

# 2021 Monitoring Report of the Regulator for Energy and Water Services to the European Commission on the Electricity and Natural Gas sectors in Malta

Fulfilling the provisions of Article 59.1(i) of Directive 2019/944 and Article 41.1(e) of Directive 73/2009.

31 JULY 2021

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## **1- FOREWORD**

This report was prepared by the Regulator for Energy and Water Services (REWS) pursuant to the annual reporting obligations under Article 59.1(e) of the Directive (EU) 2019/944 of the 5<sup>th</sup> of June 2019 on common rules for the Internal Market for Electricity (Directive (EU) 2019/944) and Article 41.1(e) of the Directive 2009/73/EC of the 13<sup>th</sup> of July 2009 concerning common rules for the Internal Market in Natural Gas (Directive 2009/73/EC). The report, as far as applicable, follows the reporting structure recommended by the Council of European Energy Regulators (CEER) published on the 2<sup>nd</sup> of March 2020.

The report describes the recent developments in the electricity and natural gas market, energy infrastructure, security of supply, relevant legislation and tasks carried out by the Regulator with respect to renewable energy and consumer protection.

The analysis and statistical data presented in this report relate essentially to the year 2020.

## 2 - MAIN DEVELOPMENTS IN THE GAS AND ELECTRICITY MARKETS

This section provides a summary of the key developments in the Electricity and Gas Markets in Malta during the year 2020.

### 2.1 Evaluation of the market development and regulation

- **Development of electricity demand level and sources of generation**

The units sent out to the Maltese distribution network in 2020 decreased by 7.6% when compared to the previous year, reaching a total amount of 2.391 TWh<sup>1</sup>. This was the first time since the year 2013 that such a drop in electricity demand was registered and this is mainly to be attributed to the effects of the Covid-19 pandemic.

The renewable energy capacity installed at the end of 2020 reached a total amount of 192.43MWp, with an increase of 20.5% over the previous year. The electricity generated from renewable during 2020 was 238.96 GWh<sup>2</sup>, with an increment of 7.3% if compared to 2019. It is estimated that around 44.2% of the renewable electricity generated in 2020 was consumed on site by the producers.

During the year under review there was a reduction of 7.8% in the share of electricity imported through the interconnector when compared to 2019. This reduction is partially attributed to the unavailability of the interconnector for the first two months and half of 2020 after it was damaged in December 2019. The share of electricity sent out to the grid imported through the interconnector fell to 17.6%, which is the lowest figure since the interconnection was established in 2015. The unavailability of the interconnector contributed to an increase in on island generation from gas oil and natural gas with 77.0% of the demand being covered by electricity produced locally from these fuels.

- **Smart meter rollout**

By the end of 2020, Malta reached a percentage of smart meter rollout of 90.09%, this goes beyond the threshold set by the Electricity Directive 2009/72/EC that requires the EU Member States to rollout electricity smart meters for 80% of consumers by 2020. To note that in Malta the 80% target was reached back in 2017.

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<sup>1</sup> The figure does not include electricity generated mainly from renewable energy sources and consumed on site by producers but includes units exported to Italy.

<sup>2</sup> The figure is provisional.

- **Disconnection for non-payment**

The number of disconnections for non-payment continued the decreasing trend, reaching a total number of 246, that is less than half of the value observed in the previous year. The number of disconnections for non-payment has been decreasing since 2017.

- **Natural Gas infrastructure project development**

The REWS continued to monitor the regulatory aspects related to the proposed Melita TransGas Pipeline (MTGP) - Project of Common Interest (PCI) 5.19 that will connect Malta to the European gas transmission network in Gela (Italy). In particular, during the year 2020 public consultations were conducted on proposals for an Incremental Capacity process and Natural Gas Transmission Tariff Methodology.

## 2.2 Report on the implementation of the Clean Energy Package<sup>3</sup>

The EU Clean Energy Package is the European energy legislative framework developed to facilitate the transition away from fossil fuels towards cleaner energy and to deliver on the EU's Paris Agreement commitments for reducing greenhouse gas emissions. The package includes eight legislative proposals on the electricity market and consumers, Energy Efficiency and Energy Efficiency of buildings, Renewables & bioenergy sustainability as well as governance of the Energy Union.

The Clean Energy package is composed primarily of the following elements:

- a) **Energy efficiency first:** a revamped directive on energy efficiency setting a new, higher target for reduction in energy use by 2030 of 32.5%, and a new Energy performance of buildings directive maximizes the energy saving potential of smarter and greener buildings.
- b) **More renewables:** an ambitious new target of at least 32% share of renewable energy by 2030 has been fixed, with specific provisions to foster public and private investment, in order for the EU to maintain its global leadership on renewables.
- c) **A better governance of the Energy Union:** A new energy rulebook under which each Member State drafts National Energy and Climate Plans (NECPs) for 2021-2030 setting out how to achieve their energy union targets, and in particular the 2030 targets on

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<sup>3</sup> Article 59.1(u) Directive: Roles and responsibilities of market participants pursuant to Regulation (EU) 2019/943.

energy efficiency and renewable energy. These draft NECPs are currently being analysed by the Commission, with country-specific recommendations to be issued before the end of June.

- d) **More rights for consumers:** the new rules make it easier for individuals to produce, store or sell their own energy, and strengthen consumer rights with more transparency on bills, and greater choice flexibility.
- e) **A smarter and more efficient electricity market:** the new laws will increase security of supply by helping integrate renewables into the grid and manage risks, and by improving cross-border cooperation.

During the year under review, the Regulator played an active role in the transposition into national legislation of the Directive (EU) 2019/944 on common rules for the internal market for electricity. Directive (EU) 2019/944 has been transposed into national law by the Electricity Regulations (S.L.545.34) which replace the Electricity Market Regulation S.L.545.13.

The Electricity Regulations (S.L.545.34) reflect the derogations granted to Malta under the Directive (EU) 2019/944. In particular, Article 66(3) provides that the following Articles shall not apply to Malta:

- Article 6 on Third-party access,
- Article 35 on Unbundling of Distribution System Operators
- Article 43 on Unbundling of Transmission System Operators.

Moreover, Article 66(5) of the Directive (EU) 2019/944 specifies that Article 4 on Free choice of supplier is not applicable to Malta. This derogation is time-limited until 5 July 2027, however, may be extended by a maximum period of eight years by a decision of the EU Commission pursuant to paragraph 1 of Article 66.

Due to the fact that this Report covers the year 2020, reference will still be made to the Electricity Market Regulations (S.L.545.13) that were still in force of law during the year 2020.

The Regulator has also provided feedback during the transposition of the Directive (EU) 2018/2002 on Energy Efficiency which was transposed through the Energy Efficiency Regulations (S.L.545.33).

## 3 - THE ELECTRICITY MARKET

### 3.1 Network regulation and technical functioning

#### 3.1(a) Unbundling<sup>4</sup>

Unbundling is the separation of the electricity supply and generation activities from the operation of distribution and/or transmission networks. Directive (EU) 2019/944, retains the same unbundling principles of Directive 2009/72EC with respect to transmission system operators (TSOs). Unbundling of TSOs, in general, may take the form of any of the following basic models: Ownership Unbundling, Independent System Operator and Independent Transmission Operator.

Article 35 of Directive (EU) 2019/944 requires that “*where the distribution system operator is part of a vertically integrated undertaking, it shall be independent at least in terms of its legal form, organisation and decision making from other activities not relating to distribution*”. However, in terms of Article 66 of Directive (EU) 2019/944, Article 43 (Unbundling of transmission systems and transmission system operators) and Article 35 (Unbundling of distribution system operators) of this directive do not apply to Malta.

In Malta, there are no TSOs since there are no electricity transmission systems.

The electricity distribution system covering the whole country remains under the responsibility of one Distribution System Operator (DSO), which forms part of a vertically integrated company, Enemalta plc. This company is also licensed to generate and supply electricity to final customers.

The Electricity Market Regulations (S.L. 545.13) require electricity undertakings to keep within their internal accounting, separate accounts for each of their generation, distribution and supply activities as if these activities were being carried out separately in view to avoid discrimination, cross subsidization and distortion of competition. In addition, the auditing of the published company accounts of such electricity undertakings must verify compliance with the requirement to avoid cross subsidisation and non-discrimination.

Enemalta plc is the only undertaking licensed to carry out all the three activities of generation, distribution, and supply together. The licence monitoring reports include the requirement for the submission by Enemalta plc of separate profit and loss accounts and balance sheets for each of the three activities.

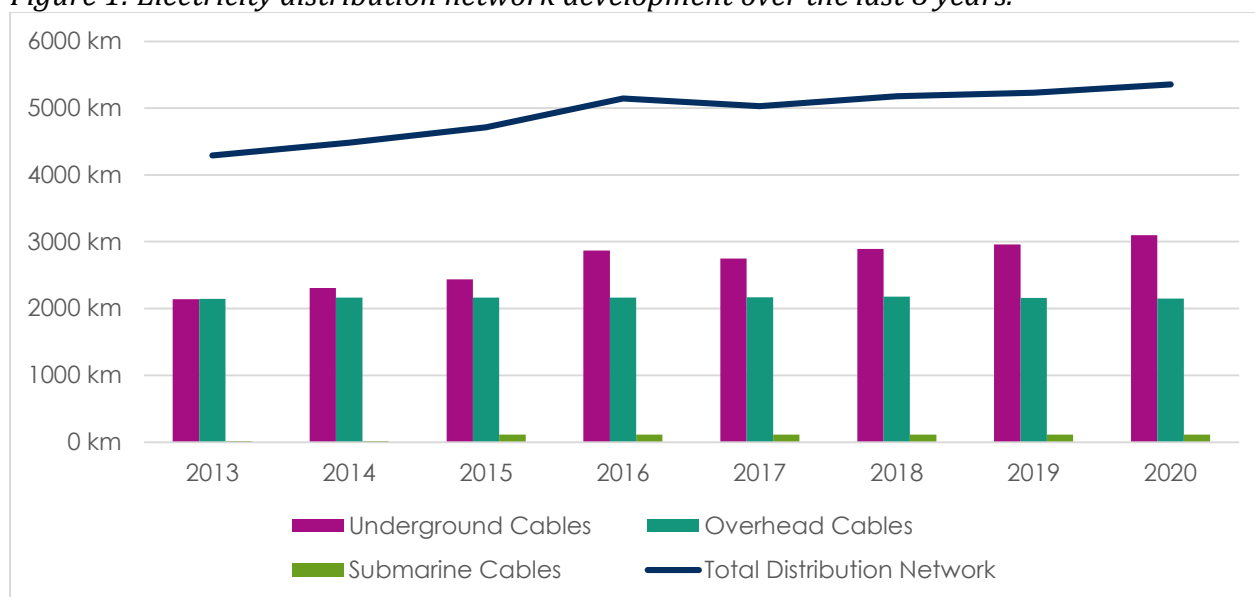
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<sup>4</sup> Article 59.1(j) Directive 2019/944: Cross-subsidization.

### 3.1(b) Network extensions and optimization<sup>5</sup>

The electricity distribution system consists of a network of 5,358.619km (+2.4% over 2019), composed of 3,097.299km of underground cables (+4.7% over 2019), 2,148.120km of overhead cables (-0.5% over 2019) and 113.200km of submarine cables (same value of 2019). The voltage levels of the distribution system are 220kV, 132kV, 33kV, 11kV and 400/230V. The low voltage network at 400/230V is mostly overhead whereas the network at higher voltages is mostly underground.

Figure 1: Electricity distribution network development over the last 8 years.



The Maltese electricity system is synchronised with the Italian electricity grid since April 2015 through the 200MW HVAC 220kV electricity interconnector. The interconnector is operated by Enemalta plc in coordination with the Italian transmission system operator, Terna S.p.A. According to this arrangement the Maltese electricity system is being treated as a virtual consumption and production point connected to the Italian transmission grid.

