



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

This report covers the issues arising from the reporting requirements on the implementation of the Directive 2009/72/EC concerning common rules for the internal market in electricity, 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 covering the calendar year 2011. There is no natural gas market in Malta and the report focuses mainly on the electricity sector.

This report has to be read in the light of the derogations granted to Malta through Article 44 of Directive 2009/72/EC from the requirements of Articles 9, 26, 32 and 33. During the year 2011, this Directive was transposed into national law through the Electricity Market Regulations (LN 166/11).

During the year under review, Enemalta Corporation remained the main producer of electricity apart from a small number of producers generating electricity from renewable energy. It should be noted that during year 2011 there was a considerable increase in the registered capacity of generators producing electricity from renewable energy sources. This increase mainly concerns solar photovoltaic installations and the electricity produced is either consumed on site or sold to Enemalta at the applicable feed-in tariffs. In addition, a 1.73MW plant producing electricity from biogas that came online during this year.

The electricity generation in Malta remains dependent on heavy fuel oil or gasoil thus making the cost of electricity in Malta highly susceptible to changes in the international market price of these two fuels. The contribution from renewable energy is still small despite the progress in RES uptake made in the last two years. In order to increase the diversification of primary energy sources, Malta has submitted a project of a floating Liquefied Natural Gas (LNG) terminal that will be connected by natural gas pipelines to Malta and Italy as a project of European common interest (PCI).

The distribution and supply of electricity in Malta also remains the responsibility of Enemalta Corporation. The meter reading, billing and customer relationship were subcontracted to ARMS Ltd.

There was no request from Enemalta for any revision of electricity retail tariffs during the year 2011 and the same tariff structure and tariffs introduced as from 1 January 2010 were retained during 2011.

During 2011, the Malta Resources Authority (MRA) performed a follow-up review of the operations of ARMS Ltd to assess the progress on issues raised by the previous assessment carried out in 2010. In the follow-up review, it was noticed that ARMS Ltd had addressed a number of issues raised during assessments carried out in the previous year.

The programme for the replacement of electricity meters with smart meters continued where 44% of the electricity meters were replaced by the end of the year under review.

In the year under review, there was an improvement in the continuity of supply quality whereby the customer minutes lost decreased from the 690 minutes of the previous year to 260 minutes.

A source of concern in terms of security of supply prospects the fact that 210MW of the available generation plant is subject to a 20,000 hours limited lifetime derogation as from 1 January 2008 under Article 4(4) of Directive 2001/80/EC on the limitation of emissions of certain pollutants into the air from large combustion plants (LCP Directive). This plant will be shut down by the end of 2013. In view of this capacity retirement, besides the new 144MW plant at Delimara Power Station expected to come into full operation in the third quarter of 2012, additional capacity is required to ensure security of supply. The additional capacity will be provided by the 200MW interconnection with Sicily which is planned to be in operation by October 2013. The MRA is monitoring the progress of these projects.

2 Main Developments in the Gas and Electricity Markets

The year 2011 marks the entry into force of the Electricity Market Regulations (LN166/11) which transposes the Directive 2009/72/EC into national legislation. The Directive 2009/73/EC on the implementation of the natural gas market was also transposed to national law by the Natural Gas Market Regulations (LN167/11), however, there is no natural gas market in Malta.

The Electricity Market Regulations have to be seen in the light of the derogations granted to Malta by virtue of Article 44 of Directive 2009/72/EC from the requirements of certain articles of the directive. These derogations concern the following articles, namely:

Article 9: Unbundling of transmission systems and transmission system operators

Article 26: Unbundling of distribution system operators

Article 32: Third-party access

Article 33: Market opening and reciprocity

The retail market of electricity is therefore not open for competition with Enemalta Corporation remaining the sole licensed supplier of electricity to final customers. There is no wholesale market for electricity.

All the customers of electricity are on a regulated retail tariff and there were no changes in this aspect in the year under review. In view that there is only one supplier of electricity customer switching is not possible to implement.

Enemalta Corporation remains the main producer of electricity in Malta with the exception of a small contribution from a number of relatively small producers generating electricity from renewable energy. The total electricity generated in 2011 produced by the two power stations owned by Enemalta from heavy fuel oil and gas oil and RES generators reached 2.177TWh in 2011. This represents an increase of around 2.96% increase over the previous year.

