Cyprus Energy Regulatory Authority
2017 National Report
to the European Commission

July 2016 to July 2017

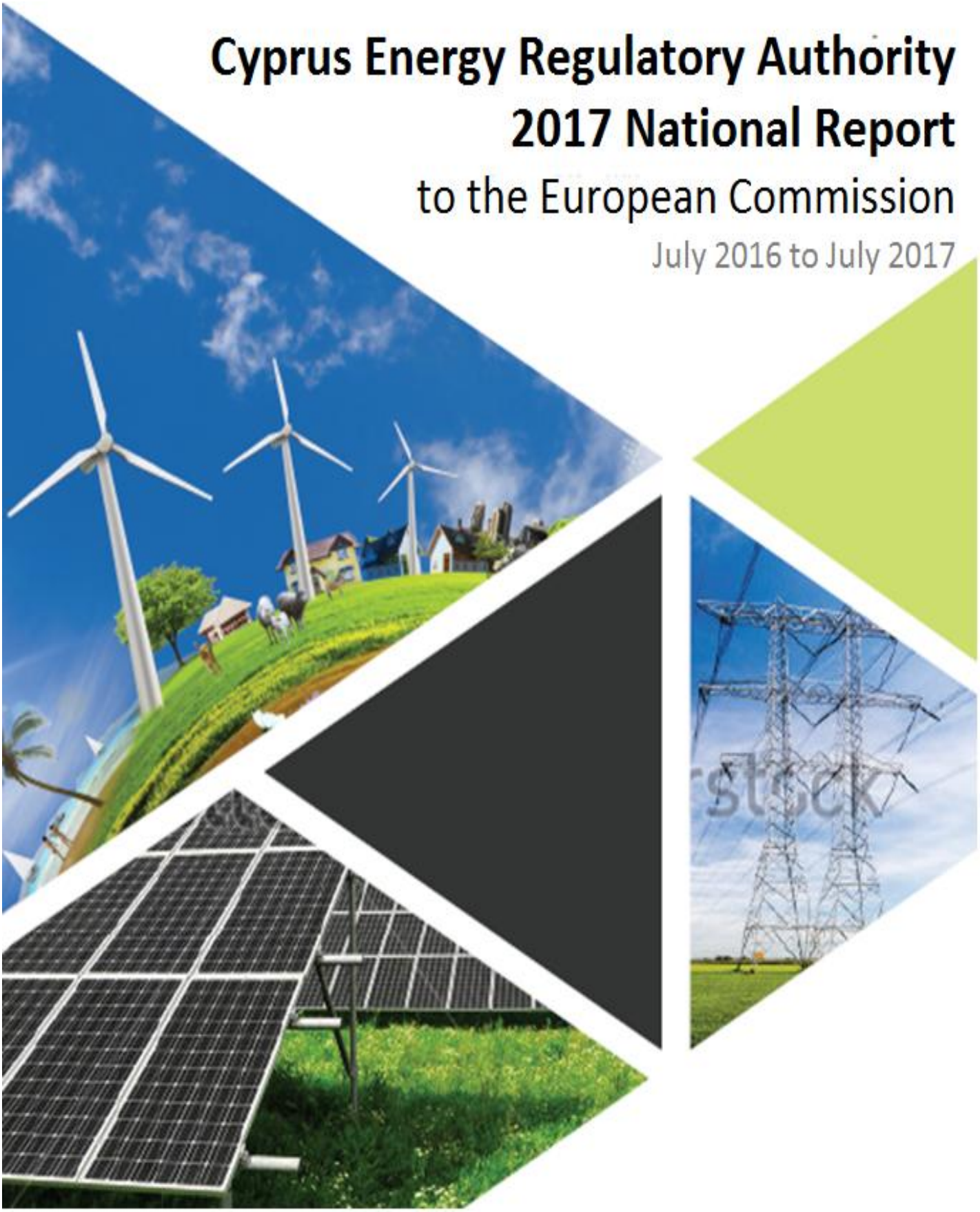


Table of Contents

List of tables

List of figures

List of abbreviations

CEER	**Council of European Energy Regulators**
CERA	**Cyprus Energy Regulatory Authority**
DAM	**Day Ahead Market**
DSO	**Distribution System Operator**
EAC	**Electricity Authority of Cyprus**
GO	**Guarantees of Origin**
ISP	**Integrated Scheduling Process**
MECIT	**Ministry of Energy, Commerce, Industry and Tourism**
MO	**Market Operator**
NRA	**National Regulatory Authority**
OTC	**Over the Counter**
PSO	**Public Service Obligations**
RAG	**Regulatory Accounting Guidelines**
REMIT	**EU Regulation 1227/2011 on the integrity and transparency of wholesale energy market**
RES	**Renewable Energy Sources**
SRA	**Separated Regulatory Accounts**
TSO	**Transmission System Operator**

1. Foreword

During the period under review, major developments took place in the energy field, one of the most important being the publication of the EU's Winter Package, entitled "Clean Energy for All Europeans". The main priorities of the set of initiatives are the energy efficiency priority, the leadership of the EU in the field of renewable energy sources and a fair agreement for energy consumers. The design of the internal electricity market aims to adapt the current market rules to the new realities of the electricity market by enabling the free transmission of electricity where it is most needed, while strengthening the position of consumers, ensuring maximum benefits to society from cross-border competition and providing appropriate signals and incentives for the promotion of the necessary investments for the decarbonisation of the EU energy system.

Both the European Council and the European Parliament have repeatedly stressed that a well-functioning integrated internal energy market is the best tool to ensure affordable and competitive energy prices within the EU, to guarantee the security of electricity supply and to enable the integration and development of larger quantities of electricity from renewable sources in a cost-effective way. Competitive prices are vital for the growth and well-being of consumers in the European Union and are therefore at the heart of the EU's energy policy.

In the light of new developments, fundamental changes in European electricity markets are necessary. The share of electricity produced from renewable energy sources has increased significantly. This switch to renewable energy for electricity generation will continue as it is a key condition for meeting the EU's obligations under the Paris climate agreement.