### 3.1(c) Network tariffs<sup>6</sup>

The REWS is responsible for the fixing or approval of the connection and access tariffs to the distribution system, including distribution tariffs or their methodologies. The Regulator may require the distribution system operator, if necessary, to modify the terms and conditions, including tariffs or methodologies referred to in this regulation, to ensure that they are

<sup>5</sup> Article 59.1(k) and Article 59.1(l) Directive 2019/944: Investment plans and Smart grid development.

<sup>6</sup> Article 59.1(o) Directive 2019/944: Evolution of network tariffs and levies.



proportionate and applied in a non-discriminatory manner. The charges for connecting to the network and/or methodologies for the determination of such charges are established by the Electricity Supply Regulations S.L. 545.01. These provisions apply for all users wishing to connect to the network. There were no changes in the year under review.

In view of the derogation granted to Malta from Article 32 (Third-party access) of Directive 2009/72/EC and subsequently from Article 6 (Third-party Access) of Directive (EU) 2019/944, any independent power producer connected to the distribution network is obliged to sell all the electricity produced and not consumed on site, to the sole supplier of electricity, Enemalta plc.

The retail tariff paid by consumers for electricity covers the costs and revenues pertaining to the operation of the distribution network apart from those related to the imported electricity, generation, and supply activities. There are no separate tariffs for the use of the network.

### **3.1(d) Security and reliability regulation<sup>7</sup>**

According to the Electricity Market Regulation S.L. 545.13, "security" means both security of supply and provision of electricity, and technical safety.

#### *3.1(d)i Network security, reliability and service quality*

Enemalta plc is required by the REWS, as part of the licence obligations, to prepare security and planning standards defining quality of supply objectives, together with minimum security objectives to be met.

Enemalta plc is also required to provide to the REWS information related to the quality of service. This information includes the System Average Interruption Duration Index (SAIDI). This parameter is determined using the data for the duration of supply interruptions (planned and unplanned) occurring at 11kV level or higher voltages and dividing this by the number of customers served in the year of reference. Therefore, the SAIDI is an indication of the average minutes lost per customer per annum.

*Table 1* shows the estimates provided by Enemalta plc for the SAIDI for the years 2014 to 2020 due to planned and unplanned interruptions at 11kV or higher voltages. The overall figure for the average minutes lost per customer for the year 2019 was 128.62 minutes. After

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<sup>7</sup> Article 59.1(m) Directive 2019/944: Network security and reliability issues;  
Article 59.10 Directive 2019/944: Congestion Management.

a relevant increase in customer minutes lost in 2019, in 2020 data have settled around 2018 values.

*Table 1: Average minutes lost per customer per annum (minutes per year) 2014-2020.*

Year	2014	2015	2016	2017	2018	2019	2020
<b>Planned interruptions (customer minutes lost)</b>	207	54.6	62.8	64.8	44.06	44.71	32.38
<b>Unplanned interruptions (customer minutes lost)</b>	570.6	172.8	101.02	417.60	69.32	457.2	96.24
<b>Overall (customer minutes lost)</b>	777.6	227.4	163.83	482.40	113.38	501.91	128.62

Source: Enemalta plc

Enemalta plc submitted to the REWS information related to number of interruptions, average duration of an interruption and supply restoration time.

In 2020, the average duration of a planned interruption was 1.16 hours while the average duration of an unplanned interruption was 0.66 hours. Based also on the information provided by Enemalta plc, 82.43% of customers affected by an unplanned interruption had their supply restored within 1hr while 96.50% of customers affected by a planned interruption had their supply restored within 3hrs.

Enemalta is bound to report also the System Average Interruption Frequency Index (SAIFI) that is defined as the total number of interruptions occurred divided per the number of customers served. The average number of planned and unplanned interruptions per customer is shown in *Table 2*.

*Table 2: Average number of interruptions per customer (2014-2020).*

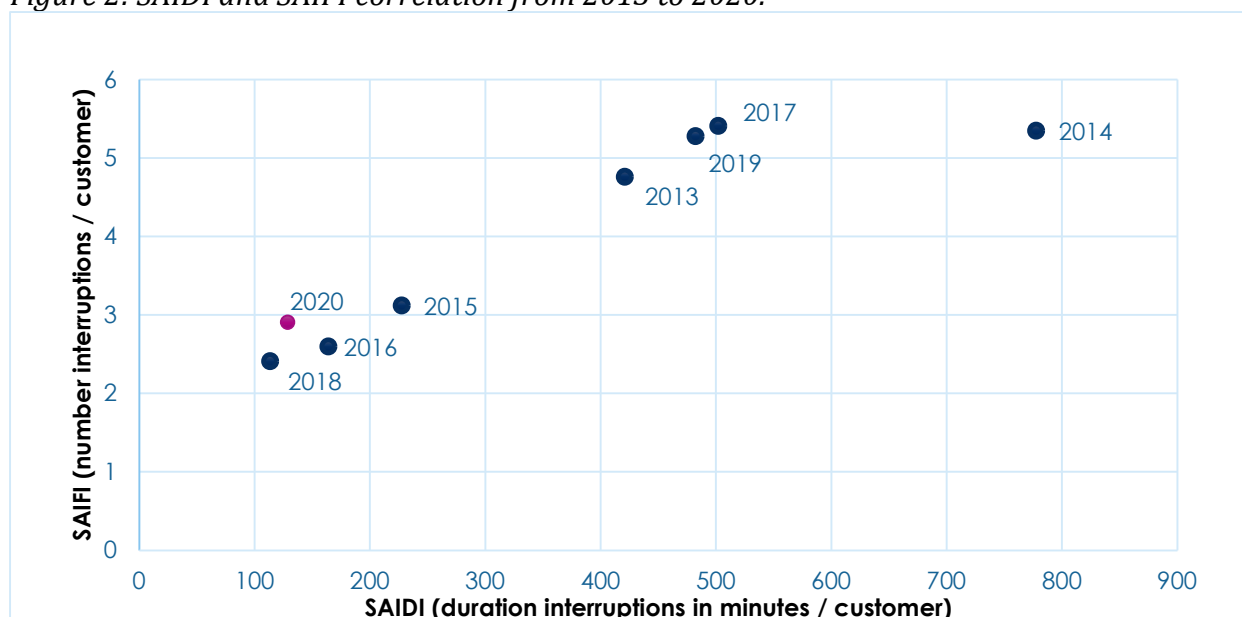
Year	2014	2015	2016	2017	2018	2019	2020
<b>Planned interruptions (number)</b>	0.76	0.63	0.61	4.69	0.54	0.59	0.47
<b>Unplanned interruptions (number)</b>	4.59	2.49	1.99	0.59	1.87	4.55	2.44
<b>Overall interruptions (number)</b>	5.35	3.12	2.60	5.28	2.41	5.14	2.91

Source: Enemalta plc.

For the year 2020, the number of planned interruptions per customer due to interruptions affecting the 11kV level was in average 0.47 and the number of unplanned interruptions per customer was in average 2.44.

As shown in *Figure 2*, the continuity of electricity supply indicators for 2020 were at similar levels to those reported for 2018, 2016 and 2015.

Figure 2: SAIDI and SAIFI correlation from 2013 to 2020.



The Regulator monitors the time taken by the distribution system operator to provide new electricity service connections and the time taken to connect RES generators to the distribution system.

There is no definition established by law for the ‘time to connect’ customers and producers to the network. However, in general, in case of non-complex services, the time to connect customers and producers is taken to be the time that elapses between the submission of an application to the distribution system operator for connecting to the network and the date of the provision of the service connection and electricity meter. Normally, the activation of the service occurs on the same day on which the electricity meter is installed. Activation of the service is understood to be either the possibility to import and/or export through the metering equipment provided by the distribution system operator.

During the year 2020, based on the information provided by the distribution system operator, the average time for the provision of a new non-complex service connection not requiring any type of extension of the network or new substation was of 11.9 days. *Table 3* shows the developments in the average time taken by the distribution system operator to provide a new service between the year 2014 and 2020.

Table 3: Average time for the provision of a new service connection (2014-2020).

Year	2014	2015	2016	2017	2018	2019	2020
Number of days	21.3	20.3	14.9	12	9.6	9.2	11.9

Source: Enemalta plc.

Based on the data provided by the distribution system operator, the average time taken for connecting RES generators (average for capacities less than 41kWp) to the distribution system, which includes the provision of the necessary metering equipment, was of 20.0 days for the year 2020 as shown in *Table 4*. RES generators with a capacity of less than 41kWp are normally connected to existing services or involve a non-complex new service. As a norm the metering configuration used for RES generators includes a generation meter and an import/export meter. To note that more than 97.8% of the PV systems newly connected to the distribution system during the year 2020 have a capacity of 41kWp or less.

*Table 4: Average time for the connection of RES generators up to 41kWp (2014-2020).*

Year	2014	2015	2016	2017	2018	2019	2020
Number of days	29.1	14	16	8.6	8.7	10.9	20.0

*Source: Enemalta plc and REWS.*

In general, the re-activation of supply by the distribution system operator after disconnection due to non-payment of electricity bills takes place within 24 hours of the settlement of debts.

### **3.1(e) Monitoring balance of supply and demand<sup>8</sup>**

According to Article 59(v) of Directive (EU) 2019/944, the REWS is responsible for monitoring investment in generation and storage capacities in relation to Security of Supply (SoS).

As shown in *Table 5* the total local fossil fuel nominal generation capacity at the end of 2020 was 588.6 MW, that is the same figure reported for 2019. All the fossil fuel generation capacity is located at the Delimara Power Station site except for a 37 MW open cycle gas turbine, denominated GT9, located in the Marsa Power Station.

DPS-2A Open Cycle Gas Turbine, MPS-GT9 Open Cycle Gas Turbine and DPS-2B Combine Cycle Gas Turbine, owned by Enemalta plc, since 2017 have been used as backup reserve capacity.

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<sup>8</sup> Article 59.1(v) Directive 2019/944: Investment in generation and storage capacities in relation to security of supply.

*Table 5: Local fossil fuel generating plants figures for the year 2020.*

Generating plant name	Technology	Fuel	Licensee	Installed Nominal Capacity (MW)
DPS-2A / MPS-GT9	Open Cycle Gas Turbine	Gas Oil	Enemalta plc	111
DPS-2B	Combined Cycle Gas Turbine	Gas Oil	Enemalta plc	110
DPS-3	Combined cycle diesel engines converted	Natural Gas / Gas Oil	D3 Power Generation Ltd	152.6
DPS-4	Combined Cycle Gas Turbine	Natural Gas	ElectroGas Malta Ltd	215
				<b>588.6</b>

Source: Enemalta plc and other sources.

To note that half of the combined cycle diesel engines capacity (DPS-3) is dual fuel (natural gas/gas oil) while the other half runs on natural gas only.

In addition to the above-mentioned fossil fuel generating plants, there is also one CHP (Combined Heat and Power) 0.49 MWe plant licensed by the REWS and connected to the grid running on Liquid Petroleum Gas (LPG).

The total electricity generation capacity from renewable energy sources installed by the end of 2020 was 192.43MWp. As may be deduced from the breakdown in *Table 6*, the renewable energy generation capacity installed consists mainly of solar photovoltaic installations.

