



Malta's Report to the European Commission on
the Implementation of Directive 2009/72/EC,
Directive 2009/73/EC and Directive
2005/89/EC

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1 Foreword

The year 2015 saw the establishment of the Regulator for Energy and Water Services through the Regulator for Energy and Water Services Act which entered into force on 31st July 2015. The Regulator for Energy and Water Services took over the functions of the Malta Resources Authority (MRA) with respect to regulation of energy and water services including the regulatory aspects emanating from the Third Energy Package and Remit.

This report covers the REWS' annual reporting obligation to the European Commission, in accordance with the requirements of Directive 2009/72/EC concerning common rules for the internal market in electricity, Directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investment and Directive 2009/73/EC concerning common rules for the internal market in gas.

The structure of this report is in accordance with the recommendations of the European Council of Energy Regulators' (CEER).

In view of the fact that there is no natural gas market in Malta, the report focuses mainly on the internal electricity market and covers the year 2015.

2 **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 2015.

Major Developments

Establishment of the Regulator for Energy and Water Services

The Regulator for Energy and Water Services Act entered into force on 31st July 2015. The Act provides for the establishment of a Regulator, known as the Regulator for Energy and Water Services (REWS) with the regulatory functions relating to energy and water services previously handled by the Malta Resources Authority (MRA).

The REWS Act brought into line, in accordance with certain obligations under the Third Energy Package, national provisions related to the powers and independence of the national regulatory authority for energy. The Act provides for greater focus on and increased consumer protection.

Salient features of the Act related to powers and independence of the REWS:

- Members of the Board of the Regulator are appointed by the Minister for a term of five years or for such longer period as may be specified in the instrument of appointment subject to a maximum term of seven years but the members so appointed may be re-appointed, once only, on the expiration of their term of office for a term of five years or for such longer period as may be specified in the instrument of appointment subject to a maximum term of seven years. A rotation scheme for the appointment of the members of the Board of the Regulator is in place, in terms of which the end date of the term of office of the Board members is not the same for all members.
- A member of the Board of the Regulator may only be removed from office by the Minister if such member is unfit to continue in office for any one or more of the following reasons:
 - if the member is found unable to act independently from any market interests,
 - if the member is found taking instructions or directions from any other public or private entity in the exercise of the regulatory functions assigned to the Regulator, where such member has been found guilty of misconduct under any law.

The main functions of the Regulator as prescribed in the REWS Act are the following:

(a) to regulate, monitor and keep under review all practices, operations and activities relating to energy and water services and resources;

(b) to grant any licence, permit or other authorisation, for the carrying out of any operation or activity relating to energy and water services and resources;

(c) to regulate and secure interconnectivity for the production, transmission and distribution of the services or products regulated by or under this Act;

- (d) to promote fair competition in all such practices, operations and activities and to monitor the occurrence of restrictive contractual practices, and where appropriate in collaboration with the authority responsible for competition;
- (e) to establish minimum quality and security standards for any of the said practices, operations and activities and to regulate such measures as may be necessary to ensure public and private safety;
- (f) to secure and regulate the development and maintenance of efficient systems in order to satisfy, as economically as possible, all reasonable demands for the provision of the services regulated by or under this Act;
- (g) to regulate the price structure for any activity regulated by this Act and where appropriate to establish the mechanisms whereby the price to be charged for the acquisition, production, manufacture, sale, storage and distribution thereof is determined;
- (h) to establish the minimum qualifications to be possessed by any person who is engaged or employed in any activity regulated by or under this Act;
- (i) to ensure that international obligations entered into by the Government relative to the matters regulated by or under this Act are complied with, in particular, the implementation of the regulatory functions envisaged in the Electricity and Gas market directive and the Energy Charter Treaty;
- (j) to submit its opinion to Government on the formulation of policy in relation to matters regulated by this Act, and in particular in relation to such international obligations;
- (k) to promote the interests of consumers and other users in Malta, particularly vulnerable consumers, especially in respect of the prices charged for, and the quality and variety of the services and, or products regulated by or under this Act;
- (l) to determine disputes in relation to matters regulated by or under this Act;
- (m) to undertake effective stakeholder and regulated entity involvement and consultation when preparing its positions and actions.

Under the Electricity Market Regulations and Natural Gas Market Regulations the REWS has taken over from MRA the following powers:

- **Authorisation and Licences:** The construction of an electricity generating station, LNG facility and natural gas infrastructure require an authorisation from REWS. The generation and supply of electricity must be performed under a licence issued by REWS. The supply of natural gas requires an authorisation from REWS. The activities of Distribution System Operator (DSO) for electricity and gas, the LNG system operator, gas storage system operator are also licensed by the REWS.
- **Compliance orders:** The REWS may issue a compliance order against any person who in its opinion has contravened any of the provisions regulations or condition of a licence issued under these regulations.
- **Licence Revocation:** In certain circumstances set out in these regulations and licences issued there under, the REWS may revoke a licence.
- **Decisions:** The REWS has powers under both sets of regulations to act as dispute settlement authority with respect to complaints of customers against the distribution system operator in relation to that operator's obligations under these regulations. A

decision issued by REWS has a binding effect unless and until overruled on appeal to the Administrative Tribunal.