The natural characteristics of renewable energy sources for electricity generation, such as the changing, less predictable and more decentralised production than the traditional electricity generation, require that the rules governing the operation of the electricity market and the transmission and distribution rules be adapted to a more flexible electricity market. Moreover, government interventions, which are often designed and implemented in an uncoordinated manner, have led to distortions in the electricity wholesale market, with a negative impact on investment.

In view of the above, during the period under review, CERA has taken several important decisions aiming at harmonising the regulatory framework in the energy field that will lead our country towards the completion of the EU internal energy market on the basis of the provisions of the Energy Union.

CERA, taking into consideration, inter alia, the delay observed in the full commercial operation of the new Electricity Market Model, decided the implementation of a binding timetable for the full commercial operation of the new electricity market model which is set for the full commercial operation of the new electricity market model with the deadline of 1 July 2019.

To cover the time that will inevitably pass until the full commercial operation of the new electricity market model (i.e. until 1 July 2019), CERA examined in detail the introduction of a transitional arrangement in the electricity market.

Furthermore, and taking into account the CERA's Accounting and Functional Unbundling Regulatory Decisions for EAC (vertically integrated electricity undertaking) as well as Law regulating electricity market , EAC was mandated to maintain Separated Regulatory Accounts for each of its activities that were licensed by CERA. The same applies for the provision of PSOs and

EAC's activities not related to electricity. According to the Regulatory Decision regarding the functional unbundling of EAC, the latter is obliged to proceed with the organization of five distinct Business Units. Functional unbundling of EAC is at official operation since December 2016. The accounting unbundling has also been completed and Separate Regulatory Accounts have been submitted for the years ended 31.12.1014 and 31.12.2015. The compliance of EAC with CERA's regulatory decisions on functional and accounting unbundling is under review by CERA.