The fossil fuel generation capacity is 551MW distributed in the two power stations owned by Enemalta. The shut down of 210MW capacity is planned by the end of 2013. This capacity is being replaced partially by a new plant of 144MW to be in full operation by the end of the third quarter of 2012 and the 200MW interconnection between Malta and Sicily by the end of 2013. Both projects are necessary in order not to jeopardise security of supply.

There is no transmission system and no transmission system operator in Malta. The function of the distribution system operator is being carried out by Enemalta. The latter is also responsible for the implementation of the electricity interconnection Malta–Sicily. During the year 2011 the works related to the interconnection concerned the permitting, cable route surveys and system design.

The installation of smart meters continued during the year 2011 with the number of smart meters installed by the end of 2011 reaching 117,801 which represents around 44% of the existing electricity meters that have to be replaced.

During 2011 there was also a considerable increase in the notifications and requests for authorisation submitted to the MRA for the construction of generators using renewable energy sources mainly photovoltaic systems (PVs). The registered PV capacity by the end of 2011 was 17MW of which 6.6MW are estimated to be installed. The MRA also issued a license to a 1.7MW plant for generation of electricity from biogas produced from municipal waste.

There has been a review of the licence issued to Enemalta to the generation, distribution and supply of electricity. The main improvement relates to the formalisation of the licence monitoring reports which the utility is obliged to submit to the MRA.

Enemalta has an obligation by law to keep unbundled accounts of the generation, distribution and supply of electricity. Presently there is no obligation imposed on Enemalta for legal or ownership unbundling of these activities.

No public service obligations related to electricity were imposed on Enemalta during the year under review.

3 The Electricity Market

3.1 Network Regulation

3.1.1 Unbundling

There is only one distribution system and no transmission systems or transmission system operators in Malta. The function of the distribution system operator is carried out by Enemalta Corporation. By virtue of Article 44-Derogations, the requirements of Article 9 (Unbundling of the transmission systems and transmission system operator) and Article 26 (Unbundling of distribution system operators) do not apply to Malta.

There has not been any designation and/or certification of transmission system operators and no requests for certification from transmission system owners or operators controlled by persons or persons in third countries during the year under review.

3.1.2 Technical functioning

3.1.2.1 Balancing services

Enemalta is the main generator and the only supplier of electricity in the market. The existing independent producers are small and generating electricity from renewable energy either for own consumption or to sell to Enemalta. Presently only the generation plant owned by Enemalta is subject to dispatch. In the absence of large independent producers and/or wholesale market the balancing between generation and demand is done by Enemalta as part of its daily operations to meet demand. As such there is no market for balancing services and no separate charges for such service.

3.1.2.2 Security and reliability standards

Enemalta as the DSO is responsible for the operational network security of the distribution system in Malta. In this role the DSO takes care of the protection system design and settings to ensure stability of the system during the faults that can occur in the system both on the generation and the distribution side. The fact that electricity system is not connected to any other system makes it vulnerable in terms of fault riding capability under certain fault conditions, in particular when the faults lead to loss of generation capacity.

In the distribution system currently there is (n-1) redundancy on all 132kV circuits and on 85% and 95% of the 33kV and 11kV circuits respectively. There is (n-1) redundancy on the substation transformers 67% of the 132kV/33kV transformers, 79% of the 33kV/11kV transformers and 50% of the 32kV/11kV transformers. This network reliability status corresponds to the highest system demand peak ever recorded in Malta which occurred in the summer season of 2007 when the demand in July peaked at 434MW.

The investment plans for the reinforcement of the network aim to reach the (n-1) reliability the entire distribution network. Voltage control and reactive power management is done partly by

the control rooms in the power stations where the dispatching of plant takes place and partly by the automatic voltage regulators available on transformers at the 33kV and 132kV level.

The Network Code provides the technical rules and establishes the minimum technical design and operational requirements for the connection to the system of generating installations, distribution systems, directly connected consumers' equipment, interconnection equipment and direct lines.

