



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

<b>1 FOREWORD</b> .....	<b>3</b>
<b>2 MAIN DEVELOPMENTS IN THE GAS AND ELECTRICITY MARKETS</b> .....	<b>4</b>
<b>3 THE ELECTRICITY MARKET</b> .....	<b>6</b>
<b>3.1 Network Regulation</b> .....	<b>6</b>
3.1.1 Unbundling	6
3.1.2 Technical functioning	7
3.1.3 Network tariffs for connection and access	10
3.1.4 Cross-border issues	10
3.1.5 Compliance	12
<b>3.2 Promoting competition</b> .....	<b>12</b>
3.2.1 Wholesale markets	12
3.2.2 Retail market	13
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	15
3.2.2.2 Recommendations on supply prices, investigations and measures to promote effective competition	15
<b>3.3 Security of supply</b> .....	<b>17</b>
3.3.1 Monitoring balance of supply and demand	17
3.3.2 Monitoring investment in generation capacities in relation to SoS	19
3.3.3 Measures to cover peak demand or shortfalls of suppliers	20
<b>4 GAS MARKET</b> .....	<b>21</b>
<b>5 CONSUMER PROTECTION AND DISPUTE SETTLEMENT IN ELECTRICITY AND GAS</b> .....	<b>22</b>
<b>5.1 Consumer protection</b> .....	<b>22</b>
<b>5.2 Dispute settlement</b> .....	<b>23</b>

# 1 Foreword

The Malta Resources Authority (MRA) was set up by Parliament through the Malta Resources Authority Act of 2000 as the regulator for energy, water and mineral resources.

The Authority is composed of a chairman, deputy chairman, and five members. The Authority exercises its functions through Sections and Units as established and vested with responsibilities by the Authority and under the overall responsibility of the Chief Executive Officer.

The mission statement of the Malta Resources Authority is:

*The Malta Resources Authority seeks to serve the local community through effective, coherent, holistic and transparent regulation of energy, mineral and water resource sectors of the economy, ensuring their advancement and sustainable use to support the integrated environmental, social, economic and business development in the Maltese Islands. It further seeks to contribute to and participate in ongoing regional development and assist in the nation's efforts to fulfil its international obligations in these spheres.*

This report covers the MRA's 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 2014.

## 2 Main developments in the Gas and Electricity Markets

This section provides a summary of the key developments in the electricity market in Malta during the year 2014.

Enemalta Corporation was registered as a Public Liability Company under the name of Enemalta plc. Ownership of Delimara 3 plant with a nominal capacity of 149MW was transferred from Enemalta plc to D3 Power Generation Ltd, which is a newly registered Government owned company. SEP (Malta) Holding Ltd acquired 33.3% of the shares of Enemalta plc and 90% shares in D3 Power Generation Ltd. Enemalta plc continues to operate the Delimara 3 plant.

In 2014, Enemalta plc remained the main producer of electricity with the exception of a number of relatively small producers producing electricity from renewable energy.

The electricity generation market is open to competition and generators may produce electricity for their own consumption and/or sell to Enemalta plc.

There were no electricity or gas interconnections with other countries.

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 were subcontracted to 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 2014 the Authority approved a proposal submitted by Enemalta plc for a revision of the retail tariffs. The revised retail tariffs for the residential and domestic customers came into effect on the 31 March 2014. In general, the revision of tariffs resulted in a reduction in the electricity tariffs and consumption bills.

A total number of 108,619 complaints related to electricity were received by Enemalta plc and ARMS Ltd. The most frequent issues raised in such complaints were:

- billing (60.2%),
- issues related to the grid and connections (2.1%),
- metering (25.1%) and
- quality of supply (12.6%).

Overall complaints received in 2014 increased by 54% when compared to the previous year. The main increase was in complaints related to billing. During 2014, 29 complaints were referred to the MRA by customers that were not satisfied with the way the operator has dealt with their complaint.