CERA has also been vested through the Law with the responsibility of approving tariff methodologies and actual tariffs and charges of the Monopoly Sectors of the industry and all activities of EAC who is the dominant participant in the Electricity Market (Generation and Supply of electricity). To this end on 25 May 2017, by Decision 97/2017, CERA approved the new tariffs submitted by EAC for the regulatory period 2017 – 2021. The new tariffs will be applied from 1 September 2017.

With respect to wholesale energy markets CERA with a Regulatory Decision decided, on 7 October 2016, to apply provisions prohibiting abusive practices affecting the wholesale energy markets, which are in line with the rules applicable to the financial markets and the proper functioning of those wholesale energy markets, taking into account at the same time their specific characteristics. In particular, this Regulatory Decision introduces more specific legislative and regulatory arrangements that are deemed necessary for the issues related to Regulation (EU) No. 1227/2011 on the prohibition of insider trading, the obligation to publish inside information, the prohibition of market manipulation, implementation of prohibitions against market abuse and the imposition of related sanctions.

CERA will continue to perform its work impartially, ignoring any interventions, to develop a people-centred and smart energy regulation focussed on the consumer. The proper functioning of the Electricity and Natural Gas Markets is crucial for the economy and stability of the state as well as for the well-being of its citizens.

Dr. Andreas Poullikkas
Chairman

2. Main developments in the gas and electricity markets

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

The energy sector in Cyprus is undergoing fundamental transformations concerning its structure and organisation, its institutional framework and the diversification of its energy mix. The Cypriot electricity sector is today 100% covered on the supply side and more than 90% on the generation side, by the state-owned Electricity Authority of Cyprus (EAC). In an effort to open up the market to new participants, CERA has proposed the Net-Pool model as being the most appropriate trading arrangement approach for the Cyprus electricity market. The formulation of a net-pool incorporates both, a bilateral contracts market and a central Day Ahead Market. In the near future, an Intra-Day Market would be organized. The proposed design includes also a real time Balancing Mechanism that provides the Transmission System Operator (TSO) with the ability to purchase the required operational reserves, activate balancing services, and settle imbalances.
At present, CERA decided on the implementation of the transitional arrangements of the electricity market in Cyprus prior the full implementation of the new Electricity Market Model. The transitional period will be based on bilateral contracts between producers and suppliers for the supply of a standard quantity of electricity (kWh) on a monthly basis. The transitional period of the electricity market in Cyprus will start at 1 September 2017 and will be in force until the full implementation of the new Electricity Market Model.

During the year under review, CERA has issued a series of important Regulatory Decisions concerning:

- the implementation of provisions for the prohibition of abusive practices on the wholesale energy market and the imposition of sanctions in case of violation of the provisions;
- the imposition of Public Service Obligations (PSO) on electricity suppliers concerning the implementation of reduced tariffs for specific categories of vulnerable consumers,
- the implementation of a binding timetable for the full commercial operation of the new electricity market model,
- guidelines to the Owner of the Transmission System for the allocation of resources to the TSO,
- Implementation of the transitional arrangements of the electricity market in Cyprus prior the full implementation of the new electricity market model,

At the same time, CERA took a series of Decisions, the most important of which were:

- the determination of the Weighted Average Cost of Capital for the 2017 – 2021 regulatory period at 4.6% for each of the activities of Generation, Transmission Ownership and Distribution of Electricity Authority of Cyprus (EAC),
- the inclusion of the avoidance cost of purchasing greenhouse gas emission allowances in the calculation of the purchase price of electricity from renewable energy sources (RES),

- the revision of the fuel clause used to calculate the fuel adjustment price for electricity consumers,
- the detailed description of the process of purchasing greenhouse gases emission allowances and recovering the associated costs through the monthly fuel price readjustment,
- the prior approval of EAC Allowable Income for the regulatory period 2017 - 2021 as submitted on 5 July 2016, subject to certain conditions,
- approval of the amendments to the Transmission and Distribution Rules - Version 4.0.1 proposed by the Cyprus TSO,
- fuel Adjustment Clause for 2016 and Electricity Purchase Price from RES for 2017,
- TSO tariff-fee for the year 2017,
- long term Forecast of Annual Maximum Generation and Annual System Generation for the decade 2017 – 2026,
- approval of the renewed Trading and Settlement Rules, and
- basic principles of pricing methodology for Liquefied Natural Gas (LNG) installations.