3.1.2.3 Quality of service and supply

Enemalta Corporation is required to submit to the MRA on an annual basis details on the quality of service. The continuity of supply data is available at substation level and consequently the customer minutes lost may only be estimated. According to the records of interruptions for the calendar year 2011 the overall minutes lost per customer per year is 260 minutes. This represents a considerable improvement with respect to the previous year when the minutes lost per customer were 693. The main improvement was registered in customer minutes lost due to unplanned interruption which decreased from 621 to 191 minutes. Various factors have contributed to this reduction in unplanned interruption time among them figure a lower number of events that led to shedding, a more accurate load shedding system, and a faster response in supply restoration through the SCADA system.

SAIDI	2010	2011
Planned interruptions:	72.6	69
Unplanned interruptions:	620.6	191
Overall (customer minutes lost)	693.2	260

The average time for a new service connection not requiring a new substation is 30 days. The time to perform repairs is included in data for unplanned interruptions at 11kV level.

3.1.3 Network tariffs for connection and access

3.1.3.1 Network tariffs

The MRA as the regulator has the duty and the power to fix or approve at least the methodologies used to calculate or establish the terms and conditions for connection and access to the distribution system. The DSO may also be required to by the regulator to change the tariffs or methodologies used for determining the distribution tariffs to ensure that these are proportional and non discriminatory. The applicable tariffs and methodologies for connection to the distribution system are published in the Electricity Supply Regulations.

The network tariff for the use of the electricity network by other generating companies has not been published yet. Presently the existing independent producers consist of small generators producing electricity from renewable energy sources and these are either auto-producers and/or

produce to sell to Enemalta. Furthermore under the derogation granted to Malta from Article 32 (Third Party Access) of the Internal Electricity Market Directive (2009/72/EC) any other local generating company which is connected to the distribution network is obliged to sell all electricity production to Enemalta.

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. All consumers pay a regulated retail tariff for electricity which is approved by the regulator.

In the year under review, there were no changes in the tariffs or the methodologies used to calculate the charges for connection to the network.

3.1.3.2 Tariffs for balancing services and access to cross border infrastructure

The MRA is responsible for fixing or approving at least the methodologies used to calculate or establish the terms and conditions for the provision of balancing services and access to cross-border infrastructures including the procedure for the allocation of capacity and congestion management. The MRA has not been required to fix or approve any methodologies or terms and conditions related to the provision of balancing services or access to cross-border infrastructure.

Any party having a complaint on a decision taken by the MRA pursuant to its powers and duties under article 37 of the Directive 2009/72/EC may submit such complaint within two months from the publication of the decision or in the case where a proposal of decision is issued for consultation when such proposal is published for consultation.

3.1.3.3 Prevention of cross-subsidies

The Electricity Market Regulations require that electricity undertakings keep in their internal accounting separate accounts for each of their generation, distribution and supply activities as if these activities were being carried out separately in view to avoid discrimination, cross subsidization and distortion of competition. In addition, the published company audited accounts of such electricity undertakings have to include a verification of compliance with the requirement to avoid cross subsidization.

There are no other undertakings that carryout all the three activities of generation, distribution and supply together except for Enemalta Corporation.

The requirement for the separation of the generation, distribution and supply activities at internal accounts level is reflected in the license granted to Enemalta for the carrying out of these three activities. The license monitoring reports include the requirement for submission by Enemalta Corporation of separate profit and loss accounts and balance for sheets for each activity.

3.1.4 *Cross-border issues*

Presently there are no interconnections with other countries. The MRA continued to monitor the progress being made by Enemalta in the implementation of the Malta-Sicily electricity interconnection. The contract for the implementation of the HVAC submarine interconnection between Malta and Sicily was awarded in 2010. In the year 2011, the works on interconnector were related to obtaining the necessary planning permits in Malta and in Sicily, the performance of detailed surveys of the cable laying route on land and in sea and technical design of cable and related equipment.

3.1.5 *Compliance*

3.1.5.1 Compliance of regulatory authorities with binding decisions of the Agency and the Commission

The MRA is obliged by the Electricity Market Regulations to abide by binding decisions issued by ACER and the Commission.

3.1.5.2 Power to carry out investigations and impose measures to promote competition etc.

Article 4(1)(d) of the Malta Resources Authority Act (Cap. 423) provides that one of the functions of the MRA is to ensure fair competition in all such practices, operations and activities. In performing this function the MRA enforces the energy sector specific regulations and in doing so plays an ex-ante role in this sector.