- **Administrative fines:** The REWS may impose an administrative fine upon any person who in its opinion is in breach of any provision under these regulations or who fails to comply with any compliance order or decision given by the Regulator in ensuring compliance with these regulations. The administrative fines imposed on undertakings, including a vertically integrated undertaking or a body corporate, may be of up to ten per cent of the annual turnover concerned in the preceding business year.

The Regulator retains regulatory functions relating to the activities and operations related to the importation, storage and sale of Petroleum products previously carried out by the MRA. At the same time, by virtue of this Act other new functions were placed under the remit of REWS such as Central Stock Holding Entity for Security Stocks in accordance with Directive 2009/119/EC and a Dispute Resolution function. As provided for by this Act, all assets and liabilities as well as rights and obligations under any contract entered into by the MRA (except contracts related to mineral resources) have been transferred to the REWS.

Electricity generation and security of supply

During the year 2015 the electricity system in Malta was connected to the European Grid with the coming into operation of the 200MW HVAC 220kV electricity interconnector between Italy (Sicily) and Malta. The two electricity systems were synchronized for the first time on the 24th March 2015. Programmed electricity imports through the interconnector started in April 2015. During the year 2015 the interconnector contributed 1022 GWh to the units sent out to the Maltese grid meeting 45% of the demand in 2015.

The electricity generation market is open to competition and generators may produce electricity for their own consumption and/or sell to Enemalta plc. Enemalta plc remains the main local producer of electricity with the exception of a number of relatively small producers producing electricity from renewable energy sources. The local fossil fuel generation nominal capacity as at the end of 2015 was 580MW.

In the year under review the total amount of electricity sent out to the grid from all generators and imports was 2240GWh while the peak system demand was 439MW. The peak in demand which occurred on the 3rd August 2015 at 13:15hrs represents the highest peak demand in MW ever reported by Enemalta plc.

D3 Power Generation Ltd, the owner, as from December 2014, of the Delimara 3 electricity generation plant with a capacity of 149MW, submitted an application for a generation licence in view of its plans to take over the operation of this plant from Enemalta plc. The transfer of the operations of Delimara 3 plant and the licence regulating such operations is expected to come into force in 2016 after the conversion of the Delimara 3 plant to natural gas.

During 2015, the Regulator continued the processing of the application from ElectroGas Malta Ltd for authorisation to construct a 215MW CCGT plant (Delimara 4) at Delimara Power Station.

Development of renewable energy

The electricity generation capacity from renewable energy sources installed by the end of 2015 was 76MWp. The generation capacity for renewable electricity is composed mainly of solar photovoltaic installations which during the year 2015 increased by 19MWp and thus representing an increase in installed capacity of 34.5% in one year. The Regulator continued to administer grant schemes for the purchase of solar photovoltaic installations targeting households. The allocation of the feed-in tariff for electricity exported to the grid from solar photovoltaic installations is also administered by the Regulator.

Electricity distribution and retail

The retail of electricity is not open to competition.

Enemalta plc continues to perform the functions of distribution system operator and that of the sole supplier of electricity to final customers. Meter reading, billing and customer relationship are performed by ARMS Ltd., which is a subsidiary company of Enemalta plc and Water Services Corporation.

All customers of electricity remain on a regulated retail tariff. During the year under review the electricity retail tariff for non-residential customers were revised. In general, the revision of tariffs resulted in a reduction in the electricity tariffs and consumption bills for the non-residential sector.

Smart meters

The electricity meters replacement program continues with the total number of smart meters installed reaching 219760 by the end of the year. This means that by the end of the year under review 73.1% of the electricity meters were replaced by smart meters.

Natural gas infrastructure

There are no gas interconnections with other countries.

Electrogas Malta Ltd continued the work on the natural gas infrastructure consisting of a floating FSU and re-gasification plant onshore continued. This infrastructure will enable the importation of LNG and its re-gasification for use in the electricity generation plants.

The natural gas project proposed by Malta consisting of a floating LNG terminal, connected to Malta and Sicily pipeline was approved by the EU Commission and included in the 2nd list of Projects of Common European Interest (PCI) in the North-South gas interconnections in Western Europe ("NSI West Gas") corridor.

