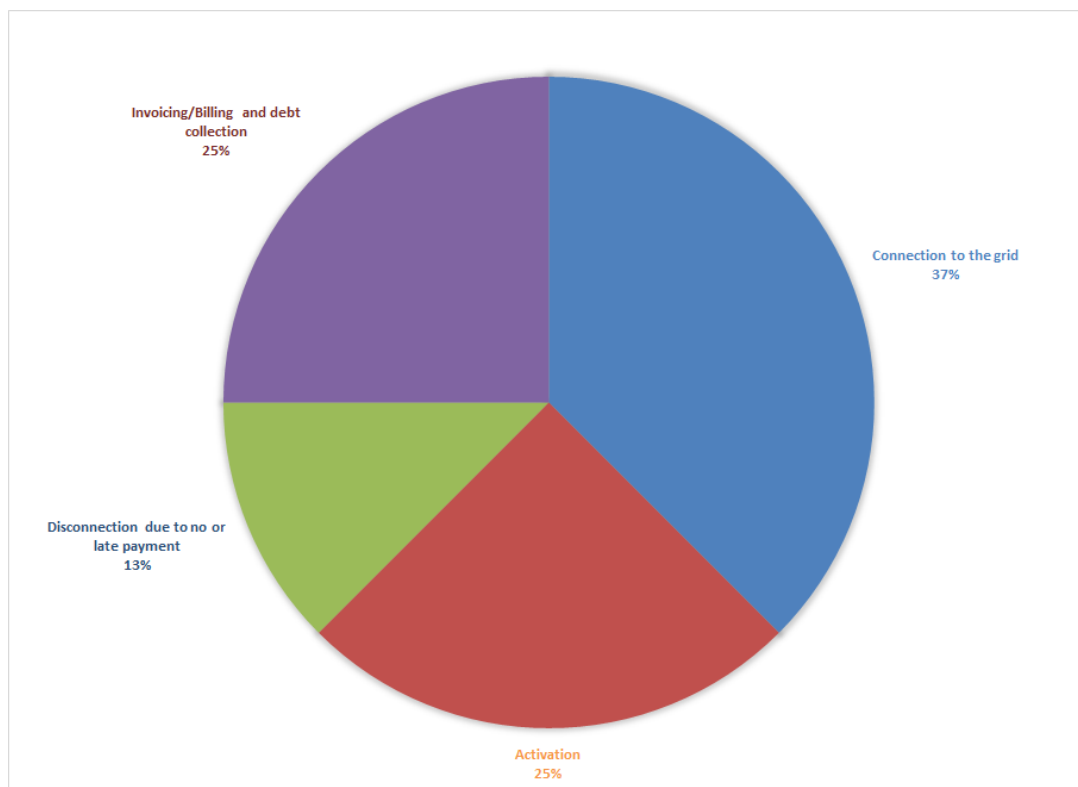


Figure 25. Complaints submitted to CERA in 2018

4. The gas market

Currently, the natural gas market in Cyprus is non-existent since natural gas is not yet available in the country's energy mix. This has adverse effects on the cost of electricity generation, causing a lack of energy source diversity for the country in general. Moreover, the environmental cost associated with the extensive use of heavy fuel oil for power generation is significant, as the county's ability to meet emission targets and limits laid down by EU legislation is affected.

4.1. Legislative Framework

The current Laws Regulating the Natural Gas Market of 2004 to 2018, which adopt the important features of the Third EU Energy Package, provide for the regulation of the gas market in the Republic of Cyprus and, among other things, establish rules for transmission, distribution, supply and storage of natural gas. In addition, they set out the rules on the organization and operation of the natural gas sector, market access, network exploitation, and the criteria and

procedures for issuing licences for the transmission, distribution, supply, and storage of natural gas. They also describe the duties and responsibilities of CERA and fully define the range of activities and its role.

It is noted that the Laws Regulating the Natural Gas Market of 2004 to 2018 contain the key provisions for the imminent introduction of natural gas into the country's energy balance, but do not specify the market model and organizational framework to be used for the market development, thus providing reasonable flexibility to decision makers. In addition, the possibility of derogations is provided, according to the provisions of the relevant European Directive, but without specifically institutionalizing them, leaving to the discretion of the Council of Ministers the full determination of these derogations.

A key element of the new operating framework for the natural gas and electricity markets, as reflected in a very detailed way in the European legislative framework, is the unbundling of natural gas production and trade activities, which must now take place in a competitive environment, from those of transmission and distribution, for which the regulated access of third parties is provided under the supervision of the national regulatory authorities, the ACER and the European Commission.