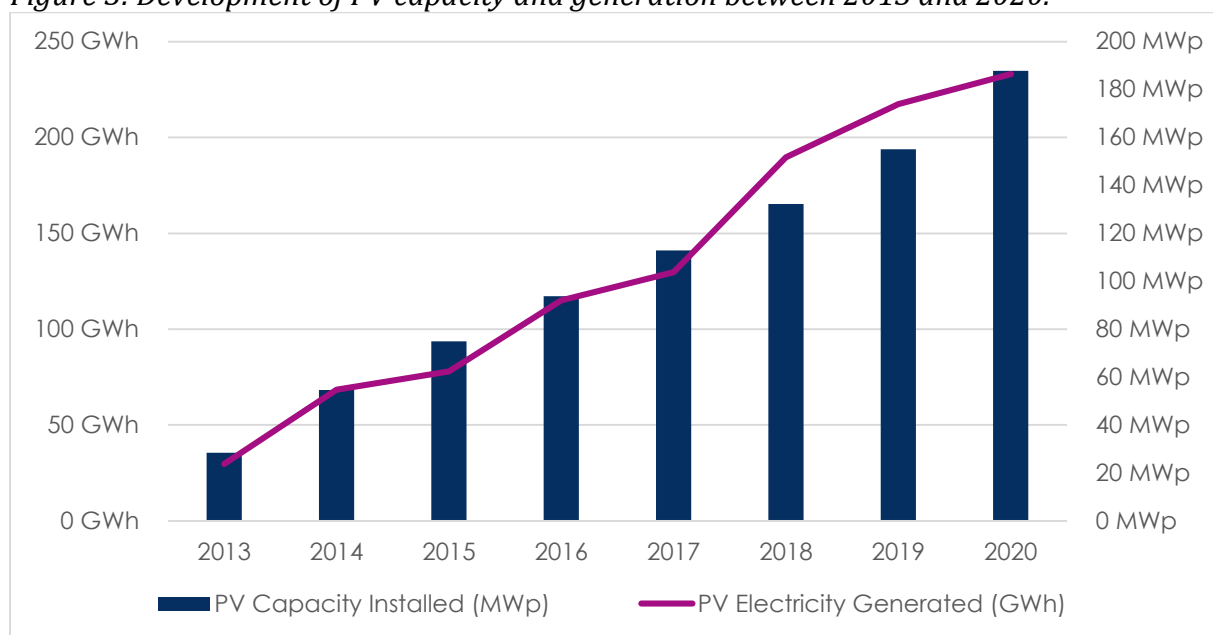
*Table 6: Installed capacity renewable energy as the end of the year 2020.*

Renewable energy technology	Capacity installed (MW)
Solar photovoltaic systems	187.8MWp
Micro wind	0.0698MWp
Biogas CHP plants	4.560MWe
<b>Total capacity installed</b>	<b>192.43MWp</b>

Source: REWS and Enemalta plc.

During the year under review, 33.25 MWp of new solar photovoltaic capacity was connected to the public grid while 0.52MWp was decommissioned (that means 21.1% increase in total capacity connected to the grid over the previous year taking into account decommissioned capacity).

The largest solar photovoltaic installation is 5.407MWp while 96.05% of the PV installations connected to the grid by the end of 2020 have a capacity of 11kWp or lower.

*Figure 3: Development of PV capacity and generation between 2013 and 2020.*

Source: REWS, Enemalta plc and NSO<sup>9</sup>.

There is only one supplier of electricity to final customers, Enemalta plc who is also the distribution system operator, with the onus to meet all the demand including the peak demand..

The report related to security of supply of electricity is prepared in collaboration with the distribution system operator, Enemalta plc. In addition, on a monthly basis, Enemalta plc submits to the REWS information related to local generation capacity availability, faults on the generation side, peak demand and amounts of electricity locally generated and imported. Regarding security of supply issues, it has to be noted that Malta could not rely on electricity imports till the 14<sup>th</sup> of March 2020 due to the unavailability of the Malta-Italy interconnector after it was damaged by a ship's anchor on the 23<sup>rd</sup> of December 2019.

The total system demand in 2020 (including losses of the grid, excluding exports) was 2,388.51GWh<sup>10</sup> of which 1,838.14GWh (77.0% of the total) was supplied from local fossil generation plants. The local fossil fuel electricity sent out mix for the year 2020 consisted of 2.8% gas oil and 97.2% natural gas. The contribution to the demand of imports from the interconnector with Italy (Sicily) during 2020 decreased from 24.7% of the previous year to 17.6% of 2020, partially due to the unavailability of the interconnector in the first two and half months of 2020. The electricity generated from renewable energy sources (mainly solar photovoltaic installations) in 2020 was 238.96GWh<sup>11</sup>, with which represents an increase of 7.3% over the previous year. It is estimated that 44.8% of the renewable electricity generated was consumed on site by the producers.

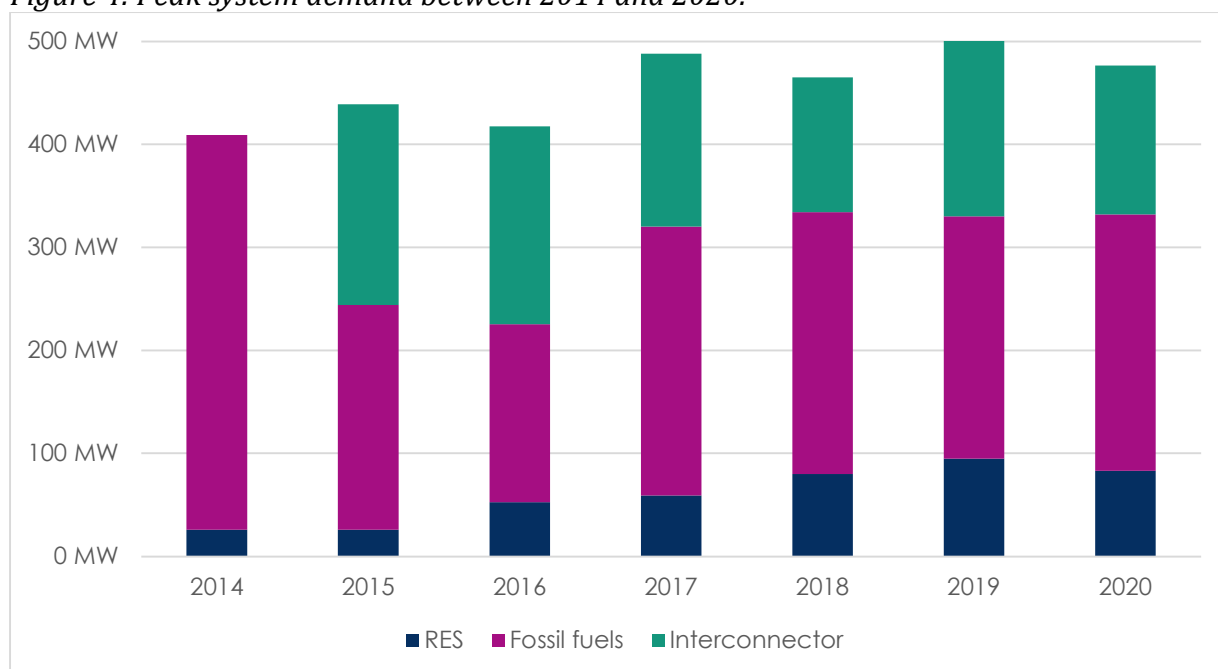
<sup>9</sup> [https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_02/Regional\\_and\\_Geospatial\\_Statistics/Pages/Renewable-Energy-from-Photovoltaic-Panels.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_02/Regional_and_Geospatial_Statistics/Pages/Renewable-Energy-from-Photovoltaic-Panels.aspx)

<sup>10</sup> This figure refers to the units sent out to the grid from all sources and excludes the estimated amount of electricity consumed on site by producers.

<sup>11</sup> The figure is provisional.

The 2020 peak demand, as reported by Enemalta plc, occurred on the 4<sup>th</sup> of August at 13:07. The system demand between 13:00 and 14:00 reached an amount of 476.6MW which represents a decrease of 8.7% over the previous year. The peak demand was met by 249.0MW provided by local fossil fuel generation capacity, 144.6MW imported through the Italy-Malta interconnector and a contribution from solar photovoltaic installations estimated at 83.0MW.

Figure 4: Peak system demand between 2014 and 2020.



Source: Enemalta plc.

No investment in fossil fuel generation or energy storage capacities in relation to security of supply has been carried out during the year under review and the Regulator did not receive any request to authorise or licence any new generation plants other than solar photovoltaic installations.

The distribution system operator did not report any plans for new investments concerning electricity interconnectors or plans that show the need for new investments in fossil generation capacity or interconnectors.

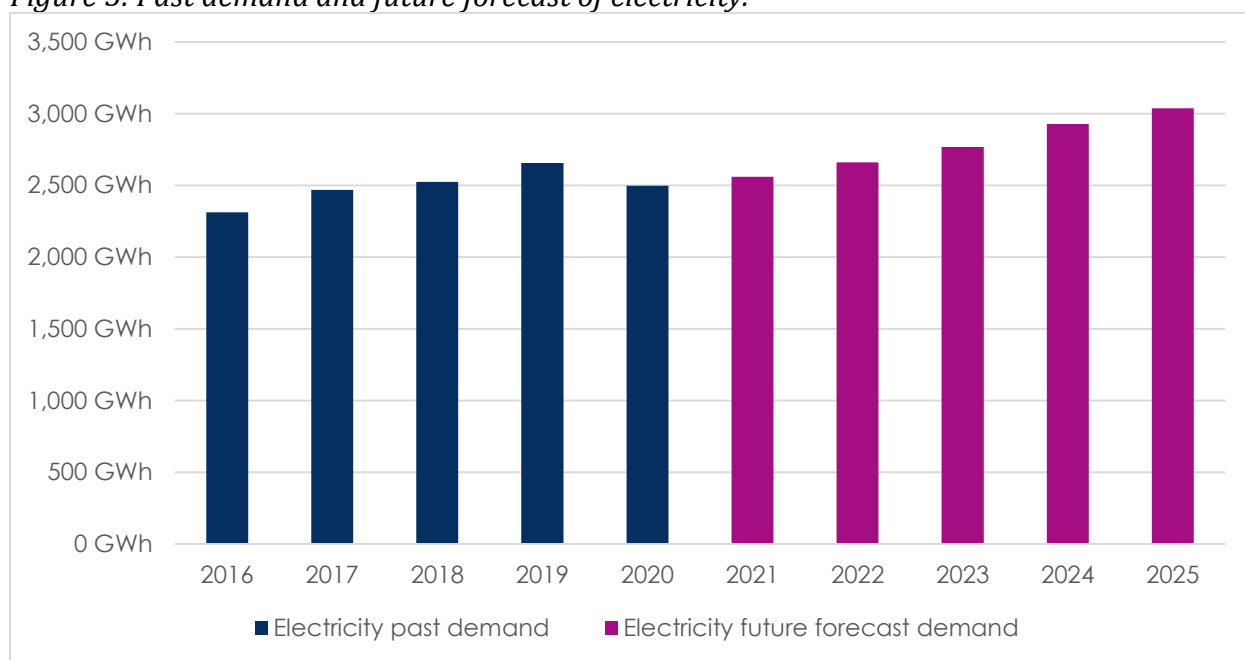
The forecasted electricity demand for the next 5 years is shown in *Table 7* and a comparison of the forecasted demand with past demand is shown in *Figure 5*.

*Table 7: Demand of electricity forecast 2021-2025.*

Year	Estimated Demand (MWh)
2021	2,559,219
2022	2,661,588
2023	2,768,052
2024	2,928,196
2025	3,038,452

Source: Enemalta plc.

*Figure 5: Past demand and future forecast of electricity.*



Source: Enemalta plc. and REWS



### 3.1(f) Cross-border issues<sup>12</sup>

There are no TSOs in Malta. The development of the distribution network and interconnections with other countries is currently under the responsibility of the distribution system operator.

The Regulator was not involved in specific cooperation activities with other regulatory authorities in relation to capacity allocation and congestion management.

There are no PCIs (European Projects of common interest) related to electricity infrastructure involving Malta neither electric infrastructures that have applied to be part of the Ten-Year National Development Plan (TYNDP) list.