In the year under review, customer minutes lost due to planned and unplanned interruptions affecting the 11kV increased to 777.6 minutes from 421.08 minutes in 2013.

The programme for the replacement of electricity meters with smart meters continued during 2014 with the total number of smart meters installed reaching 209839 by the end of the year. This means by the end of the year under review 71% of the electricity meters were replaced by smart meters.

The fossil fuel generation nominal capacity as at the end of 2014 was 620MW. The electricity generation capacity from renewable energy sources installed by the end of 2014 was 56.6MWp. The generation capacity for renewable electricity is composed mainly of photovoltaic installations which during the year 2014 increased by 26.3MWp and representing an increase in installed capacity of 93% in one year.

The MRA continued to monitor the progress made in the implementation of the 200MW HVAC electricity interconnector between Malta and Sicily which is to enter into operation in 2015.

During 2014, the MRA received an application from ElectroGas Malta Ltd for authorisation to construct a generation station (Delimara 4) at Delimara Power Station for the construction of 215MW CCGT plant. The same investor will also be providing the natural gas infrastructure.

The gas project proposed by Malta consisting of a floating LNG terminal, connected to Malta and Sicily pipeline was re-proposed to be included in the 2<sup>nd</sup> list of Projects of Common European Interest (PCI) for consideration in 2015.

During the year under review, the MRA continued to provide input to the EU Commission and ACER with respect to PCI's (European Projects of Common Interest) and the electricity interconnector between Malta-Italy. The main contributions with respect to PCI's were related to Malta's natural gas project proposed to be included in the 2<sup>nd</sup> PCI list for consideration in 2015. The MRA provided expert support to ACER with respect to Cross Border Cost Allocation for the Gas Interconnection Poland-Lithuania PCI.

## 3 The Electricity Market

On 1 July 2014, Enemalta Corporation was registered as a Public Liability Company under the name of Enemalta plc. This transition was enabled by the enactment of the Act XXXIV of 2014 Enemalta (transfer of assets, rights, liabilities and obligations) Act. In addition, the ownership of Delimara 3 plant with a nominal capacity of 149MW was transferred to D3 Power Generation Ltd with the operation of the plant remaining under the responsibility of Enemalta plc.

In view of these developments, two new licences were issued to Enemalta plc. On 27 November, 2014, a new licence was issued to Enemalta plc to perform the three activities of generation, distribution and supply of electricity to final customers, and replacing the previous licence issued to Enemalta Corporation. On 11 December, 2014, a licence was issued to Enemalta plc produce electricity from the Delimara 3 plant.

On 30 December, 2014, 33.3% of the shares of Enemalta plc's shares and 90% of D3 Power Generation Ltd's shares were transferred to SEP (Malta) Holding Ltd.

### 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

The Electricity Market Regulations (S.L. 423.22) transpose Directive 2009/72/EC and Directive 2005/89/EC into national law. 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 Authority for the designation and/or certification of transmission system owners or operators.

There were no changes in the number of distribution system operators in 2014. The 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

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

No changes occurred during the year 2014. As such balancing between generation and demand is done by Enemalta plc as part of its daily generation dispatching operations to meet the demand. The users of the network are not charged separately for these services.

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 to the MRA 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 2010–2014 for planned and unplanned interruptions at 11kV or higher voltages. According to the information provided, faults on the generation side which led to loss of generation capacity accounted for 61% of the customer minutes lost due to unplanned interruptions.

Table 1: Duration of interruption for an average customer (minutes per year) 2010-2014

<b>SAIDI</b>	2010	2011	2012	2013	2014
Planned interruptions(customer minutes lost):	72.6	69	80.4	61.04	207
Unplanned interruptions(customer minutes lost):	620.6	191	286.2	360.04	570.6
Overall (customer minutes lost):	693.2	260	366.6	421.08	777.6

Enemalta plc also provides information related to number of interruptions, average duration of an interruption and restoration time. For the year 2014 the number of planned interruptions affecting the 11kV level was 226 and the number of unplanned interruptions was 271. The

average duration of a planned interruption was 2.41 hours and that of an unplanned was 2.07 hours. Also according to the information submitted 81.5% of the customers affected by an interruption had their supply restored within 3 hours.