3 The Electricity Market

3.1 Network Regulation

3.1.1 Unbundling

Report on TSO certification, DSO provisions regarding branding and resources and new developments regarding certification revisions

- o Articles 10,11 2009/72/EC and Article 3 Regulation (EC) 714/2009
- o Article 26

Directive 2009/72/EC and Directive 2005/89/EC were transposed into national law through the Electricity Market Regulations (S.L.545.13). These regulations take into account the derogations granted to Malta by virtue of Article 44 of Directive 2009/72/EC from the requirements of Article 9 (Unbundling of transmission systems and transmission system operators) and Article 26 of Directive 2009/72/EC (Unbundling of distribution system operators). Therefore these two articles do not apply to Malta.

There are no transmission systems or transmission system operators in Malta. During the year under review, there were no requests to the Regulator for the designation and/or certification of transmission system owners or operators.

The electricity distribution system covering the whole country remains under the responsibility of one distribution system operator which forms part of a vertically integrated company, Enemalta plc. Unbundling is required at internal management accounts level only.

3.1.2 Technical functioning

- o Balancing services (Article 37(6)(b), Article 37(8))

The interconnector Italy-Malta is operated by the distribution system operator in Malta in coordination with the transmission system operator in Italy, Terna. According to this arrangement the Maltese electricity system is being treated as a virtual consumption and production point connected to the Italian transmission grid. The electricity system balancing is carried out by Enemalta plc in coordination with transmission system operator in Italy, Terna.

During the year 2015, L'Autorità per l'energia elettrica il gas e il sistema idrico (AEEGSI) launched a public consultation related to the review of the provisions concerning the dispatch regime applicable to the Italy – Malta interconnection and other grid interconnections with foreign countries operated without control of planned energy exchanges.. Mainly the consultation of AEEGSI dealt with the methodology to be applied for the settlement of imbalances and the application of the levies in relation to the costs of reserves procured from the dispatching services market in the case of the Italy-Malta electricity interconnection and other interconnections operated without control of the planned energy exchanges. The consultation was followed by a decision of AEEGSI (Decision 549/2015/R/EEL) issued on the

20th November 2015. In this decision, AEEGSI determined that in the case of the interconnection Italy-Malta the imbalances should be settled in accordance with the methodology of Article 40, paragraph 3 of the AEEGSI decision 111/06. However, as a transitional measure and only for the year 2016, imbalances not exceeding 1MWh per hour would be settled at the day-head price for the relevant hour and zone. The decision of AEEGSI regarding the payment for reserves by the Enemalta plc has been postponed until further assessments are carried out by Terna in relation to the impact of the Maltese system on the dispatching services in Italy.

Independent power producers connected to the network do not have balancing responsibilities.

- Security and reliability standards, quality of service and supply (Article 37(1)(h),)

Report relevant security and reliability regulation and data

Enemalta plc is required to provide the Regulator with information related to the quality of service. The information provided with respect to customer minutes lost is based on supply interruption (planned and unplanned) data at 11kV substation level.

Table 1 provides estimates based on this information for the total duration (minutes/yr) of interruption for the average customer for the period 2010–2015 due to planned and unplanned interruptions at 11kV or higher voltages. The figures for customer minutes lost due to both planned and unplanned interruptions for 2015 represent a significant overall improvement over the previous year. There was a marked decrease in unplanned interruptions attributed to incidents on the generation side.

Table 1: Duration of interruption for an average customer (minutes per year) 2010-2015

| SAIDI | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-------|------|-------|--------|-------|-------|
| Planned interruptions(customer minutes lost): | 72.6 | 69 | 80.4 | 61.04 | 207 | 172.8 |
| Unplanned interruptions(customer minutes lost): | 620.6 | 191 | 286.2 | 360.04 | 570.6 | 54.6 |
| Overall (customer minutes lost): | 693.2 | 260 | 366.6 | 421.08 | 777.6 | 227.4 |

Source: Enemalta plc

The Regulator receives from Enemalta plc the information related to number of interruptions, average duration of an interruption and restoration time. For the year 2015 the number of planned interruptions affecting the 11kV level was 743 and the number of unplanned interruptions was 275.

The average number of planned and unplanned interruptions per customer was 0.63 and 2.49 respectively. The average duration of a planned interruption was 1.44 hours and that of an unplanned was 1.16 hours. Based also on the information provided 93.3% of the customers who suffered an interruption in supply due to incidents occurring at 11kV level or above had their supply restored within 3 hours. This also represents an improvement over the previous year.

Enemalta plc is also required by the Regulator as part of the licence conditions to prepare security and planning standard defining quality of supply objectives together with minimum security objectives to be met.

In relation to voltage quality, in addition to the data collected from the distribution system, the Regulator also commissioned a survey involving a 106 different low voltage customer connection points. The survey involved the measurement of a number of voltage quality parameters at the selected customer connection points. The survey was mainly carried out in 2014 and the conclusions were finalised during 2015. The results are subject to discussion with the distribution system operator.