In accordance with the Electricity Market Regulations, the MRA in carrying out its regulatory tasks is obliged to take all reasonable measures in close consultation with other national competent authorities to reach among others the objective of ensuring that customers benefit through the efficient functioning of the national market, promoting effective competition and helping to ensure consumer protection.

The role of the MRA in the promotion of competition in the electricity sector is more of an ex-ante nature.

The national competition authority in Malta is the Office for Competition which is headed by a Director General. This office forms part of the Malta Competition and Consumer Affairs Authority (MCCAA).¹ Within the Office for Competition, a Directorate has been set up to deal with issues which relate to specific sectors including energy.²

The responsibilities of the Office for Competition include the investigation, determination and suppression of restrictive practices, the examination and control of concentrations between undertakings in terms of their effect on the structure of competition on the market, and the exercise of the powers conferred upon it under the Competition Act³ and under the Malta Competition and Consumer Affairs Authority Act⁴. The Director General in the exercise of his

¹ See Malta Competition and Consumer Affairs Act [Cap. 510 of the Laws of Malta], article 13 et seq. thereof.

² Ibid see Fourth Schedule to the Act. The Directorate in question also deals with the Communications, Transport and Financial Services Sectors.

³ Chapter 379 of the Laws of Malta.

⁴ MCCAA article 14(1) thereof.

responsibilities under competition law acts independently.⁵ In doing so, however, the Director General is required to ensure that the policies set by the MCCA Board are implemented and that government policy is put into effect.

The role of the Director General is primarily to deal with ex-post competition issues whereby the Director General either of his own initiative or following an allegation of a breach of the competition rules may investigate and put a stop to restrictive practices. The Director General has the exclusive competence to apply and enforce the provisions of the Competition Act.⁶ The two core provisions under the Competition Act relating to the protection of competition in the market are Article 5, (which prohibits any agreement / concerted practice between undertakings and any decision by an association of undertakings which has the object or effect of preventing, restricting or distorting competition in Malta) and Article 9 which prohibits any abuse by one or more undertakings of a dominant position in Malta. Articles 5 and 9 of the Competition Act are modelled on Articles 101 and 102 of the Treaty on the Functioning of the European Union. The Director General may apply Articles 101 and 102 where the said restrictive practices or abusive conduct has an effect on trade⁷ between Malta and another Member State/s.

3.1.5.3 Power to ask any information from electricity undertakings

The MRA has the power to ask for any information from electricity undertakings and this is reflected in the Electricity Market Regulations and license conditions.

3.1.6 *Dispute settlement*

Complaints related to the obligations of the distribution system operator may be referred to the MRA who has the duty to issue a decision within two months from the date a complaint is lodged. The timeframe for the issue of the decision may be extended with agreement with the complainant. Before a decision is issued the MRA discusses the complaint with both parties and these allowed to make any submissions they deem necessary with respect to the complaint before a decision is taken. The decision taken by the MRA is binding unless overruled on appeal. The MRA is working on the formalisation of the complaint handling procedures. The referral of a complaint to the MRA is without prejudice to the exercise of rights of appeal under Community or national law.

No binding decisions related to the issues arising from the electricity market were issued by the MRA during the year under review.

Complaints related to billing and claims on damages from incidents on the electricity systems and other consumer issues are presently being referred to either the ombudsman and/or the MRA. Both the ombudsman and the MRA perform a mediatory role between the complainant and the Enemalta to assist in the settlement of the issue. In these cases, the Ombudsman and the MRA are not empowered to issue binding decisions. Unresolved issues of this nature may be referred to arbitration according to the Arbitration Act or to the law courts.

⁵ MCCA article 7(3) thereof.

⁶ Competition Act article 3 thereof.

⁷ Regulation 1/2003 article 5 thereof and CA article 5(5) and 9(4) thereof.

3.2 Promoting competition

3.2.1 Wholesale markets

There are no wholesale electricity markets in Malta.

3.2.2 Retail markets

Enemalta Corporation has effectively 100% share of the electricity retail market. The electricity retail market is not open to competition and therefore customer switching is not possible in Malta.

The regulator is responsible for the fixing and approving prior the entry into force at the least the methodologies used to calculate or establish the terms and conditions for the supply of electricity to final consumers. The principles underlying the determination and approval of the retail tariffs are published on the regulator website⁸. All consumers of electricity are on regulated tariffs which are approved by the regulator and published on the Enemalta website and the Malta Resources Authority website.