The operating licence issued by the MRA to Enemalta plc requires the preparation of 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 MRA 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 will be finalised during 2015.

- 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 MRA 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 practice 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 which normally corresponds with the activation of the service. Activation of the service is understood to be either the possibility to import or export through 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 2014 as reported by the distribution system operator is 21.3 days. This represents an increase in the average time taken to provide a service when compared to the previous year when the average time was 20.7 days.

The average time taken for the provision of a service connection requiring the construction of a substation is 242 days from the date of signature of the contract for the service. The average time for this type of service connection normally includes the time required for the issuance of development planning permits and permits for trenching works and civil works related to the substation together with the installation and commissioning of the substation.

The average time taken for connecting RES generators to the distribution system which includes the provision of the necessary metering equipment as reported by the Distribution System Operator for 2014 is 29.1 days. This represents an increase of 78.5% when compared to 2013 when the average time was 16.3 days.



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

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

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. This plan is currently being revised.

Enemalta plc is also required by the licence to prepare and submit to the MRA emergency Response and Security Plan 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.423.22) 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 MRA, 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.

### 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), art 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 distribution system operator.

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 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.423.22) 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 MRA 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 works on the implementation of the interconnector also monitored.

The MRA monitors the progress made by the distribution system operator in the implementation of the Malta-Sicily electricity interconnector. This interconnector consists of a HVAC 200MW link at 220kV. The contract for the implementation of the interconnector was awarded in 2010.

During 2014, engineering works on the interconnector included the following:

- The completion of the submarine cable and the land cable in Sicily;
- Works on the Maghtab Terminal Station (Malta side);
- Works on the Enemalta substation and Terna substation in Ragusa ;
- Testing of the submarine cable and in Maghtab Terminal Station (Malta side);

The MRA also monitors the development of the distribution network through specific reports required by the license.

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

The MRA has also provided expert support to ACER on the drafting of Decision No 01/2014 of 11 August 2014 on the Investment Request including Cross Border Cost Allocation for the Gas Interconnection Poland-Lithuania PCI No.8.5. This required the Economic and Financial Assessment of the Business Plan, CBA and CBCA documents submitted by Poland and the Baltic States pursuant to Article 12 of Regulation (EC) 347/2014 and the simulation of the market test, the compensation index of the CBCA and the sensitivity analysis accompanying the CBA.

### **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 MRA.

- 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 2014.

## **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 are 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 classified as complaints during 2014 was 108,619. Such complaints are grouped under five main categories as shown in Table 2.

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.

Billing covers all the issues related to invoicing and may include complaints related to water bills.

Overall the number of complaints increased by 54% when compared to complaints received during 2013. The main increase was registered in complaints related to billing.

In terms of response time of the operator to customer complaints, 61.31% of complaints related to meter reading and billing are resolved within 20 days. 78.8% of complaints related to other issues were resolved within 20 days.

Table 2 –Complaints by category

<b>Category</b>	<b>2014</b>	
Quality of supply	15,775	14.5%
Metering	27,278	25.1%
Connection to the grid	207	0.2%
Tariff	0	0.0%
Billing	65,359	60.2%
<b>Total number of complaints</b>	<b>108,619</b>	

The MRA received 27 complaints related to electricity from customers that were not satisfied with the solution provided by the operator. Out of the 27 complaints submitted to the MRA, 19 were submitted by households. Most of the complaints were related to billing issues.