- Monitoring of time taken to connect and repair (Article 37(1)(m))

Clarify here at least if there is in your country a definition for “time to connect” for consumers and for producers

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

There is no definition established by law for the time to connect customers and producers to the network. However, in general in case of noncomplex 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 provision of service connection and electricity meter. Normally the activation of the service occurs on the same day the electricity meter is installed. Activation of the service is understood to be either the possibility to import or export though the metering equipment provided by the distribution system operator.

The average time for the provision of a new service connection not requiring the construction of a new substation during 2015 as reported by the distribution system operator is 20.3 days. This represents a decrease in the average time taken to provide a service when compared to the previous year when the average time was 21.3 days.

According to the information provided by the Distribution System Operator, the average time taken for connecting RES generators to the distribution system which includes the provision of the necessary metering equipment is 14 days for 2015. This represents an improvement on the previous year. Normally RES generators are provided with a generator meter and import/export meter.

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

- Monitoring safeguard measures (Article 37(1)(t))

No crises in the energy system occurred in Malta in 2015 which would have required the implementation of safeguard measures as described in Article 37(1)(t) and Article 42 of Directive 2009/72/EC

The Oil Disruption Emergency Plan, prepared in line with Legal Notice 109 of 2013 EU Council Directive 2009/119/EC takes into consideration the fuels used for power generation. In 2015 the final draft of the plan was prepared for public consultation which is expected to take place in 2016.

Enemalta plc is also required by the licence to prepare and submit to the Regulator emergency Response and Security Plans for the distribution system and the power stations.

- RES regulatory framework: Report on connection, access and dispatching regimes for RES-E, in particular on priority issues. Report also on the balancing responsibility for RES-E. (Article 11 Regulation (EC) 713/2009)

The Electricity Market Regulations (S.L.545.13.) subject to fulfilment of the requirements related to the maintenance of the reliability, safety and stability of the distribution system and based on transparent and non-discriminatory criteria as defined by the Regulator, state that the distribution system operator (DSO) is obliged to

- (a) guarantee the distribution of electricity produced from renewable energy sources wherever technically feasible and with regard to system stability;
- (b) provide for priority access to the distribution system of electricity produced from renewable energy sources;
- (c) give priority to generating installations using renewable energy sources in so far as the secure operation of the national electricity system permits and based on transparent and non-discriminatory criteria.
- (d) ensure that appropriate distribution system and market-related operational measures are taken in order to minimise the curtailment of electricity produced from renewable energy sources.
- (e) report to the regulator if any significant measures are taken to curtail the renewable energy sources in order to guarantee the security of the national electricity system and security of energy supply and indicate corrective measures that will be taken to avoid inappropriate curtailment.

Generators producing electricity from renewable energy sources do not have balancing responsibilities.

The distribution system operator did not report any curtailment of renewable energy during the year under review.

3.1.3 Network tariffs for connection and access

- Article 37(1)(a), Article 37(6)(a), Article 37(8), Article 37(10), Article 37(12), Article 37(3)(c) and (d)

Report on relevant new tariff regulation provisions

In view of the derogation granted to Malta from Article 32 (Third Party Access) of Directive (2009/72/EC) any independent power producer connected to the distribution network is obliged to sell all 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.

The charges for connecting to the network and/or methodologies for the determination of such charges are established by the Electricity Supply Regulations. These provisions apply for all users wishing to connect to the network. There were no changes in the year under review.

- Prevention of cross-subsidies (Article 37(1)(f))

Specify the methodology used in tariff regulation (i.e. cost plus vs incentive regulation), the method of checking undertaking's cost data, methodology for allocation of costs to grid users and if benchmarking is used please describe methodology used by NRA

As already explained earlier on in this report the network costs are covered by the retail tariff and there are no separate tariffs for the network. The method used for tariff regulation is based on the full cost recovery.

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, auditing of the published corporate accounts of such electricity undertakings have to verify compliance with the requirement to avoid cross subsidization.

Enemalta plc is the only undertaking licensed to carry out all the three activities of generation, distribution and supply together.

The license monitoring reports include the requirement for submission by Enemalta plc of separate profit and loss accounts and balance for sheets for each of the three activities.

3.1.4 Cross-border issues

- Access to cross-border infrastructure, including the procedures for the allocation of capacity and congestion management (Article 37(6)(c), Article 37(8), Article 37(9), use of revenues for interconnectors (article 37(3)(f)),

Report in particular on cases where specific cross-border cooperation between NRAs happened besides the general activity of the NRA in the frame of ACER/FG

The Regulator was not involved in specific cooperation activities with other NRA's in relation to capacity allocation and congestion management.

- Monitoring technical co-operation between Community and third-country TSOs (Article 37(1)(s))

Not applicable.