The Laws Regulating the Natural Gas Market of 2004 to 2018, provide for the possibility for Cyprus to derogate from certain articles, as it can be considered either as isolated or emerging market. In the case of Cyprus, it is possible, on one hand, to derogate from applying competition in wholesale trade and in the supply of natural gas to end consumers, especially as long as the Cyprus natural gas market is deemed as emerging, and on the other hand, it is possible not to unbundle the activities of the natural gas operators (transmission, distribution, storage, LNG, etc.) from the activities of trade and supply, in the manner prescribed in the Directive, for example in the transmission installations, with ownership unbundling.

The Council of Ministers, in the Decision No. 87.649, dated 5 June 2019, on the basis of the provisions of the Laws Regulating the Natural Gas Market of 2004 to 2018, determined the operating framework of the gas market for the period of validity of the emerging market or until a decision from the Council is taken to end the deviations and the appointed operators. More specifically, the Decision applies, inter alia, a deviation from the implementation of competition in the supply of natural gas to end consumers throughout the emerging market regime, in which case the supplier becomes responsible for concluding all relevant natural gas import contracts, including of the LNG import contracts, as well as all supply contracts for natural gas supply to customers of all categories. In addition, this Decision designated the Natural Gas Public Company (DEFA - CYGAS) as the TSO, DSO and LNG Operator for a period of thirty years from the date of issuance of the relevant licences from CERA.

CERA, with its Decision No. 238/2019, dated September 3, 2019, decided to amend the standard licensing terms contained in Annexes 2 to 6 of the Laws Regulating the Natural Gas Market (Issuance of Licences) Regulations of 2006.

4.2. Competition and market functioning

In June 2016, following the report submitted by CERA on the options for the development of the natural gas market in Cyprus, a Decision was taken by the Council of Ministers on the introduction of LNG in Cyprus' energy mix as soon as possible and before 2020. The LNG will initially be the exclusive supply option of the internal market with natural gas and then, after

supplying the market from Cypriot gas deposits, it will be an alternative option to ensure the security of supply.

Further to the study carried out by CYGAS Ltd, regarding the development of the natural gas market in Cyprus, in order to take advantage of the most suitable solution for the introduction of LNG at the latest by 2020, with the Decision of the Council of Ministers, it was assigned to CYGAS Ltd in June 2017 the announcement of two tenders for long-term supply of LNG and for a strategic investor for the required infrastructure.

Following a Decision of the Council of Ministers in April 2018, a Special Purpose Vehicle (SPV) was established under the name of Natural Gas Infrastructure Company LTD (ETYFA Ltd), which will implement the required infrastructure for the introduction of LNG.

CYGAS Ltd, acting on behalf of ETYFA Ltd, published in October 2018 a tender for the design, construction and operation of the LNG terminal in Vassilikos bay. The tender was awarded to an international consortium in December 2019.

The entry of natural gas into the energy balance, within the energy policy objectives for the diversification of the country's energy sources and the protection of the environment, is an important decision in the energy sector.

Given that the gas market in Cyprus is under development, the main goal is to create an organized market, according to the standards of previous advanced respective markets worldwide, but also in the best practice of the European natural gas industry, with proper operation of all market players, whether they are natural gas companies or law enforced agencies.

CERA gives great priority in serving the goal of fast and efficient penetration of natural gas on competitive terms in the Cypriot market.

CERA's obligations regarding the natural gas market and its regulatory jurisdiction are set out in the Laws Regulating the Natural Gas Market of 2004 to 2018. During the period until the introduction of natural gas, CERA is working towards the development of the market regulatory framework, knowing that it will safeguard its proper operation and consumer protection for the period of validity of the derogations and the smooth transition to a healthy open market.