Disconnection for non-payment

As part of the conditions of the license Enemalta plc is required to report to the MRA data related to disconnections for non-payment. The total number of disconnections for non-payment of electricity consumption that was reported to the MRA for 2014 was 3564 of which 2,327 were household customers and 1,237 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 2014, the consumer accounts that received energy benefits amounted to 25,276 which account for 10.9% 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 MRA. The principles underlying the determination and approval of the retail tariffs are published on the MRA website<sup>1</sup>. In the event of a review of the electricity tariffs the Authority publishes the documents related to the review process.

Electricity tariffs are established through legislation and published on the Authority'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 2014, Enemalta plc submitted a proposal for a revision of the electricity retail tariffs for final customers for the approval of the MRA. The proposed tariffs were reviewed to verify conformance with the fundamental principles and objectives set by the Authority and in accordance with the Full Cost Recovery" method. On the basis of this review, the MRA approved the tariffs through a decision dated 24 March 2014. The revised electricity retail

---

<sup>1</sup> MRA website: [www.mra.org.mt](http://www.mra.org.mt)



tariffs applicable for residential and domestic customers were brought into effect on 31 March 2014 through Legal Notice 449 of 2014 that amended the Electricity Supply Regulations.

For both the residential and the domestic sectors the revision of tariffs resulted in a reduction in the kWh tariff applicable for each of the five consumption tiers with respect to the previous tariffs. The percentage reduction ranges from 35% for the first (lowest) consumption tier to 2% for the fifth (highest) consumption tier.

Table 3 below shows pre March 2014 and post March 2014 tariffs for electricity consumed by household customers at their primary residence while Table 4 shows pre March 2014 and post March 2014 for electricity consumption at domestic premises other than the primary residences.

Table 3: Tariffs charged for consumption in Residential premises (Primary residences)

<i>Tier</i>	<i>Cumulative</i>	<i>Pre-31 March 2014</i>	<i>From 31 March 2014</i>
	<b>kWh</b>	<b>€/kWh</b>	<b>€/kWh</b>
1	2000	0.161	0.1047
2	4000	0.173	0.1298
3	4000	0.189	0.1607
4	10000	0.36	0.342
5	20,001 & over	0.62	0.6076

Table 4: Tariffs charged for consumption in domestic premises

<i>Tier</i>	<i>Cumulative</i>	<i>Pre-31 March 2014</i>	<i>From 31 March 2014</i>
	<b>kWh</b>	<b>€/kWh</b>	<b>€/kWh</b>
1	2000	0.21	0.1365
2	4000	0.223	0.1673
3	4000	0.238	0.2023
4	10000	0.44	0.418
5	20,001 & over	0.7	0.686

### 3.3 Security of supply

#### 3.3.1 Monitoring balance of supply and demand

- o Article 4 72/2009

The MRA 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 Authority information related to generation capacity availability, faults on the generation side, peak demand and electricity amounts generated.

By the end of 2014, the fossil fuel nominal generation capacity of the two power stations as reported by Enemalta plc amounted to 620MW as shown in Table 5.

During 2014, fossil fuel consumption by mass consisted of 89.5% heavy fuel oil and 10.5% gasoil. The total electricity generated by the two power stations was 2.170 TWh which represents a 2.01% decrease in the electricity generated from fossil fuel when compared to the 2.215 TWh generated in 2013.

Table 5 – Installed nominal fossil fuel capacity per technology as the end of the year 2014

<b>Technology</b>	<b>Installed Nominal Capacity(MW)</b>
Steam Turbine	250
Open Cycle Gas Turbine	111
Combined Cycle Gas Turbine	110
Combined cycle diesel engines	149
<b>Total</b>	<b>620</b>

Source: Enemalta plc

The electricity generation capacity from renewable energy sources installed by the end of 2014 was 56.6MWp<sup>2</sup>. As may be deduced from the breakdown in Table 6, the renewable generation capacity installed consists mainly of solar photovoltaic installations. During the year under review the installed solar photovoltaic installation capacity increased by 26.3MWp. The largest solar photovoltaic installation is 2MWp while 97.8% have a capacity of 11kWp or lower.