### 3.1(g) Implementation of Network Codes and guidelines<sup>13</sup>

- *Commission Regulation (EU) 2015/1222 establishing a guideline on Capacity Allocation and Congestion Management (CACM GL).*

This Regulation is not applicable to Malta since there are no cross-border interconnectors subject to capacity allocation and congestion management.

- *Commission Regulation (EU) 2016/1719 establishing a guideline on Forward Capacity Allocation guideline (FCA GL).*

This Regulation is not applicable to Malta since there are no cross-border interconnectors subject to capacity allocation and congestion management.

- *Commission (Regulation (EU) 2017/2195) establishing a Network Code on Electricity Balancing (BAL NC).*

This Regulation lays down guidelines on electricity balancing, including the establishment of common principles for the procurement and the settlement of frequency containment reserves, frequency restoration reserves and replacement reserves and a common methodology for the activation of frequency restoration reserves and replacement reserves.

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<sup>12</sup> Article 59.1(w) Directive 2019/944: Technical cooperation between Union and third-country transmission system operators.

<sup>13</sup> Article 59.7 Directive 2019/944: Network Codes (Demand Connection Code, Requirements for Generators, High Voltage Direct Current Connections, Operations, Emergency and Restoration, Forward Capacity Allocation, Capacity Allocation & Congestion Management, Electricity Balancing).

In the absence of a liquid wholesale market, only the DSO bears balancing responsibility in Malta, as established by the Electricity Market Regulation S.L. 545.13. Independent power producers and active customers connected to the distribution system do not have responsibilities in this aspect. The DSO is therefore responsible to balance the Maltese distribution system in coordination with the Italian transmission system operator, Terna S.p.A. Any imbalances that occur on the interconnector are settled in accordance with AEEGSI (Decision 549/2015/R/EEL)<sup>14</sup> issued on the 20<sup>th</sup> of November 2015.

- *Commission Regulation (EU) 2016/631 establishing a Network Code on Requirements for Generators (RfG NC)*

This network code establishes requirements for grid connected power-generating facilities, namely synchronous power-generating modules, power park modules and offshore power park modules, connected to the interconnected system. The network code aims to set out harmonised rules for grid connection for power-generating modules to ensure a clear legal framework for grid connections, facilitate Union-wide trade in electricity, ensure system security, facilitate the integration of renewable electricity sources, increase competition, and allow more efficient use of the network and resources, for the benefit of consumers.

The Distribution System Operator is expected to submit to the Regulator a proposal to update the national network to implement certain details of Commission Regulation (EU) 2016/631. The Electrical Installations Regulations (S.L.545.24) require that the interface protection system of generators connected at low voltage level should comply with MSA EN 50549-1 or an equivalent standard. To note that new generators that are being connected to the grid are inverter-based generators (solar photovoltaic installations) mainly rated 11kWp or less. In 2020, 92% of the newly connected generators are rated 11kWp or less while the largest inverter-based generator connected during the year is rated 5.4MW.

- *Commission Regulation (EU) 2016/1388 establishing a Network Code on Demand Connection (DCC NC)*

The Network Code on Demand Connection sets harmonised requirements for the connection to the transmission grid of new demand facilities, distribution facilities, distribution systems and demand units that provide demand response services to relevant system operators and relevant TSOs. In Malta there are no transmission systems and new distribution systems.

- *Commission Regulation (EU) 2016/1447 Establishing a Network Code on Requirements for grid connection of High Voltage Direct Current systems and direct current-connected power park modules (HVDC NC)*

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<sup>14</sup> Deliberazione 20 Novembre 2015 549/2015/R/EEL-Disciplina degli sbilanciamenti effettivi applicabile all'interconnessione Italia-Malta.

There are no high voltage direct current networks or direct current-connected power park modules in Malta.

- *Commission Regulation (EU) 2017/2196 of 24 November 2017 establishing a Network Code on electricity Emergency and Restoration (NC ER).*

The aim of this regulation is the safeguarding of operational security, prevention propagation or deterioration of an incident to avoid a widespread disturbance and the blackout state and facilitating efficient and rapid restoration of the electricity system after an emergency or blackout incident.

There are no transmission systems in Malta and hence no need for a designation of a transmission system operator. The interconnection Malta-Italy, an HVAC 220kV 200MW cable is treated as part of the distribution system in Malta and it is not open for third party access and is used solely by the DSO/supplier to purchase electricity from the Italian market and supply final customers. On the local generation side there are three main generators and a number of small independent producers from renewable energy.

The Maltese electricity system is not a transit system but a small peripheral system which qualifies as a “small interconnected system” under Directive (EU) 2019/944, since the demand in 1996 was less than 3000GWh. Electrically, Malta is treated as a load connected to the Italian system.

Therefore, the Maltese system does not have the coordination complexities of large systems with one or multiple TSOs that manage large interconnected systems with a large number of generators and various DSOs connected to them, which may present coordination challenges in particular during an emergency. The role of the DSO is to implement the requirements determined by the TSO. It is in view of this that certain concepts in the Regulation are not deemed to apply to the Maltese system.

The contractual agreement with Terna S.p.A requires only that the DSO implements low frequency demand disconnection settings that are consistent with the corresponding settings for the Italian grid.

Nevertheless, in view of the objectives of Regulation (EU) 2017/2196 the REWS is working to ensure that the existing defence and restoration procedures implemented at the DSO level are fully documented and aligned as far as applicable with the requirements of the Regulation.

## 3.2 Competition and market functioning

### 3.2.1 Wholesale markets

There are no liquid wholesale markets in Malta. The electricity generation sector was liberalised in 2005 however significant Independent Power Producers (IPPs) entered the sector in 2017 otherwise independent power production was limited to small producers generating electricity from renewable sources. The fossil fuel IPPs, namely D3 Power Generation Ltd and ElectroGas Malta Ltd, account for 76.9% of the electricity sent out to the grid from all sources during the year 2020. The involvement of Enemalta plc in the electricity generation sector is mainly limited to the provision of backup generation service. This is evident from the fact that while Enemalta plc owns 23.36% of the production capacity, only 2.0% of the electricity sent out to the grid during 2020 was produced by its own plants.

Enemalta plc remains the sole supplier of electricity to final customers. The demand for electricity is met from the IPPs generating mainly from natural gas, RES generators (mainly solar photovoltaic systems) and from imports through the interconnector Italy (Sicily)-Malta.

Enemalta plc is obliged to dispatch the available sources on economic merit order basis with electricity from renewable energy benefitting from priority of dispatch.

Since the retail market is not open to competition all independent power producers may either consume on site the electricity generation and/or sell to Enemalta plc. The trading arrangement between Enemalta plc and the fossil fuel independent power producers for the supply of electricity is based on long term bilateral contracts.

The sale of electricity from PV installations connected to the grid is governed mainly by Feed-in Tariffs Scheme (Electricity Generated from Solar Photovoltaic Installations) Regulations S.L. 545.27. During the year 2020, the aforementioned regulations provided for the allocation of feed-in tariffs to new solar photovoltaic installations rated below 400kW. The feed-in tariff allocation process is administered by the REWS.

Support for RES generators rated 400KW or more was allocated through a competitive bidding process administered by the Ministry for Energy and Sustainable Development (MESD).

The Sale of Electricity generated from Cogeneration Units Regulations regulate the sale of electricity from co-generation plants irrespective of primary energy source. The electricity exported to the grid from approved cogeneration plants is paid by Enemalta plc at the proxy of the market price.

Electricity imported through the interconnector is mainly traded in the Italian day-ahead market.

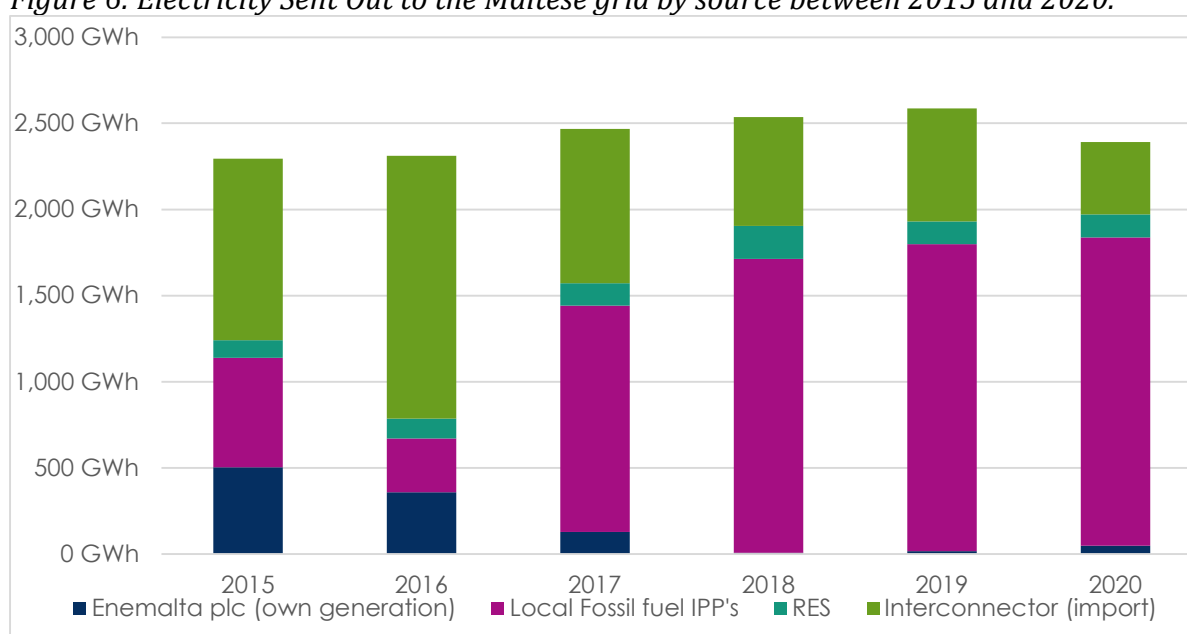
*Table 8* and *Figure 6* shows the development in the contribution of local generation sources and imports to electricity sent to the Maltese grid.

Table 8: Electricity Sent Out to the Maltese grid by contributors (GWh) between 2015 and 2020.

[GWh]	2015	2016	2017	2018	2019	2020
<b>Enemalta plc (own generation)</b>	502.37	357.47	127.67	6.58	16.62	<b>47.34</b>
<b>Local Fossil fuel IPPs<sup>15</sup></b>	636.99	312.85	1313.70	1706.71	1782.57	<b>1790.83</b>
<b>RES<sup>15</sup></b>	101.70	115.00	129.78	190.67	131.00 <sup>16</sup>	<b>133.41<sup>16,17</sup></b>
<b>Interconnector (import)</b>	1053.98	1526.69	897.07	631.29	656.76	<b>419.81</b>
<b>Total Electricity Sent Out</b>	2295.03	2312.02	2468.16	2535.25	2586.94	<b>2391.38</b>

Source: Enemalta plc, NSO and REWS.

Figure 6: Electricity Sent Out to the Maltese grid by source between 2015 and 2020.



During the year under review 0.136 GWh were exported from Malta to the Italian grid.