- Monitor TSO investment plans in view of TYNDP art 37(1)(g), PCIs, also national development plans

As previously stated in section 3.1.1, there is no TSO in Malta. The development of the distribution network and interconnections with other countries is currently under the responsibility of the distribution system operator.

The distribution system operator is required to provide information regarding the development of the network assets and new connections to the network of users. The Regulator continued to monitor the progress in the implementation of the Italy (Sicily)-Malta electricity interconnector. This interconnector consists of a HVAC 200MW link at 220kV. After the completion of the commissioning phase of the Italy (Sicily)-Malta interconnector the Maltese and Italian electricity systems were synchronised for the first time on the 24th March 2016 at around 20:00hrs. Programmed electricity imports through the interconnector started as from April 2016.

The Regulator continues to monitor the development of the distribution network through specific reports required by the licence.

There are no PCI (European Projects of common interest) related to electricity infrastructure involving Malta.

- Cooperation (Article 37(1)(c))

Other relevant cooperation agreements/activities of the NRA besides the RI

The Regulator continues to cooperate with AEEGSI with respect to the electricity interconnector Malta-Italy (Sicily).

3.1.5 Compliance

- Compliance of regulatory authorities with binding decisions of the Agency and the Commission (Article 37(1)(d)) and with the Guidelines (Article 39))

No binding decisions of the Agency or the Commission that required specific actions to be taken by the Regulator..

- Compliance of transmission and distribution companies, system owners and electricity undertakings with relevant Community legislation, including cross-

border issues (Article 37(1)(b), Article 37(1)(q), Article 37(3)(a),(b),(e) and Article 37(5) all but (a) and (c) + imposing penalties (Article 37(4)(d))

No compliance issues were identified in 2015.

3.2 Promoting competition

3.2.1 Wholesale markets

Please provide a brief illustration of the state of competition of wholesale market and the main changes in the recent year

There is no wholesale electricity market in Malta.

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

- Article 37(1)(i),(j) (k), (l) (u) and Article 40 (3)

Report separately the three issues: prices, transparency and effectiveness of competition. In particular regarding prices report on fundamentals, price developments and liquidity. Regarding transparency report on the access to prices and on how robust prices are and if at national level transparency obligations regarding pricing exist.

There is no wholesale market for electricity in Malta.

3.2.2 Retail market

Please provide a brief illustration of the state of competition of retail market and the main changes in the recent year

Retail Market overview

The situation in the electricity retail market remains unchanged. Malta has been granted a derogation from the requirements of Article 33(Market opening and reciprocity) of Directive 2009/72/EC. There is no competition in the retail of electricity. Enemalta plc remains the only undertaking in Malta holding a licence to supply electricity to final customers and therefore it is not possible to implement customer switching in Malta.

Customer Complaints

Customer complaints have to 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. Enemalta plc is required to retain and update a register of complaints and 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-households.

The total number of communications received by Enemalta plc classified as complaints during 2015 was 22,219 and these complaints are grouped under three main categories as shown in Table 2.

Table 2 –Complaints by category

| Category | 2015 | |
|-----------------------------------|---------------|-----|
| Quality of supply | 14,932 | 67% |
| Metering | 5340 | 24% |
| Connection to the grid | 1947 | 9% |
| Total number of complaints | 22,219 | |

Quality of supply covers continuity of supply and voltage (high voltage, low voltage etc).

Metering covers issues related to meter readings including unavailability of remote meter readings which lead to estimated bills and meter malfunction.

Connection to the grid covers issues directly related to the provision of the electricity service connection to a user.

The number of complaints received by Enemalta plc/ARMS ltd related to billing and tariffs issues for 2015 were not available at time of writing of this report.

The Regulator received 14 complaints related to electricity from customers that were not satisfied with the solution provided by the operator. Most of the complaints were related to billing issues and were resolved without the need of a formal decision procedure.

Disconnection for non-payment

As part of the conditions of the license Enemalta plc is required to report to the Regulator data related to disconnections for non-payment. The total number of disconnections for non-payment of electricity consumption that was reported to the Regulator for 2015 was 11,700 of which 7,162 were household customers and 4,538 non-household customers.

In general, a customer failing to pay a bill within 45 days from the date 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 would be suspended. The actual suspension of supply depends on the amount due and the ageing of debt and takes 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 in instalments such as to avoid disconnection.

Vulnerable consumers

Vulnerable 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 for electricity are deducted directly from the bills.

Consumers that benefit from energy benefits include families with low income, households having a person with a disability, families on social assistance or special unemployment benefit, and persons on a pension or a carer's pension

During 2015, the consumer accounts that received energy benefits amounted to 23,662 which account for 8.1% of all household consumers.