Table 6- Installed capacity renewable energy as the end of the year 2014

<b>Renewable energy technology</b>	<b>Capacity installed (MW)</b>
Solar photovoltaic systems	54.6MWp
Micro wind	0.0698MWp
Biogas plants	1.927MWe
<b>Total</b>	<b>56.6 MWp</b>

Source: MRA and Enemalta plc records

<sup>2</sup> The figure for the total RES MWp capacity installed is provisional.

During 2014, the peak demand met by the fossil fuel generation capacity was 383MW. This demand includes electricity used in the power stations. This occurred on 23 September 2014 at 13:00. According to calculations performed by the distribution system operator at this time another 26MW was being contributed by generators producing electricity from renewable energy and mainly by solar photovoltaic installations. Therefore the total peak demand of the system for 2014 was 409 MW. There were no imports of electricity from other countries.

The total fossil fuel electricity generation capacity available on the day of peak system demand was 587MW.

### **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

The 200MW HVAC interconnection between Malta and Italy (Sicily) enters into operation in 2015. This will enable the shutdown of the remaining steam generation capacity at Marsa Power Station.

In addition, it is planned that a total of 120MW steam plant operating on heavy fuel oil at Delimara Power Station will be shut down once the replacement capacity is available.

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.

It is not expected that there will be any new fossil fuel generation capacity additions or new interconnectors in the time frame 2015 to 2020.

For the interim period natural gas for electricity generation will be provided by a LNG floating Storage Unit (FSU) permanently berthed at Delimara Power Station with onshore re-gasification unit.

### **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.

## 4 Gas Market

Presently there is no natural gas supply in Malta and no natural gas market. This situation is expected to change in the short to medium term with the provision of natural gas for power plants by 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.

Both the LNG floating terminal will be regulated under the Natural Gas Market Regulations (S.L.423.21) which transposes Directive 2009/73/EC and Regulation 715/2009 on conditions for access to the natural gas transmission networks.

During the year 2014, the project proposer, ElectroGas Malta Ltd, started discussions with the MRA regarding the licenses that will be required to operate floating LNG storage (FSU) and onshore re-gasification plant and for the import of LNG. No formal applications were submitted to the regulator with respect to the LNG import, storage and re-gasification. No formal applications were submitted to the MRA.

### Gas Infrastructure PCI

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

The PCI (European project of common interest) -Connection of 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. The 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 first PCI list consists of an approximately 150km pipeline between Malta and Gela Italy 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 Delimara. In accordance with EU and Maltese national policy, the Maltese Government started a comprehensive feasibility study of the PCI's project which continued during the year 2014. The study will be concluded 2015.

The Malta natural gas project has been included as a potential candidate in the project assessment for the second PCI list to be adopted at the end of 2015.

The MRA participated in a number of Cross-Regional Group Meeting under the Trans-European Energy Networks related to PCI projects and in preparation of the 2<sup>nd</sup> PCI candidates list proposal. The main contributions of the MRA relate to the gas PCI project proposed by Malta consisting of a gas interconnector with Italy and a floating storage and re-gasification Unit.

## **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.423.01) 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 2014, 74.8% of the 239,936 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 54.8% out of 55,228 active 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 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 together with a breakdown of the calculation of the revenue due from the sale of the electricity to Enemalta plc. Most of such electricity produced by customers is by solar photovoltaic systems.

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 Malta Resources Authority can act as a dispute settlement authority in relation to issues arising from activities regulated under the Malta Resources Authority Act. The Electricity Market Regulations (S.L.423.22) provide that complaints against the distribution system operator may be referred to the Malta Resources Authority. The Malta Resources Authority 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 MRA discusses the complaint with the parties involved who are allowed to make any submissions that they deem necessary. Any decision taken by the Malta Resources Authority is binding unless overruled on appeal.

An appeal on a decision issued by the Malta Resources Authority 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 MRA during 2014.