Figure 7 shows the evolution of the generation mix of the electricity sent out to the Maltese grid in percentage terms. It has to be noted that after years of major changes in the electricity supply, characterized by the realization of the interconnector to Sicily and the replacement of fuel-oil with natural gas in power plants, in 2020 the main evolution was the reduction of

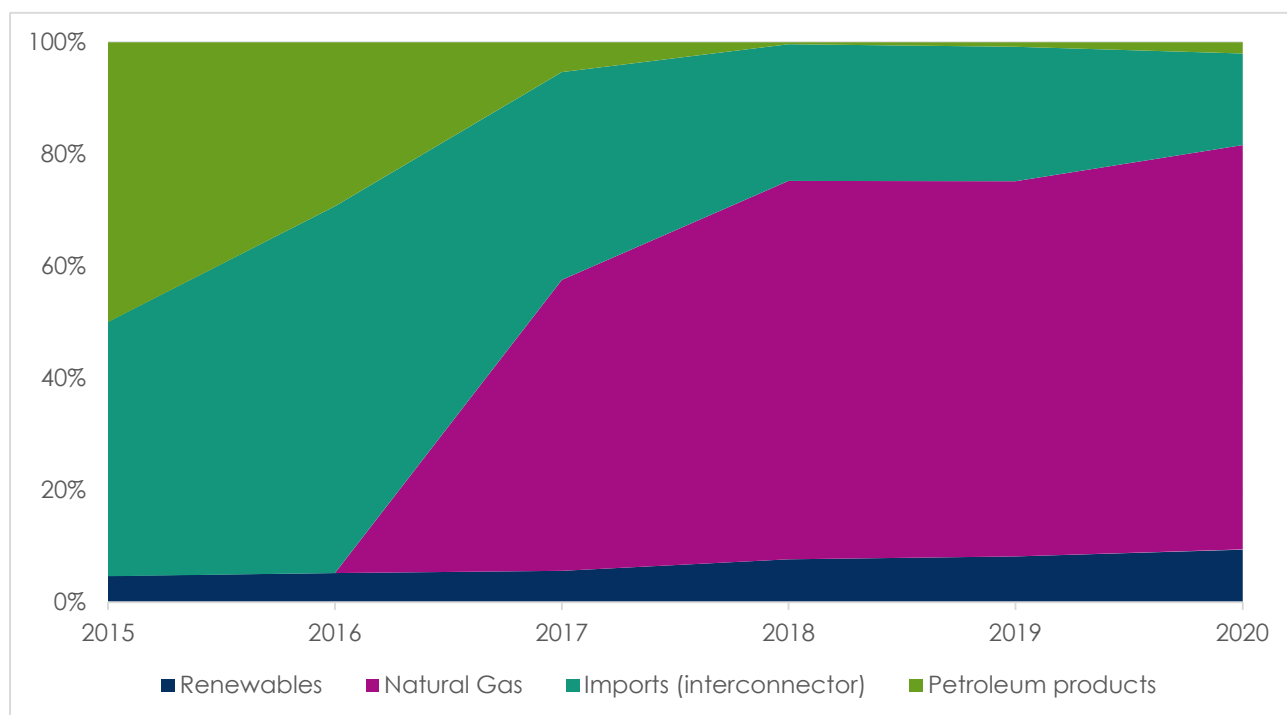
<sup>15</sup> These figures have been updated in 2021 taking into account CHP figures.

<sup>16</sup> As from 2019 the units sent out from RES do not include the electricity generated and consumed on site (self-generated units) by producers. The total electricity generated from RES is estimated as 222.64GWh in 2019 and 238.96GWh in 2020.

<sup>17</sup> The figure is estimated and provisional.

the share of electricity imported due to the unavailability of the interconnector in the first months the year that was compensated by the increase of the share of other sources.

Figure 7: Generation mix evolution between 2014 and 2020.



3.2.1(a) Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition<sup>18</sup>

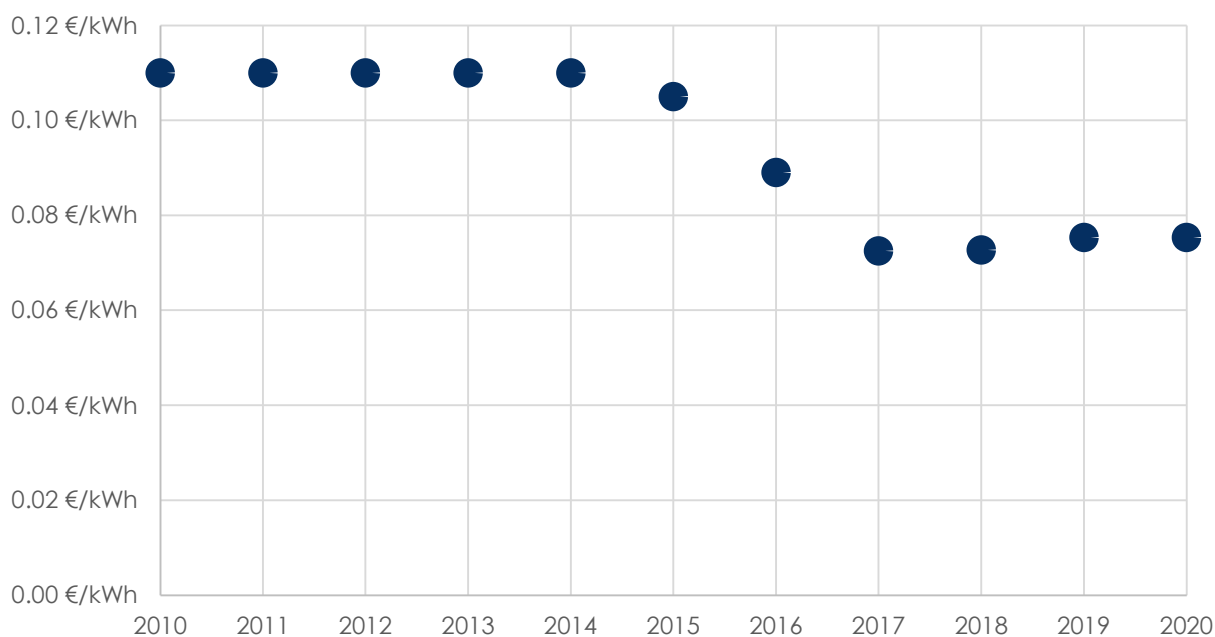
In the absence of a liquid wholesale market the REWS determines the proxy of the wholesale market price on an annual basis. This price is the reference used to determine the amount of operational aid paid to PV installation benefitting from a feed-in tariff and is also the rate paid to generators exporting electricity to the grid and not eligible for any operational support. The REWS determines the proxy of the market price by estimating the variable cost of meeting the demand forecast for a given year from local fossil fuel generation and imported electricity and then uses the average of this estimate as a proxy for the market price. The demand assumption excludes that portion of the forecasted demand which is not expected to be met by conventional and/or imported electricity. The methodology was included in the State Aid decision of CION<sup>19</sup> issued in relation to the notified competitive

<sup>18</sup> Article 59.1(n) and 59.1(o) Directive 2019/944: Transparency Obligations and Market opening and competition.

<sup>19</sup> State Aid SA. 43995 (2015/N) – Malta Competitive Bidding Process for Renewables Sources of Energy Installations, Brussels, 26.8.2016 C(2016) 5423 final.

bidding process for the granting of operational aid to generators producing from renewable energy sources with capacity of 1MWp or more. The proxy of the market determined by the REWS, normally every year, is published in Feed-in Tariffs Scheme (Electricity Generated from Solar Photovoltaic Installations) Regulations S.L.545.27. *Figure 8* shows the developments in the proxy of the wholesale market price between 2010 and 2020.

*Figure 8: Developments in the proxy of the market price for 2010-2020.*



### 3.2.2 Retail market

The situation in the electricity retail market remains unchanged. The activity of supply of electricity must be performed under a licence issued by the REWS which in terms of the Electricity Market Regulations S.L. 545.13. In view of the derogation from Article 33 (Market opening and reciprocity) of Directive 2009/72/EC the licence to supply electricity may only be issued to the distribution system operator designated under the aforementioned regulations. The situation is not expected to change in the foreseeable future in view of the derogation from the application of Articles 4 (Free Choice of Supplier) of Directive (EU) 2019/944 granted to Malta pursuant to Article 66(5) of the said Directive and until such time as the aforesaid derogation remains in force.

Therefore, Enemalta plc remains the only undertaking in Malta holding a licence to supply electricity to final customers and therefore customer switching cannot be implemented in Malta.

### **3.2.2(a) Monitoring the level of transparency, including compliance with transparency obligations, and the level and effectiveness of the market opening and competition<sup>20</sup>**

#### ***3.2.2(a)i Market opening and competition***

The electricity retail market is not open to competition. The procedure for the approval of the electricity retail prices is established by Article 36 of the Electricity Supply Regulations S.L.545.01.

The principles underlying the determination and approval of the retail tariffs are published on the Regulator's website<sup>21</sup>. In the event of a review of the electricity retails tariffs, the REWS publishes the documents related to the review process.

Electricity tariffs are established through legislation which is published in the Government Gazette (the official Government publication for the promulgation of laws), the REWS's website and the websites of Enemalta plc and of Automated Revenue Management Services Ltd (ARMS Ltd.) respectively.

#### ***3.2.2(a)ii Prices for household customers***

The regulated electricity retail tariffs are composed of a fixed annual service charge and a kWh consumption tariff structure. For non-residential consumers a maximum demand charge also applies. No tariffs specifically for the use of the network are applied.

The fixed annual service charge differentiates between a single-phase service and a three-phase service and between residential/domestic premises and non-residential premises. In addition, all consumers with a service connection capacity rating exceeding 60Amps/phase are required to pay a maximum demand tariff.

The kWh consumption tariff structure consists of tiers of consumption with the corresponding kWh tariff. The tariffs are based on a cumulative consumption per annum and are applied *pro rata* on basis of the number of days covered by the bill. The kWh tariff structure applicable for the consumption of electricity differentiates between registered primary residence premises, domestic premises and non-residential premises.

Household consumers may benefit from a percentage reduction of electricity rates, referred to as an 'eco reduction' on their electricity consumption bill on one registered primary residence as follows:

- households composed of two or more persons may benefit from a two tier eco reduction mechanism provided that the consumption per person does not exceed 1750kWh per annum. A reduction of 25% in the consumption bill is possible if the

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<sup>20</sup> Articles 59.1(o), 59.1(s) and 5.1 of Directive 2019/944.

<sup>21</sup> REWS website: [www.rews.org.mt](http://www.rews.org.mt)



consumption does not exceed 1000kWh per person for the first tier. The second tier consists of a reduction of 15% in the bill on the next 750 kWh per person/household,

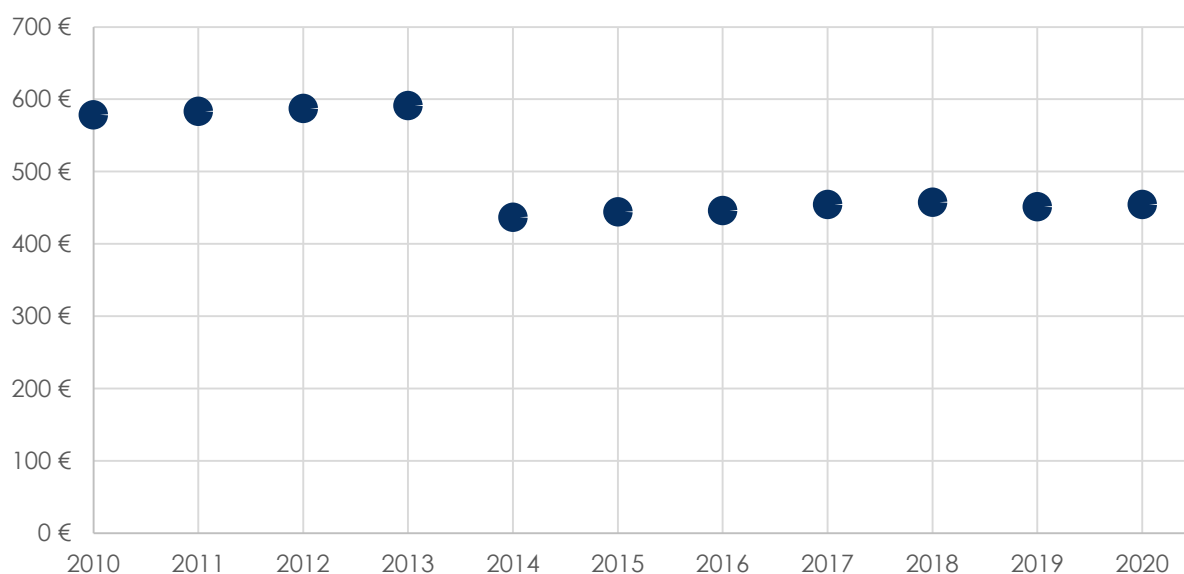
- single person households enjoy a reduction of 25% in their consumption bill if their annual electricity consumption does not exceed the 2000kWh/annum.