3.2.2.1 Monitoring the level of transparency, including compliance with transparency obligations, and the level and effectiveness of the market opening and competition

- Article 37(1)(i),(j),(k),(l),(u) and Article 40 (3)

Report separately the three issues: prices, transparency and effectiveness of competition. In particular regarding prices report on fundamentals, price developments and liquidity. Regarding transparency report on the access to prices and on how robust prices are and if at national level transparency obligations regarding pricing exist. Please report here separately dual fuel prices

The electricity retail market is not open to competition.

3.2.2.2 Recommendations on supply prices, investigations and measures to promote effective competition

- Article 37(1)(o)

*Report on recommendations at national level on supply prices and competition and how supply prices are set (linked to spot prices,...)
Describe system of regulated prices (if they exist) and plans of phasing out*

- Article 37(4)(b)

*Report on investigations carried out, main results and possible measures adopted
Report on tariff deficit if it exists*

All consumers of electricity are on regulated retail tariffs approved by the Regulator. The principles underlying the determination and approval of the retail tariffs are published on the Regulator website¹. In the event of a review of the electricity tariffs the Regulator publishes the documents related to the review process.

¹ REWS website: www.rews.org.mt

Electricity tariffs are established through legislation and published on the Regulator's website and the websites of Enemalta plc and Automated Revenue Management Services Ltd (ARMS Ltd) respectively.

The regulated electricity retail tariffs are composed of a fixed annual service charge and a kWh consumption tariff structure.

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 exceeding 60Amps/phase are required to pay a maximum demand tariff.

The kWh consumption tariff structure consists of a number of tiers of consumption with the corresponding kWh tariff. The kWh tariff structure applicable for the consumption of electricity differentiates between primary residences premises, domestic premises and non-residential premises.

Household consumers may benefit from a percentage reduction of electricity rates and referred to as 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 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.

In 2015, the Regulator approved a proposal submitted by Enemalta plc for a revision of the retail tariffs for non-residential customers. The revised retail tariffs for the non-residential premises customers came into effect on the 31st March 2015. In general, the revised tariffs resulted in a reduction of 25% in the kWh tariffs otherwise the tariff structure and other charges remained unchanged.

There were no changes in the retail tariffs for household customers.

3.3 Security of supply

3.3.1 Monitoring balance of supply and demand

- Article 4 72/2009

The Regulator is responsible for monitoring the security of supply and is required to prepare a report, at least every two years on electricity operational network security and security of supply. This report is prepared in collaboration with the distribution system operator. In addition, on a monthly basis, Enemalta plc submits to the Regulator information related to generation capacity availability, faults on the generation side, peak demand and electricity amounts generated.

By the end of 2015, the total fossil fuel nominal generation capacity of the two power stations (Marsa Power Station and Delimara Power Station) as reported by Enemalta plc amounted to 580MW as shown in Table 3. The reduction in local fossil fuel generation capacity is due to the fact that, 40MW of steam plant at the Marsa Power Station was decommissioned during the year 2015.

During 2015, fossil fuel consumption by mass used for the generation of electricity consisted of 92.57% heavy fuel oil and 7.4% gasoil. The total electricity generated by the two power stations was 1.203 TWh which represents a 44.56% decrease in the electricity generated locally from fossil fuel when compared to the 2.170 TWh generated in 2014.

The electricity imported through the interconnector amounted to 1022GWh.

The electricity generated and sent out to the grid from generators producing from renewable energy sources (mainly solar photovoltaic installations) amounted to 78GWh. This figure does not include electricity generated by RES and consumed on site by the producer.

Table 3 – Installed nominal fossil fuel capacity per technology as at the end of the year 2015

| Technology | Installed Nominal Capacity(MW) |
|-------------------------------|--------------------------------|
| Steam Turbine | 210 |
| Open Cycle Gas Turbine | 111 |
| Combined Cycle Gas Turbine | 110 |
| Combined cycle diesel engines | 149 |
| Total | 580 |

Source: Enemalta plc

The electricity generation capacity from renewable energy sources installed by the end of 2015 was 74MWp². As may be deduced from the breakdown in Table 4, the renewable generation capacity installed consists mainly of solar photovoltaic installations. During the year under

² The figure for the total RES MWp capacity installed is provisional.

review the installed solar photovoltaic installation capacity increased by 19MWp. The largest solar photovoltaic installation is 2MWp while 97.5% of the PV installations connected to the grid by the end of 2015 have a capacity of 11kWp or lower.

Table 4- Installed capacity renewable energy as the end of the year 2015

| Renewable energy technology | Capacity installed (MW) |
|-----------------------------|-------------------------|
| Solar photovoltaic systems | 74MWp |
| Micro wind | 0.0698MWp |
| Biogas plants | 1.927MWe |
| Total | 76 MWp |

Source: REWS and Enemalta plc records

During 2015, the system peak demand recorded was 439MW. This peak occurred on the 3rd August at 13:15hrs. This includes internal consumption of the power stations, contribution from solar photovoltaic installations estimated at 26MW and 195MW imported through the interconnector Italy-Malta.