3. The electricity market

3.1. Network regulation

3.1.1. Unbundling

3.1.1.1. Development in TSO unbundling and Report on TSO certification

The third energy package provides for **three basic models for unbundling: Ownership Unbundling (OU), the Independent System Operator (ISO) and the Independent Transmission Operator (ITO)**. When implementing the unbundling rules of the third energy package Member States have to decide whether to implement exclusively the Ownership Unbundling model, or leave to the TSO a choice between the different models. However, Cyprus according to article 44 (derogations) of the 2009/72/EC directive has obtained an exemption from article 9 on Unbundling of Transmission Systems, therefore Cyprus has maintained its present regime on TSO unbundling.

As from previous directive, a TSO has been appointed and functions independently in terms of organisation and decision making from the TSO and the Distribution System Owner and Operator (DSO) which is namely the EAC. Under current legislation, the TSO which is legally unbundled, acts independently from production, distribution and supply activities in order to safeguard third party access onto the transmission network and equal treatment of all users of the network.

Furthermore, the TSOs' Certification procedure does not apply for Cyprus due to the exemption from Article 9 of the said directive.

Currently the Cyprus TSO is located separately from EAC. The TSO presents himself to customers as a separate entity with his own name, logo and website. Cyprus TSO is provided with all of its employees by the single vertically integrated utility, namely the EAC.

Share of shared services adds up to 100% and shared employees likewise.

In the meantime, and taking into account the New Electricity Market Arrangements that are expected to be in force in 2019 and the need for the alignment of the Law and the Trading and

Settlement Rules, deliberations between CERA and the Ministry of Energy, Commerce, Industry and Tourism are held in order to amend the law regulating the electricity market. The outcome of the proposed amendments may affect the structure of the TSO.

3.1.1.2. Development in DSO unbundling

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

The function of the single DSO has remained within the Network Business Unit of EAC in agreement with the relevant clauses of the Electricity Directive and the approval of the Government of Cyprus.

Cyprus as a small and isolated system has decided, according to article 26 on the unbundling of distribution system operators of the 2009/72/EC directive, not to apply the proposed unbundling regime of the DSO. In accordance with the Law regulating the electricity market EAC assigns an officer of EAC as the "Distribution System Operator Director" which is responsible for the management of the distribution system.

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

DSO is provided with all of its employees by the single vertically integrated utility, namely the EAC.

3.1.1.3. Accounting and Functional Unbundling

In August 2014, CERA issued the Accounting and Functional Unbundling Regulatory Decisions for EAC, as well as the Regulatory Accounting Guidelines (RAG) for the preparation of the Separated Regulatory Accounts (SRAs) of EAC. These decisions set the basis for the unbundling of the four regulated activities of Generation, Transmission, Distribution and Supply and the non-regulated activities of the organisation.

Regarding the Accounting Unbundling of EAC, Article 108(4) of the Law provides that EAC should maintain SRAs for each of its activities that were licensed by CERA according to Article 34. The same applies for the provision of PSOs and EAC's activities not related to electricity.

According to the Regulatory Decision regarding the functional unbundling of EAC, the latter is obliged to proceed with the organization of five distinct Business Units (BUs); **Generation, Supply, Transmission and Distribution** and another distinct Unit for **"Other Activities"**. It calls for the discrete separation of the competencies between Distribution and Supply as well as the creation within the Distribution BU, of a Section for the Operation of the Distribution System. Within the Distribution BU, it also calls for the creation of a ring-fenced "Metering" Section. The "Other Activities" Unit will include all the non-regulated EAC Activities such as Inspection of Electrical Installations, Desalination Unit, Street Lighting Maintenance, MRTC, third party supply and installation of PV Systems, third party telecommunications, contracting activities etc.

Functional unbundling of EAC is at official operation since December 2016. The accounting unbundling has also been completed and Separate Regulatory Accounts (SRAs) have been submitted for the years ended 31.12.1014 and 31.12.2015. The compliance of EAC with CERA's regulatory decisions on functional and accounting unbundling is under review by CERA.