The domestic premises tariffs are applicable for electricity consumed in premises intended for domestic use and which are not registered as a primary residence.

The non-residential premises tariffs are applicable for electricity consumed in all the other premises which are not registered either as a primary residence or as domestic premises. Non-residential consumers with a service rating above 100A/phase may choose to be billed on a kVAh tariff. A night and day tariff is available for non-residential consumers with annual consumption exceeding of 5GWh (5.5kGVAh).

During the year under review there were no changes in the retail tariffs for household and non-household customers.

Figure 9: Household electricity bill based on an annual consumption of 3500kWh.



Source: REWS elaboration based on EUROSTAT data.

Figure 9 shows the developments in the household bill between 2010 and 2020 based on a consumption of 3500kWh and the national average electricity price per kWh for the reference band of consumption DC (2500kWh<consumption<5000kWh) as reported by the Maltese National Statistics Office to Eurostat. It should be noted that tariffs and tariff bands are applied pro rata according to the days covered by the bill and therefore a change in the billing period may affect the average price per kWh.

The household tariffs are inclusive of 5% value added tax and 0.0015€/kWh excise duty.

Presently there are no plans for the phasing out of regulated prices.

### **3.2.2(a)iii Prepayment systems**

In Malta there are not prepayment contracts available to customers.

### **3.2.2(a)iv Dynamic price contracts**

In Malta dynamic price contracts are not available. All customers, both household and commercial, are on regulated tariffs and the energy component does not vary with wholesale prices. To note that in Malta there are no liquid wholesale markets.

### **3.2.2(a)v Smart meter use**

Smart meters rolled out by the Maltese DSO Enemalta plc have the following functionalities:

- Remote spot readings for import and export registers, maximum demand, load profiles;
- Time-of-use consumption reading;
- Remote activation and deactivation;
- Remote power limit curtailment;
- Voltage variations data collection;
- Remote meter diagnostics (to detect if meter is healthy or faulty).

Data related to the rollout of Smart Meters in Malta are reported in section 3.2.2(b)vi (Customer consumption data provision).

### **3.2.2(a)vi Switching rate**

Enemalta plc is the only undertaking in Malta holding a licence to supply electricity to final customers and therefore customer switching cannot be implemented in Malta.

### **3.2.2(a)vii Charges for maintenance services**

The regulated electricity retail tariffs in Malta are composed of a fixed annual service charge and a kWh consumption tariff structure. For non-residential consumers a maximum demand charge also applies. No specific charges for maintenance services are applied.

### **3.2.2(a)viii Relationship between household and wholesale prices**

Not applicable since there is no liquid wholesale market in Malta.

### **3.2.2(a)ix Distortion or restriction of competition**

The electricity retail market is not open to competition.

### **3.2.2(a)x Competitive prices**

Not applicable since the electricity market in Malta is not open to competition and all consumers are on regulated tariffs.

### **3.2.2(b) Consumer protection and dispute settlement<sup>22</sup>**

The Electricity Market Regulations (S.L.545.13) transpose the measures related to customer protection provided in Annex I of Directive (EU) 2009/72 and establish the obligation to provide universal service to all household customers by the distribution system operator. The Electricity Market Regulations require also that electricity suppliers provide customers, in or with the bills and promotional materials, information related to the energy sources mix and environmental impact of the electricity supplied.

In addition, customers are to be provided with:

- information concerning their rights as regards the means of dispute settlement available to them in the event of a dispute; and
- contact information of consumers' organisations, energy agencies or similar bodies, including website addresses from which information may be obtained on available energy efficiency improvement measures, comparative end user profiles and, or objective technical specifications for energy-using equipment.

The requirements emanating from the Electricity Market Regulations related to customer protection and provision of information are included in the licence conditions of Enemalta plc as supplier of electricity.

In general, the terms and conditions for the electricity supply service are currently implemented through legislative instruments, mainly, the Electricity Supply Regulations (S.L.545.01) which specify *inter alia* the services and maintenance provided, applicable tariffs, and conditions for termination and renewal. The rights and obligations of customers are detailed in the Customer Charter published by Enemalta plc which constitute the basis of the deemed contract of customers with Enemalta plc.

Since there is only one supplier, the contract for the supply of electricity is automatically of an indefinite nature. In the absence of an open electricity supply market, customer switching is not possible to implement.

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<sup>22</sup> Articles 59.1(o), 59.1(p), 59.1(s), 59.1(t), 59.1(y), 59.1(z), 5.2, 5.3, and 5.4 Directive 2019/944: Complaints by household customers, Disconnection rates, Restrictive contractual practices, Protection of energy poor and vulnerable household customers, Intervention in price setting for vulnerable household customers, Customer consumption data provision, Availability of comparison tools, Obstacles to and restrictions of consumption of self-generated electricity and citizen energy communities.

The Electricity Market Regulations (S.L. 545.13) provides that complaints against the distribution system operator may be referred to the Regulator for Energy and Water Services. The REWS is obliged to issue a decision within four months from the date that a complaint is lodged. The timeframe for the issue of the decision may be extended by a further two months with the agreement of the complainant. Before a decision is issued, the REWS discusses the complaint with the parties involved who may make any submissions that they deem necessary.

Any decision issued by the Regulator for Energy and Water Services under the Act is binding unless overruled on appeal.

An appeal on a decision issued by the Regulator for Energy and Water Services may be lodged to the Administrative Review Tribunal.

No binding decisions related to the disputes or refusals related to connection to the network and/or network tariffs were issued by the REWS during 2020.

### ***3.2.2(b)i Complaints by household customers***

In terms of the Electricity Market Regulations (S.L.545.13) the Regulator carries out the function of an energy ombudsman in order to ensure the efficient treatment of complaints and out-of-court dispute settlements.

Customer complaints must be addressed at the first instance by Enemalta plc or by its contractor ARMS Ltd. ARMS Ltd deals with issues related to billing or meter reading, while Enemalta plc deals directly with issues related to connection to the grid and voltage quality. Enemalta plc is required to retain and update a register of all complaints related to the electricity service and to submit information on an annual basis related to the complaints received and time to respond to such complaints as part of the licence monitoring reports. Currently the complaints register held by Enemalta plc does not distinguish between households and non-household customers.

Customers that cannot resolve their complaint with Enemalta plc following the completion of their complaints handling process may refer their complaint to the REWS for consideration.

The dispute resolution procedures to be followed by the Regulator are established by the (S.L.545.30) Dispute Resolution (Procedures) Regulations published in 2016. Generally, the Regulations require that the REWS is to issue a determination to resolve the dispute within four months from the date on which the dispute is notified to it by a party to the dispute.

During 2020, the Regulator received 28 complaints related to electricity from customers that were not satisfied with the solution provided by the supplier. Most of the complaints were related to billing issues. One of the complained received in 2020 was resolved through a formal decision, which was not appealed by any of the parties.

During 2020 the Office of the Ombudsman informed the Regulator that has received 19 complaints in the energy sector, 16 of which have been investigated.

### 3.2.2(b)ii Disconnection rates

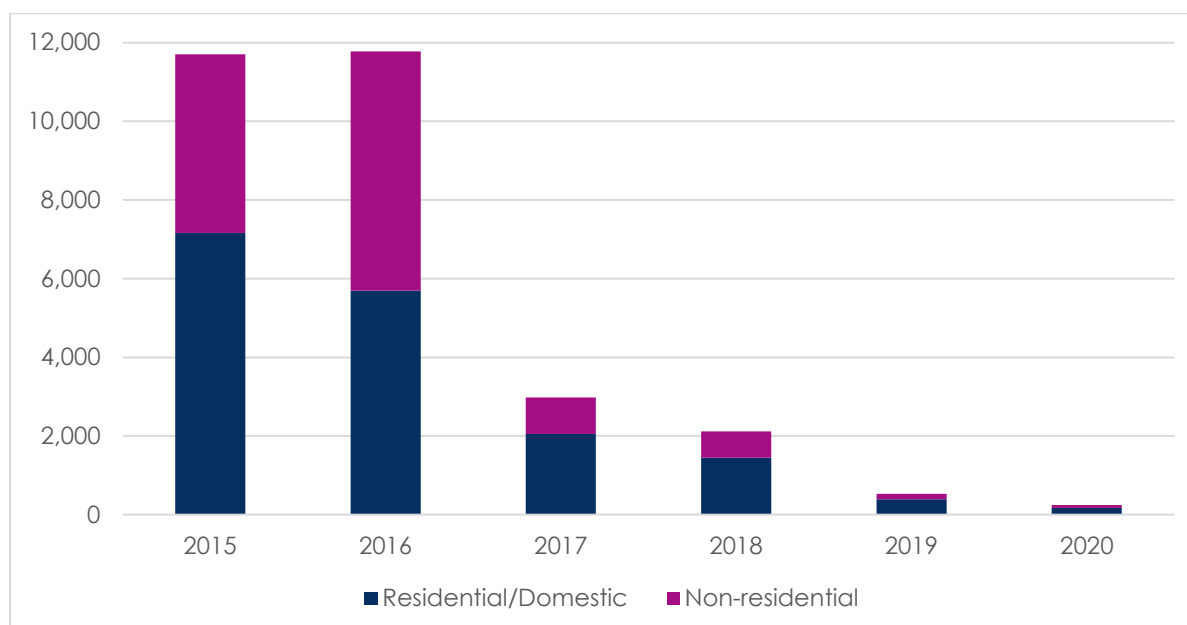
As part of the conditions of its licence, Enemalta plc is required to report to the REWS data related to disconnections of customers for non-payment. The total number of disconnections for non-payment of electricity consumption that was reported to the Regulator for 2020 was 246 of which 167 were household customers and 79 non-household customers. *Table 9* shows the number of disconnections for non-payment between the years 2015 and 2020.

*Table 9: Number of disconnections for non-payment (2015-2020).*

Year	2015	2016	2017	2018	2019	2020
<b>Residential/Domestic</b>	7,162	5,695	2,053	1,447	393	167
<b>Non-residential</b>	4,538	6,082	924	668	135	79
<b>Total</b>	11700	11777	2977	2115	528	246

*Source: Enemalta plc.*

*Figure 10: Number of disconnections between occurred between 2015 and 2020.*



*Source: Enemalta plc.*

In general, a customer failing to pay a bill within 45 days recognised from the date of issue of the bill receives a reminder requesting the settlement of the outstanding amounts within 10 days. In the event of non-payment, the customer receives a final notice to settle amounts due within 7 days otherwise the supply could be suspended. The actual suspension of supply depends on the amount due, the length of time for which the debt has been due and taking into account established thresholds.

In addition, customers who are unable to pay their bills are afforded the facility to enter into an agreement with Enemalta plc to pay their bill by instalments, to avoid disconnection.

### **3.2.2(b)iii Restrictive contractual practices**

According to regulation 21(1)(t) of the S.L. 545.13, the Regulator has the duty to monitor the occurrence of restrictive contractual practices, including exclusivity clauses which may prevent large non-household customers from contracting simultaneously with more than one supplier or restrict their choice to do so. Furthermore, the Regulator has the authority to inform the national competition authorities of such practices. The exercise of the duties emanating from the regulations have to be seen in the context of a market with one supplier of electricity.

### **3.2.2(b)iv Protection of energy poor and vulnerable household customers**

Vulnerable electricity customers are catered for within the social policy framework. The Department of Social Policy has established the criteria whereby certain categories of energy consumers may be eligible to receive energy benefits. The energy benefit amounts are deducted directly from the electricity bills.