There were no changes in the methodologies used to determine the tariffs or the retail tariffs themselves during the year 2011.

3.2.3 Price monitoring

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

The electricity retail market is not open for competition.

3.2.3.2 Recommendations on supply prices

The MRA is responsible for fixing or approving at least the methodologies used to calculate or establish the terms and conditions for the supply of electricity to customers. The supply prices are established by law and published on the MRA's website and that of Enemalta Corporation and ARMS Ltd. In the event of a review of the electricity tariffs the authority publishes on its website the documents related to the review process.

3.3 Consumer protection

3.3.1 Compliance with Annex 1 of Directive 2009/72/EC

In general, the terms and conditions for the electricity supply service are currently implemented through legislative instruments, in particular the Electricity Supply Regulations which specify inter alia the services and maintenance provided, applicable tariffs, and conditions for

⁸ MRA website: www.mra.org.mt

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.

The bills invoiced to the consumers include contact details of ARMS Ltd which is a subcontractor that carries out meter reading, billing, collections, and provides customer relationship services for Enemalta who is the licensed supplier.

In general, households receive bills calculated on actual consumption every six months. The frequency of actual bills for non-household consumers varies from one month to six months. The bill includes a breakdown of the calculations, total electricity total consumption for the period covered average consumption per day, applicable tariffs and CO2 emissions.

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

It is possible to pay electricity bills using any of the following methods:

- Direct debit;
- Payment by credit cards;
- Online payment, payment by cheque;
- Payment in person either postal office sub-branches or at ARMS Ltd offices.

The replacement of electricity meters with smart meters is underway. By the end of the year 2011 circa 104,360 households and 13,441 non-household consumers had a smart meter installed. This brings the total of smart meters installed at 117,801 which is around 44% of the existing electricity meters that have to be replaced which currently amount to 268,568. In addition around 6,000 consumers were being billed remotely by the end of the year.

The applicable electricity tariffs can be accessed from the Enemalta's website⁹, ARMS Ltd portal¹⁰ and the MRA's website¹¹.

A second technical review of the operations of ARMS Ltd was carried out in connection with the water and electricity billing and customer relationship management. This review followed a similar review carried out in October 2010 which was then deemed necessary following the excessive number of customer complaints related to the operations of ARMS Ltd recorded in 2010. In this second review it was noticed that there was a general improvement in the operational performance of ARMS Ltd and that a number of issues raised in the previous review had been addressed.

⁹ www.enemalta.com.mt

¹⁰ <https://www.smartutilities.com.mt>

¹¹ www.mra.org.mt

3.3.2 *Public service obligations*

No public service obligations were imposed on Enemalta during the year under review with respect to the supply of electricity.

3.3.3 *Vulnerable customers definition*

Vulnerable customers are catered for within the social policy framework. The Ministry for Justice, Dialogue and the Family responsible for social policy has established the criteria whereby certain categories of energy consumers become eligible to receive energy benefits to mitigate the effect of increases in energy bills resulting from the review of electricity tariffs in 2010. The consumers that may benefit from energy benefits include families with low income, persons with a disability and other humanitarian cases. Families on social assistance or special unemployment benefit, persons with an age pension or a carer's pension. Households may qualify for energy benefit if the family's total income is less than (€8,158.81). Households may qualify for the Energy Benefit on humanitarian grounds if it is clear that one of its members suffers from a medical condition that requires an above-average use of water and electricity and the household income is less than (€30,910.80) per annum.

During the year 2011, 27899 households and 79 NGOs benefited from energy benefits.

In addition, customers who are unable to pay their bills when they are due on time are assisted by Enemalta to pay their bill in instalments so as to avoid disconnection wherever possible. The number of disconnections for non payment during the year 2011 was 846 which is an improvement over the previous year when the disconnections amounted to 2955.

Households that meet certain social criteria can also benefit from a grant of €400 on the purchase of a solar heater which contributes towards the reduction of their energy bills.

3.4 Security of supply

3.4.1 *Monitoring balance of supply and demand*

In accordance with the Electricity Market Regulations (LN 166/10) that transpose the Directive 2009/72/EC and Directive 2005/89/EC into national law, the MRA has the responsibility to monitor the progress in the security of supply. Enemalta in its function as the Distribution System Operator in Malta is obliged to draw up a report on security of supply prospects and submit it to the regulator. In addition, on a monthly basis Enemalta provides the regulator information about the generation capacity availability, peak demand and electricity generated among other information.