In this context, CERA, in June 2019 issued the Regulatory Decision 01/2019 (KDP 203/2019), which concerns the Statement of a regulatory practice and methodology of natural gas tariffs for the validity period of the derogations, on the basis of the emerging market, where all the activities of supply, transmission, distribution, regasification and storage of natural gas are regulated. The primary goals of the regulation of tariffs is to facilitate the easier import of natural gas into the energy mix of the Republic, to protect the consumers and the environment, to maximize the long-term competitiveness of the Cypriot economy, to protect the consumers' interests in the short and long term against the prices formed in monopolistic basis, the public service obligations, the provision of energy supply and the promotion of energy efficient and quality services provided by licence holders. The tariffs are determined on the basis of a methodical and consistent implementation of the principles included in the methodology and the proposals and decisions of the tariffs are based on substantiated evidence and are formulated after thorough consultation with the stakeholders. According to the Statement, the supplier is responsible for the delivery of the natural gas at the entrance of the installation of each consumer. The respective procurement contracts will set a price, which, for each

consumer category, will cover both the cost of supply of the quantity of natural gas and the cost of using the natural gas installations, while allowing the supplier a reasonable profit. The final supply tariff in each consumer category will be approved by CERA, following a recommendation from the supplier, in accordance with the provisions of the Statement. The sole supplier will suggest to CERA how to allocate the cost of using all the natural gas infrastructure in the various customers categories, according to the Statement, while CERA will be taking into account the supplier's recommendation when approving the supply tariffs.

Applications submitted to CERA

On 23 September 2019, an application was submitted to CERA by ETYFA Ltd, for the issuance of a construction, ownership and operation licence for an LNG installation, according to the Laws Regulating the Natural Gas Market of 2004 to 2018 and of the Laws Regulating the Natural Gas Market (Issuance of Licences) Regulations of 2006.

On 19 November 2019, an application was submitted to CERA by Energean International Ltd for the issuance of a gas supply licence to wholesale customers, according to the Laws Regulating the Natural Gas Market of 2004 to 2008 and the Laws Regulating the Natural Gas Market (Issuance of Licences) Regulations of 2006

On November 19, 2019, an application was submitted to CERA by Energean International Ltd for the issuance of an ownership, construction and operation licence of a natural gas installation facility, according to the Laws Regulating the Natural Gas Market of 2004-2008 and the Laws Regulating the Natural Gas Market (Issuance of Licences) Regulations of 2006.

Cross-border issues

Currently, there are no cross - border gas interconnections in Cyprus, however specific interconnection projects are promoted as PCIs. The European Commission has declared several energy projects, which are of strategic importance for Cyprus and Greece, as potential PCIs.

The projects which concern Cyprus and have been included in the Union list in the cluster of natural gas and related equipment for the transmission of gas from new sources from offshore Eastern Mediterranean (EastMed) deposits are the following:

- “EastMed Pipeline” - A pipeline from offshore Cyprus to Greece mainland via Crete
- “CyprusGas2EU” - Ending the isolation in Cyprus in order to allow the transmission of gas to the EastMed region.

The CyprusGas2EU project, is a PCI project that ends the energy isolation of an EU Member State and it is necessary for the Southern Gas Corridor (SGC). The project is included in the latest Ten Year National Development Plan (TYNDP) of ENTSOG (TRA-N-1146) and in the 4th PCI list (No. 7.5). The project is promoted by MECI.

The project promoter submitted a request for investment to the Energy Regulators of Cyprus (CERA) and of Greece (RAE) on 28 August 2017. Following consultations between CERA and RAE, an agreement on the cross-border cost-allocation was reached on 9 October 2017.

CERA issued a Decision on 10 October 2017 by which it was adopted that the project reached a sufficient degree of maturity for decision-making purposes, that the sharing of costs between the two Member States is reasonable and well documented, that there is a net positive impact

on the parties involved, and that Cyprus is the only one of the two Member States involved to bear any investment and operating costs related to the implementation of the project while Greece will have zero costs.

According to the European Commission, on 25 January 2018, Member States agreed to invest €873m overall in energy infrastructure, including around €200m in natural gas projects. CyprusGas2EU was awarded by the Connecting Europe Facility (CEF) program with €101m, which represents 40 per cent of its total cost.

The EastMed pipeline project relates to an offshore/onshore natural gas pipeline. This PCI's importance is especially focused on creating a direct and permanent connection of newly discovered gas reserves in the Levantine basin (Cyprus and Israel) with European markets, through other diversified routes (such as Poseidon Pipeline and IGI). The project is included in the latest TYNDP of ENTSOG (TRA-N-330) and in the 4th PCI list (No. 7.3.1). The project is promoted and operated by the Natural Gas Submarine Interconnector Greece-Italy Poseidon S.A.

The project was awarded in 2015 with European grants of €2m through the CEF program necessary for the co-finance of the Pre-FEED activities. Moreover, the project was awarded, in January 2018, with €34.5m to carry out the studies required to provide the necessary technical inputs for starting the implementation phase. The studies will build on the results of the Pre-FEED analysis and include the main remaining steps, leading to the Final Investment Decision.