Consumers that may benefit from energy benefits include families with low incomes, households having a family member with a disability, families on social assistance or special unemployment benefit, and persons on a pension or a carer's pension.

During the year 2020, the consumers that received energy benefits amounted to 23,666 which represents 9.35% of all household consumers, as shown in *Table 10*.

*Table 10: Vulnerable customers and their share over household customers (2015-2020).*

Year	2015	2016	2017	2018	2019	2020
<b>Number of vulnerable</b>	23,662	24,044	20,488	23,638	23,560	23,666
<b>Share of vulnerable</b>	8.1%	8.84%	8.3%	9.48%	8.55%	9.35%

Source: Enemalta plc.

**3.2.2(b)v Intervention in price setting for vulnerable household customers**

Eligible household customers as determined by the ministry responsible for social welfare on the basis of a number of published criteria are assisted in the paying their bills through energy benefits. Otherwise, there are no specific tariffs for these customers.

**3.2.2(b)vi Customer consumption data provision**

Electricity bills issued to customers include contact details of ARMS Ltd who is responsible for meter reading, billing, debt collections, and the provision of customer relations services on behalf of Enemalta plc, the electricity supply licence holder.

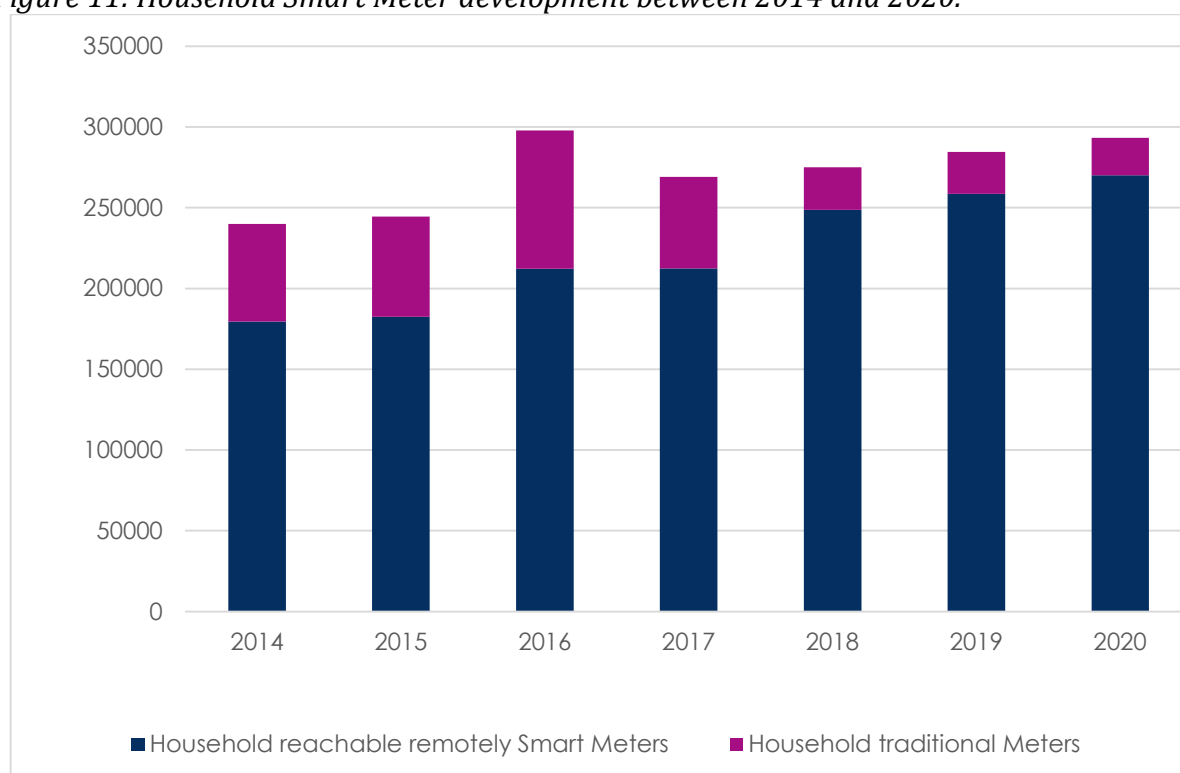
*Table 11: Smart Meter (SM) installation development between 2015 and 2020.*

Year	2015	2016	2017	2018	2019	2020
<b>Total SM reachable remotely</b>	219,760	219,773	243,712	259,822	297,626	310,128
<b>Total Active meters</b>	300,749	310,471	317,747	314,942	336,254	344,232
<b>Share of SM reachable remotely</b>	73.07%	70.79%	76.70%	82.50%	88.51%	90.09%
<b>Household SM reachable remotely</b>	182,454	212,191	212,479	248,672	258,536	270,032
<b>Household Active Meters</b>	244,509	297,792	269,025	275,106	284,572	293,257
<b>Share of Household SM reachable</b>	74.62%	71.25%	78.98%	90.39%	90.85%	92.08%

*Source: Enemalta plc.*

By the end of 2020, 310,128 electricity meters supplying households and non-households were smart meters complete with Automatic Metering Management (AMM) function capability, with an increase of 14.6% over the past year.

Table 11 and Figure 11 report the data relating the smart meters roll out over the past years. It is possible to highlight that at the end of 2020 this technology represents 92.08% of household meters active in Malta.

*Figure 11: Household Smart Meter development between 2014 and 2020.*

*Source: Enemalta plc.*

In general, households not yet provided with a smart meter, receive bills calculated on actual consumption at least every six months, while households provided with a smart meter connected to the Automatic Metering Management (AMM) receive bills based on actual readings on a bimonthly basis. The frequency of actual bills for non-household consumers varies from one month to six months.

The bill includes a breakdown of the bill calculations, total electricity consumption for the period covered by the bill, the average consumption per day, applicable tariffs, and CO<sub>2</sub> emissions. The bill also includes the consumption related to the previous year and projections for electricity annual consumption.

Where the customer is also a producer of renewable electricity, the bill includes the number of units generated and exported to the grid together with a breakdown of the calculation of the revenue due from the sale of the electricity to Enemalta plc. Most of the electricity generated from renewable energy and exported to the grid is produced by solar photovoltaic installations. In general, the metering set-up used in the case of customers who are also producers consists of a generator meter and import-export meter thus customers who self-consume the electricity produced can keep track of their consumption.

Customers have the possibility to register on the ARMS Ltd portal to have access to a detailed breakdown of unpaid bills and history of previous bills and payments.



***3.2.2(b)vii Availability of comparison tools***

There is no scope for comparison tools since electricity tariffs in Malta are regulated and there is only one electricity supplier.

***3.2.2(b)viii Obstacles to and restrictions of consumption of self-generated electricity and citizen energy communities***

The consumption of self-generated electricity has always been an option available to owners of generators. The specific provisions of the Directive (EU) 2019/944 related self-generated electricity and citizen energy communities have been transposed national legislation in the Electricity Regulations (S.L.545.34) taking into consideration the derogations under Article 66 of Directive (EU) 2019/944.

## 4 - THE GAS MARKET

Since the year 2017, LNG (Liquified Natural Gas) is imported through an LNG facility consisting of a floating LNG Floating Storage Unit (FSU) and an onshore Regasification Unit (RU) on the Delimara site. The FSU has an LNG storage capacity of 125,000 m<sup>3</sup> and the regasification plant with a maximum natural gas output rate of 89,000 Nm<sup>3</sup>/hr of natural gas.

The capacity of the LNG terminal is fully contracted to supply natural gas to two electricity generation plants, DPS-3 (owned by D3 Power Generation Ltd.) and DPS-4 (owned by ElectroGas Malta Ltd). The regasification plant is designed to meet simultaneously the full natural gas load required by DPS-3 and DPS-4.

ElectroGas Malta Ltd has a licence to carry out the functions of an LNG system operator and an authorisation to import LNG and to supply natural gas to the two electricity generation plants, issued under the Natural Gas Market Regulations (S.L. 545.12).

At present in Malta there is no transmission or distribution of natural gas, and therefore no TSO or DSO is operating in the gas sector.

During 2020 the REWS continued to monitor the regulatory aspects related to the proposed Melita TransGas Pipeline (MTGP) - Project of Common Interest (PCI) 5.19 that will connect Malta to the European gas transmission network in Gela (Italy).

### 4.1 NETWORK REGULATION

#### 4.1.1 Network and LNG tariffs for connection and access<sup>23</sup>

The capacity of the LNG terminal is fully contracted to supply natural gas to the power plants DPS-3 and DPS-4 and LNG terminal tariffs form part of the fees payable by Enemalta plc to ElectroGas Malta Ltd in terms of the gas and electricity supply agreements concluded pursuant to a tendering procedure.

#### 4.1.2 Balancing<sup>24</sup>

Not applicable since there is no gas transmission system established in Malta.

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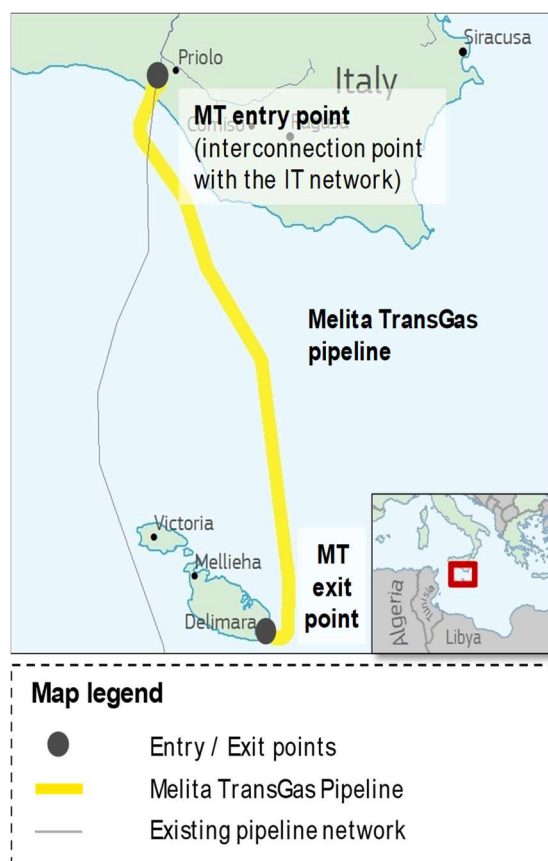
<sup>23</sup> Articles 41.(1)(a), 41.6(a), 41.1(s), 41.1(n) Directive 2009/73: Tariff regulation methodology, Connection and Access to national network access tariffs methodology, Access to storage facilities, linepack and other ancillary services.

<sup>24</sup> Articles 41.(6)(b) Directive 2009/73.

### 4.1.3 Cross-border issues<sup>25</sup>

During 2020 the Regulator has continued to monitor the work on the planned natural gas transmission pipeline that will connect Malta (Delimara) to the Italian natural gas grid in Gela.

Figure 12: Geographical project overview of MTGP.



Source: Investment Request for the Melita Transgas pipeline project-17 April 2019.

The Melita TransGas Pipeline (MTGP) project consists of a natural gas pipeline with a capacity of 2 bcm/year, diameter of 22” (DN 560) and an approximate length of 159km (151 km offshore, 7 km onshore in Sicily and 1km onshore in Malta). Notwithstanding the design catering for bi-directionality, MTGP will initially be utilized in the direction Italy to Malta with a maximum operational capacity of 1.2 bcm/year.