The total local fossil fuel electricity generation capacity available on the day of peak system demand (and incidentally also the day of peak grid load) was 550MW.

3.3.2 Monitoring investment in generation capacities in relation to SoS

- Article 37(1)(r)

Operational network security

- Article 7 2005/89/EC

Investment in interconnection capacity for the next 5 yrs or more

- Article 7 2005/89/EC

Expected future demand and envisaged capacity for the next 5 years and 5-15 years

- Article 7 2005/89/EC

A generation plant with a nominal gross capacity of 215MW consisting of high efficiency CCGT together with the infrastructure required for the provision of natural gas in Malta will be provided by private investors.

There are also plans to convert the 149MW diesel engine plant commissioned in 2012 to natural gas once this fuel is available at the Delimara Power Station. After the conversion to gas the capacity of this plant will increase slightly to 151MW.

After the coming into full operation of the new 215MW and the conversion of the 149MW it is expected that the remaining 90MW steam plant in Marsa Power Station currently on cold standby and another 120MW steam plant in Delimara Power station currently in operation will

be de-commissioned. The future fossil fuel generation and interconnection capacity will consist of:

Table 5- Current and Future nominal generation and interconnection capacity

| Technology | Installed Nominal Capacity(MW) |
|--|---------------------------------------|
| Combined Cycle Gas Turbine | 215 |
| Open Cycle Gas Turbine | 111 |
| Combined Cycle Gas Turbine | 110 |
| Combined cycle diesel engines | 151 |
| Electricity Interconnector Italy-Malta | 200 ³ |
| Total | 787 |

Source: Enemalta plc

The forecasted electricity demand in MWh for the years 2016 up to 2020 is shown in Table 6. The projections indicated an increase an annual increase of 2% for the years 2016 up to 2019 and an annual increase of 1% thereafter.

Table 6 – Demand forecast 2016-2020

| Year | Estimated Demand(MWh) |
|-------------|------------------------------|
| 2016 | 2,409,281 |
| 2017 | 2,451,517 |
| 2018 | 2,514,881 |
| 2019 | 2,565,489 |
| 2020 | 2,600,081 |

Source: Enemalta plc

3.3.3 Measures to cover peak demand or shortfalls of suppliers

There is only one supplier of electricity in Malta and the onus to meet peak demand is on Enemalta plc as the Distribution System Operator.

³The net maximum importation capacity of electricity to the interconnector is actually 192MW due to losses in the interconnector.

4 Gas Market

Presently there is no natural gas supply in Malta and no natural gas market. In the short and medium term a supply of natural gas will be made available for electricity generation through a floating LNG storage (FSU) and onshore re-gasification plant. The floating LNG storage vessel will be berthed adjacent the Delimara Power Station and the re-gasification plant on the power station site. The floating LNG storage (FSU) and onshore re-gasification plant will be provided by ElectroGas Malta Ltd.

During the year 2015, the REWS and ElectroGas Malta Ltd continued the discussions regarding the construction and operation of the floating LNG storage (FSU) and onshore re-gasification plant. Two companies namely Armada Floating Gas Storage Malta (AFG Storage) and Armada Floating Gas Services Malta (AFG Services) were established on behalf of the project proposer. No formal applications were submitted to the Regulator with respect to the LNG import, storage and re-gasification during the year 2015.

The LNG facility and sale of natural gas will be regulated under the Natural Gas Market Regulations (S.L.545.12) which transposes Directive 2009/73/EC and Regulation 715/2009 on conditions for access to the natural gas transmission networks.

Gas Infrastructure PCI

For the long term, the Government of Malta is considering the construction of a natural gas interconnector between Malta and Sicily.

A gas pipeline connecting Malta to the European Gas network (gas pipeline with Italy at Gela and Floating LNG Storage and Re-gasification Unit (FSRU)) was included in the first list of PCI's adopted by the European Commission on 14 October 2013 under priority corridor 'North-South gas interconnections in Western Europe in 2013, and its PCI status has been reconfirmed in the 2nd PCI list announced on the 18th November 2015 - (refer to link [http://europa.eu/rapid/press-release IP-15-6107 en.htm](http://europa.eu/rapid/press-release_IP-15-6107_en.htm)). The gas PCI project was also included in the ENTSO-G TYNDP list of projects which is a mandatory requirement for the biannual review of the list of PCI projects to the Commission.

The PCI project as approved in the PCI list consists of an approximately 155km pipeline between Malta and Gela Italy primarily for importation of gas from the Italian Gas network for the first phase. The second phase consists of the installation of a Floating Storage and Re-gasification Unit berthed approximately 12km offshore from Malta together with an associated pipeline infrastructure to the Delimara Power station site.