In the year 2011, the real nominal generation capacity of the two power stations is 551MW with Marsa Power Station accounting for 247MW and Delimara Power Station for 304MW. The actual available generation capacity during the summer months was 505MW. The derating of the generation capacity is due to high ambient temperatures.

The table below (Table 1) provides a breakdown of the amount of capacity installed per technology.

Table 1 – Installed nominal conventional capacity per technology

Technology	Installed Nominal Capacity(MW)
Steam Turbine	330
Open Cycle Gas Turbine	111
Combined Cycle Gas Turbine	110
Total	551

Source: Enemalta Corporation

Table 2- Installed capacity renewable energy end 2011

Renewable energy technology	Capacity installed
PV	6.6MWp
Micro wind	0.075MWp
Biogas plant	1.737MWp

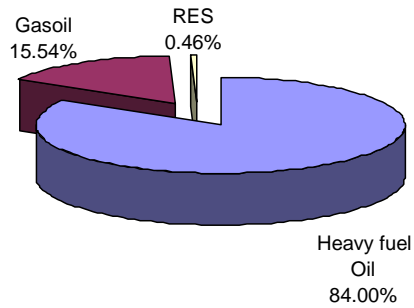
Source: MRA records

The renewable energy capacity installed by the end of 2011 is shown in table 2. As can be seen the installed renewable energy capacity reached 8.4MWp with the main contributor being photovoltaic installations with a negligible amount of wind capacity.

The maximum demand reached in 2011 was 414MW and this occurred in the month of July. The total conventional electricity generation capacity available at the peak was 505MW.

The electricity generation mix is shown in figure 1. The total electricity generated in 2011 was 2.177TWh. The electricity generation fuel mix for the year under review consisted of 84% Heavy Fuel Oil, 16% Gasoil and 0.46% from renewable energy sources.

Figure 1: Generation mix for 2011

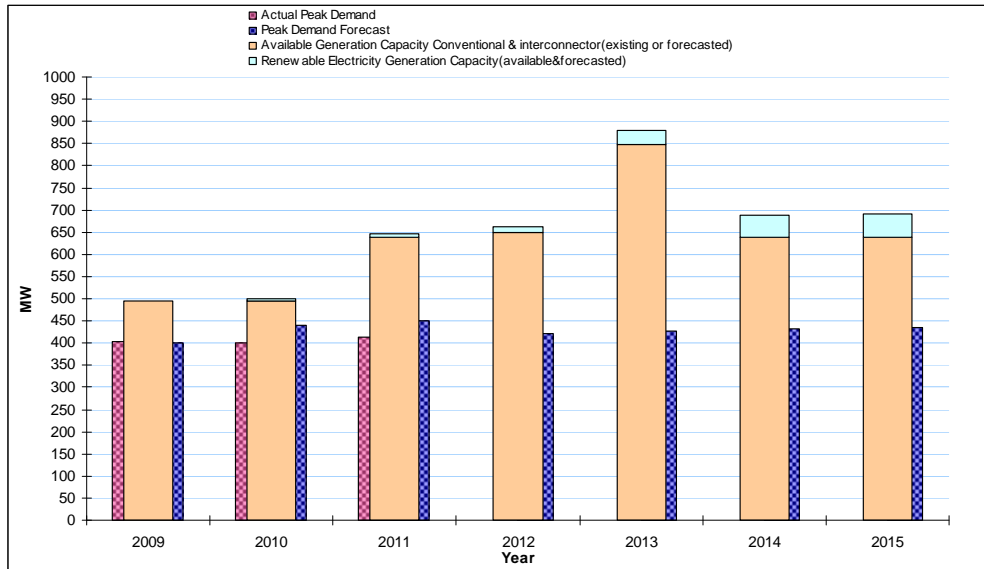


Source: MRA and Enemalta Corporation

3.4.2 *Monitoring investment in generation capacities in relation to security of supply*

Figure 2 depicts the supply and demand balance forecast in MW from 2011 up to 2015. The projections include peak demand, addition of supply capacity both through conventional and renewable energy sources. The supply capacity is expected to increase with the addition of a 144MW local generation capacity in Delimara Power Station in the third quarter of 2012. In addition to this increase in local generation capacity, a 200MW interconnection between Malta and Sicily is planned to be in operation by 2013. These two projects are crucial to guarantee security of supply since the MPS steam plant accounting for around 210MW generation capacity will be shut down by the end of 2013.