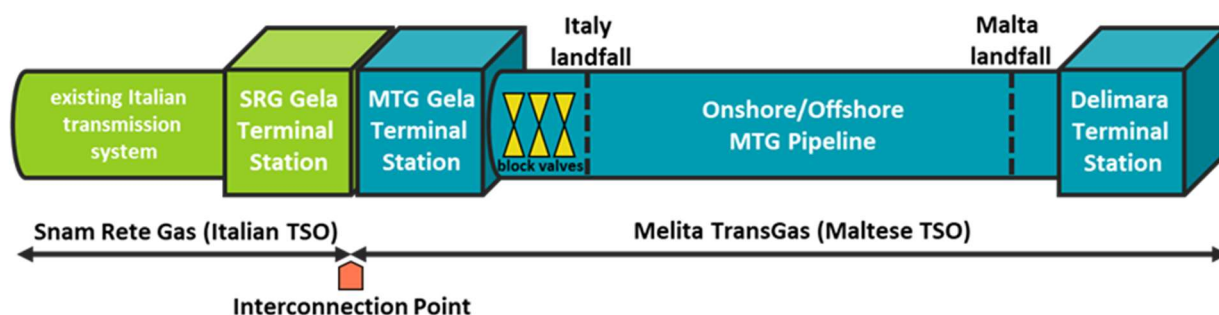
Additionally, MTGP can be designed to allow the transport of a blend of hydrogen and/or biomethane with natural gas.

The MTGP will reach the aims to end Malta’s isolation from the European gas network, to integrate it in the EU gas market and to improve its security of energy supply.

The MTGP was identified as a Project of Common interest (PCI 5.19) under the priority corridor “North-South gas interconnection in Western Europe” in the first PCI list in 2013, and subsequently confirmed in the second, third and fourth PCI lists, in 2015, 2017 and 2018 respectively, and is a candidate for inclusion in the fifth PCI list in 2020.

<sup>25</sup> Articles 41.6(c), 41.9, 41.10, 41.11, 41.1(c), 41.1(g) Directive 2009/73: Access to cross-border infrastructure including allocation and congestion management, Cooperation agreements/activities between NRAs regarding cross-border issue, Monitoring Community-wide network development plans, PCIs and national development plans.

Figure 13: Components of the MTGP and the interface with the Italian gas network



Source: Melita TransGas Co.

#### 4.1.4 Implementation of Network Codes and guidelines<sup>26</sup>

The MTGP will establish the first natural gas transmission infrastructure in Malta, and therefore a tariff methodology needs to be established for the access to this infrastructure. Commission Regulation (EU) 2017/460 (TAR NC) sets out the rules on harmonised transmission tariff structures for gas, including rules on the application of a reference price methodology, the associated consultation and publication requirements as well as the calculation of reserve prices for standard capacity products. Although the TAR NC does not apply to Member States granted a derogation under Article 49 of Directive 2009/73/EC, and Malta has a derogation from Article 9 of Directive 2009/73/EC, the tariff methodology for the MTGP will follow the TAR NC as far as applicable. This in view of the fact that the MTGP would connect Malta to the European grid and the entry/exit point on the Italian side and would be subject to auction therefore it is deemed important that for harmonization the tariff methodology should follow the reference price methodology prescribed by the TAR NC. This also applies also for other relevant requirements of the TAR NC.

On the 15<sup>th</sup> of June 2020 MTG Co. (the project promoter) launched a Public Consultation about the Maltese Gas Transmission System Reference Price Methodology in accordance with Commission Regulation (EU) 2017/460. Simultaneously, the Regulator for Energy and Water Services launched a Public Consultation on discounts, multipliers and seasonal factors in accordance with Article 28 of the same Regulation. Both Consultations ended on the 16<sup>th</sup> of August 2020.

In approving the Tariff methodology for the Maltese Gas Transmission System, the Regulator will duly take into consideration this consultation process.

<sup>26</sup> Capacity Allocation Mechanisms (CAM NC, Regulation (EU) 2017/459), Balancing (BAL NC, Regulation (EU) 312/2014), Interoperability and Data Exchange (INT NC, Regulation (EU) 2015/703), Tariff (TAR NC, Regulation (EU) 2017/460).

With regard to the Incremental Capacity process initiated in July 2019, on the 20<sup>th</sup> of January 2020 Melita TransGas Company Ltd, together with the Italian TSO Snam Rete Gas S.p.A. (SNAM) launched a public consultation on Incremental Capacity for establishing a new gas interconnection point between Malta and Italy according Regulation (EU) 2017/459 (CAM NC). The consultation closed on the 13<sup>th</sup> of March.

## **4.2 Competition and market functioning**

### **4.2.1 Wholesale market**

At present there is no wholesale gas market in Malta and no transmission or distribution gas system is present. The only gas infrastructure available is an LNG terminal that was developed by ElectroGas Malta Ltd as part of a gas and power supply contract, with its full capacity dedicated to supply natural gas for electricity generation to two power plants (one owned by ElectroGas Malta Ltd, the other owned by D3 Power Generation Ltd) located adjacent to the terminal.

#### ***4.2.1(a) Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition<sup>27</sup>***

Since the 7<sup>th</sup> of December 2020, ElectroGas Ltd is reporting Urgent Market Messages on the GME portal. This information is accessible at the following electronic address: <https://pip.ipex.it>. This disclosure of inside information is done in accordance with Article 4(a) REMIT Regulation and with ACER Guidance on the REMIT application and covers the unavailability of electricity and gas facilities (namely the Re-gasification Plant and D4 Power Station) that are likely to significantly affect wholesale energy prices and other relevant market information.

### **4.2.2 Retail Market**

#### ***4.2.2(a) Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition<sup>28</sup>***

Not applicable since there is no retail market for natural gas.

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<sup>27</sup> Articles 41.1(i), 41.1(j), 41.1(k), 41.1(l), 41.1(u) Directive 2009/73: Monitoring transparency, market opening and competition, Restrictive contractual practices, Contractual freedom of supply contracts, Data exchange processes.

<sup>28</sup> Articles 41.1(i), 41.1(j), 41.1(k), 41.1(l), 41.1(u) Directive 2009/73: Monitoring transparency, market opening and competition, Restrictive contractual practices, Contractual freedom of supply contracts, Data exchange processes.

### 4.2.3 Consumer protection and dispute settlement<sup>29</sup>

Not applicable since there is no retail market for natural gas.

## 4.3 – Security of Supply<sup>30</sup>

Under the Natural Gas Market Regulations, the REWS has the responsibility to monitor the balance between supply and demand of natural gas, the level of expected future demand and available supplies, envisaged additional capacity being planned or under construction, quality and level of maintenance of the networks, as well as measures to cover peak demand and to deal with shortfalls of one or more suppliers.

Data for LNG imports and consumption of natural gas is collected from ElectroGas Malta Ltd. During the year under review ElectroGas Malta reported no major incident affecting the Security of Supply.

REWS is not the competent authority for security of natural gas supply within the meaning of Regulation (EU) 2017/1938 concerning measures to safeguard the security of gas supply. However, as prescribed by the Preventive Action Plan and by the Emergency Plan submitted to the EU Commission in January 2020, the Regulator provides to the Crisis Manager (the Permanent Secretary of the Ministry for Energy, Enterprise and Sustainable Development) a monthly report addressing gas supply/ demand/stock levels and forecast use, collecting information provided by gas facility operators and the electricity system operator.

### 4.3.1 Monitoring balance of supply and demand

LNG import in Malta started in 2017. The total amount of LNG imported to Malta during 2020 was 3,955 GWh (HHV). The total amount of natural gas delivered to the electricity generation plants during 2019 was 4,112 GWh (HHV with an increment of 13% over 2019). This increment is partially attributed to the unavailability of the electricity interconnector Italy -Malta during the first two and half months of 2020.

During 2020 all the importation of LNG was from non-EU Member States.

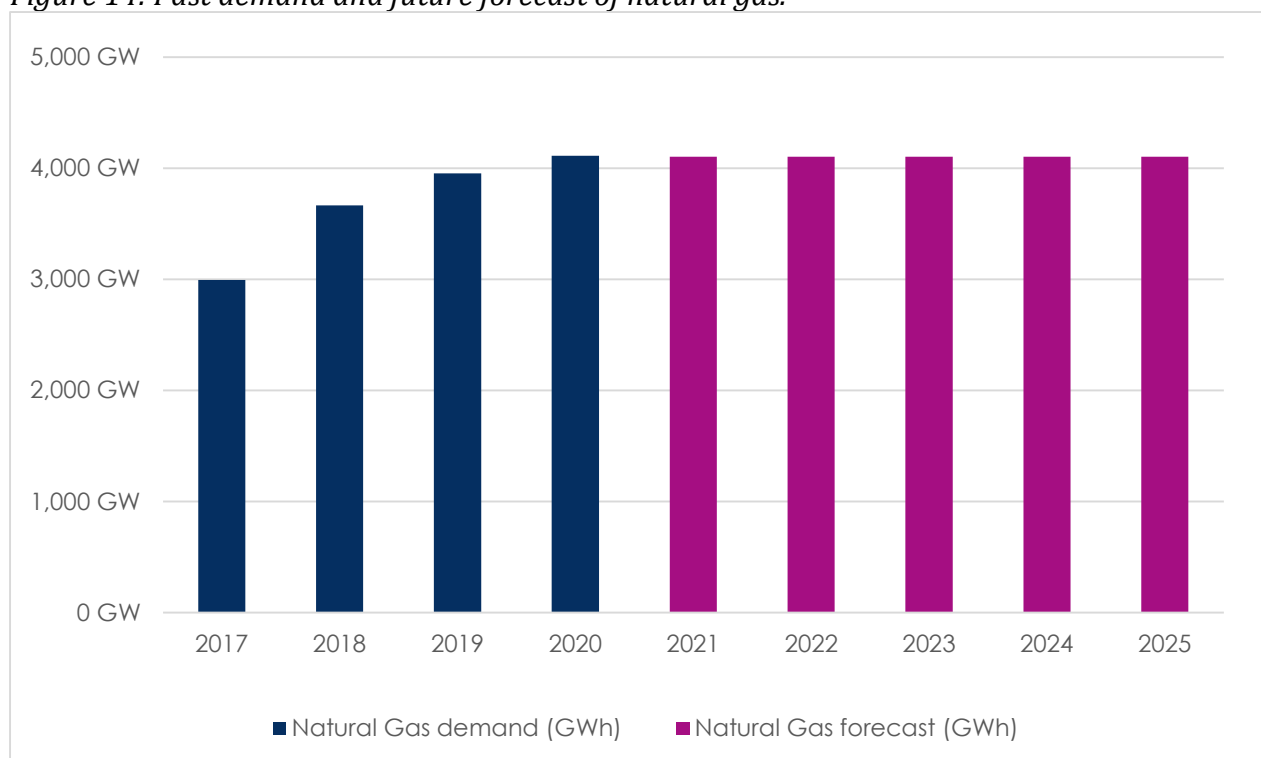
The demand of natural gas for electricity generation for the next 5 years is forecasted to remain stable at a value of 14 million MMBtu per year (4,103 GWh per year). This data is reported and compared with previous year demand in *Figure 14*.

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<sup>29</sup> Annex 1, Articles 41.1(o), 41.1(q), 41.11, 41.4(e) Directive 2009/73: Measures on Consumers protection, Ensuring access to consumption data, dispute settlement and rights of investigation.

<sup>30</sup> Articles 41.1(t) and 41.1(h) Directive 2009/73: Safeguard measures and Security and reliability standards.

Figure 14: Past demand and future forecast of natural gas.



Source: Electrogas Ltd and Enemalta plc.

### 4.3.2 Measures to cover peak demand or shortfalls of suppliers

ElectroGas Malta, the LNG system operator and importer of LNG and supplier of natural gas, is contractually bound in terms of a gas supply contract, to maintain at all times, a minimum stock of LNG of 20,000 m<sup>3</sup>.

The average daily consumption of LNG during the year was 11.3GWh, while the peak daily consumption was 16.0 GWh. The gas consumption peaked on the 22<sup>nd</sup> of August.

Presently, in the event of a shortage of natural gas, the oil-based generation plants owned by Enemalta plc, the dual fuel part of DPS-3 and the interconnection to the Italian electric grid are expected to act as a backup reserve capacity to meet the electricity demand.