A comprehensive pre-feasibility study and cost-benefit analysis, 50% co-financed by the European Union in the field of trans-European Energy networks (TEN-E), was completed in April 2015. The study determined the technical and financial viability of the project, including a high-level environmental impact/risk assessment and the legislative/regulatory aspects pertaining to the project. The financial and economic assessment identified a 22 inch diameter gas pipeline between Gela (Sicily) and Delimara (Malta) as the most economically feasible solution to be considered as the first phase of the PCI implementation. The possibility of exporting gas to Italy sourced from an FSRU located approximately 12km offshore from Malta

could potentially be considered as a second phase of the project and is subject to further in-depth analysis and market development.

In July 2015, the European Commission approved a maximum grant of 400,000 Euros with a 50% co-financing rate under the first CEF Energy programme call of 2015 (refer to link: http://europa.eu/rapid/press-release_IP-15-5362_en.htm). These funds will be used to finance a study related to the identification of the gas pipeline route, conceptual design and preparatory activities related to the permitting of the Gas Pipeline Connection between Malta and Sicily. The study has been commissioned and is expected to be concluded in the second quarter of 2017.

The Regulator for Energy and Water Services continued to participate in the working group involved in the selection of candidate projects of European common interest (PCI) in the North-South gas interconnections in Western Europe ("NSI West Gas") corridor where a second short listing of the first candidate PCI was carried out by the EU Commission. The Regulator participated in the request for feedback on the Joint Research Centre (JRC) methodology for the Project Evaluation. The Regulator's participation was in line with its role as the energy regulator in Malta and as required by the energy infrastructure regulations. The Regulator's input in the selection process was related to the natural gas project proposed by Malta and listed in the first PCI list. Malta's Project proposal for the PCI was ranked second in the LNG PCI list in November 2015.

Participation in ACER Activities

The REWS participated in a number of ACER activities including participation in the meetings of the ACER taskforce related to Gas infrastructure projects and providing feedback to ACER in relation to Cross Border Cost Allocation, Unit Investment Costs, Ten-Year Network Development Plan (TYNDP), commission's Projects of Common Interest (PCI) selection methodology. The Regulator contributed with feedback to the ACER opinion in consultations launched by the EU Commission related to investment conditions for PCI.

Methodology and Criteria for Investment Evaluation

Article 13 of Regulation (EU) No 347/2013 of the European Parliament and of the Council on guidelines for trans-European energy infrastructure requires each national regulatory authority to publish its methodology and the criteria used to evaluate investments in electricity and gas infrastructure projects and the higher risks incurred by them.

In November 2015, the Regulator for Energy and Water Services launched a public consultation on the proposed methodology and criteria for infrastructure projects to be adopted in accordance to Article 13 of the Regulation 347/2013. The consultation process closed on 28 December 2015.

5 Consumer protection and dispute settlement in electricity and gas

5.1 Consumer protection

- Compliance with Annex 1 (Article 37(1)(n)) and (Article 41(1)(o))

The Electricity Market Regulations transpose the measures related to customer protection provided in Annex I of Directive 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.

In general, the terms and conditions for the electricity supply service are currently implemented through legislative instruments, in particular 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.

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

- Ensuring access to consumption data (Article 37(1)(p)) and (Article 41(1)(q))

Electricity bills issued to customers include contact details of ARMS Ltd which is a contractor with responsibility for meter reading, billing, debt collections, and provides customer relationship services on behalf of Enemalta plc, the electricity supply licence holder.

By the end of 2015, 74.6% of the 244,509 electricity meters supplying households were replaced by smart meters complete with Automatic Metering Management (AMM) function capability. In the case of non-households the percentage of smart meters is 66.3% out of 56,240 active electricity meters.

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 CO₂ 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 together with a breakdown of the calculation of the revenue due from the sale of the electricity to Enemalta plc. Most of the electricity produced exported to the grid is produced by solar photovoltaic installations.

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.

5.2 Dispute settlement

- Article 37(11), 37(5)(c), Article 37(4)(e)
- Article 41(11) and Article 41(4)(e)

Report on cases, in particular on major issues concerning network users (access tariffs, connection disputes/refusals...), including producers and consumers

In general, the Regulator for Energy and Water Services can act as a dispute settlement authority in relation to issues arising from activities regulated under the Regulator for Energy and Water Services Act. The Electricity Market Regulations (S.L.545.13) and Natural Gas Market Regulations (S.L.545.12) provide that complaints against the distribution system operator may be referred to the Regulator for Energy and Water Services. The Regulator for Energy and Water Services is obliged to issue a decision within two months from the date that a complaint is lodged. The timeframe for the issue of the decision may be extended with the agreement of the complainant. Before a decision is issued the REWS discusses the complaint with the parties involved who are allowed to make any submissions that they deem necessary. Any decision taken by the Regulator for Energy and Water Services 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 2015 .