Figure 2 – Demand-Supply balance in MW for the 2011-2015



Sources: Enemalta Corporation & MRA estimates

Regarding electricity generators from renewable energy by the end of 2011 the PV capacity under construction was 10.7MW. The total PV capacity by the end of 2015 is projected to reach 26.8MW followed by 6.7MW in large scale wind capacity and 18MW waste to energy plants.

3.4.3 Security of supply prospects

Following the coming into operation of the interconnector in 2013, Government has submitted a project of a floating LNG terminal to be connected to Malta plus natural gas pipeline to Italy as a Project of common European Interest (PCI). Apart from this, it is not expected that there will be any new fossil fuel generation capacity increase or new interconnectors in the time frame 2015 to 2019.

The additions in generation capacity during the timeframe 2015 to 2019 will concern generators producing electricity from renewable energy sources in line with the National Renewable Energy Action Plan (NREAP). In line with this plan the installed renewable electricity generation capacity is projected to reach 155MW by 2017 and is projected to remain at this level at least until 2020. The renewable electricity generation capacity is planned to consist of 18% PV capacity, 71% wind and 11% waste to energy plants. The most predictable in terms of output are the waste to energy plants. The favourable local climate conditions make the PV output is also quite predictable especially in the spring and summer season. Electricity generation from wind is expected to introduce the major intermittency in the system and in this regard the interconnector is expected to contribute to provide the necessary balancing services.

In the worst case scenario, the peak demand is expected to increase by 2% in 2012 over the demand of the previous year and then exhibit a growth of 1% per annum until 2020 and with the growth rate decreasing to 0.5% thereafter and continue so until 2030.

The options for expansion in local generation capacity beyond 2019 are being assessed with consideration of the introduction of natural gas for local electricity production.

3.4.4 Regulators role in authorisations/licensing of generation capacity

The Electricity Market Regulations (LN166/11) provide that no generation capacity may be constructed without an authorisation from the Authority prior to construction. In addition a license is required to produce electricity for own consumption and/or sell to Enemalta.

Generators with a capacity not larger than 16Amps/phase producing electricity from renewable energy and combined heat and power plants are exempted from the requirement to obtain an authorisation and a license. In the case of these generators only a notification to the MRA prior to construction is necessary. Generators smaller than 500kVA operated as standby are also exempted from the requirement to obtain an authorisation and a license.

The granting of the authorisation to construct a generation plant is subject to the application satisfying a number of conditions that relate to the following issues:

Technical suitability of Project – technical assessment (generation plant and technology proposed, construction and commissioning programme, network connection agreements, etc.);

Compliance with relevant legislation (environmental regulations, planning permissions, other permits Integrated Pollution Prevention Control Licence, etc);

Project business plan where it is deemed necessary (project financing, business plan, financial accounts projections, etc.).

Other criteria listed in the Third Schedule to the Electricity Market Regulations (LN 166 of 2011).

In the year 2011, there was a review of the licence issued to Enemalta for the generation, distribution and supply of electricity. The main purposes of these licences are

the monitoring of the Licensee's performance and compliance with the license conditions;

- to ensure that the licensee operates in a manner which guarantees security of supply;
- to measure and compare costs and outputs to benchmark the Licensee's performance;
- to form the basis for better customer protection;
- to establish the basis for quality and security of supply performance objectives;
- to monitor the Licensee's actions on energy efficiency.

The licence includes a set of monitoring reports that have to be submitted to the MRA in the timeframes specified therein. The monitoring reports include the unbundled regulatory accounts for the three activities of generation, distribution and supply of electricity, customer service indicators, customer complaints register, network operational security, security of supply prospects, continuity of supply data, progress in development and maintenance of the distribution network and generation and asset register.

On a monthly basis the MRA receives the generation data and monthly generation fuel stock movements.

Measures to cover peak demand or shortfalls of suppliers

Enemalta Corporation being the only supplier of electricity in Malta acts also as a supplier of last resort.

4 Gas Market

There is no natural gas in Malta.