CERA, by its decisions, have decided to grant approval for the non-publication of EAC's SRAs for the years 2014 – 2016. CERA also informed EAC, that from 2017 onwards, the SRAs will be publish according to the provisions of the Regulatory Decision 02/2014, "Regulatory Accounting Guidelines for the preparation of Separate Regulatory Accounts".

3.1.2. Technical functioning

3.1.2.1. Balancing Services

The "Trading and Settlement Rules" (Market Rules) were officially published and placed into force on 30 January 2009. In general, the Trading and Settlement Rules enable the Cyprus TSO to fulfil its obligations under the Law, regulate the means by which Participants may trade Energy, allow the calculation and settlement of payments in respect of Energy and specify the way in which settlement and billing shall be carried out. The Trading and Settlement Rules provide all necessary information concerning the operation of the electricity market in the country. The balancing arrangements are also described in these.

In accordance with CERA's Regulatory Decision 01/2015, CERA has given instructions to the Cyprus TSO, to proceed immediately to the preparation of the specifications for the supply of the required systems and other arrangements needed for the proper functioning of the Electricity Market as soon as possible. It has also given instructions to the Cyprus TSO, to activate the actions required by Law for drafting of the new Trading and Settlement Rules and the revision, where necessary, of the Transmission and Distribution Rules for the full implementation of the Regulatory Decision. TSO has set under Public Consultation, a text modifying the Trading and Settlement Rules on the basis of the Regulatory Decision 01/2015 and afterwards discussions followed within the Advisory Committee according to the provisions of the Law.

By Decision 84/2017, 12 May 2017, the Members of CERA decided to approve the proposed amended Trading and Settlement Rules submitted by the Cyprus TSO. Specifically, the Members of CERA approved:

- The adoption of deviations in the proposed revised Trading and Settlement Rules, in relation to the provisions of the Regulatory Decision 01/2015 regarding the new Net Pool Electricity Market arrangements in Cyprus, some of which are set out below:
  - Monthly offers accepted for reserve availability (in €/MW) to be paid the Marginal Reserve Price instead of their Pay as Bid,
  - Define maximum caps for reserve offers,
  - Bilateral contract entries can be made until 09:00 H-1, instead of 13:00 H-2,
  - Allow up to 10 energy purchase offers by suppliers for each trading period,
  - RES units and RES aggregators (except for RES units under National Grant Schemes) can provide operational reserves,
  - Balancing market to work up to real time,
  - The Initial Monthly Settlement Statements are issued on the 2nd working day following the 14th day from the end of the month,

- The Final Monthly Settlement Statement is issued on the 11th working day following the 14th day from the end of the month to which it relates,
- The Day-Ahead invoice is required to be issued no later than 10:00 on the first business day following the clearing day. Payments are required not later than 11:00 on the first business day following the clearing day
- A surplus of unexpected situations is foreseen

- Approval of the proposed revised Trading and Settlement Rules submitted by the Cyprus TSO (Version 2.0.0), with some modifications to the text.
- Given the time required by the Cyprus TSO for the procurement of the relevant software and hardware for the implementation of the new revised Trading and Settlement Rules set out in Regulatory Decision 01/2015, CERA will decide at a later stage on the date of publication of the new revised and approved Trading and Settlement Rules in the Official Gazette of the Republic of Cyprus, which, under the provisions of article 81(6) of the Law Regulating the Electricity Market, will enter into force. At the same time, in the framework of full transparency and timely information of all investors interested in their activity in the field of the competitive electricity market, as well as to inform any other interested persons and/or market participants in the electricity market, the new revised approved Trading and Settlement Rules is published on the website of the Cyprus TSO without having any effect.

3.1.2.2. Security and Reliability Standards, Quality of Service and Supply

CERA monitors the compliance with and reviewing the past performance of network security and reliability rules and sets or approves standards and requirements for quality of service and supply.

Under the Laws on Regulating the Electricity Market of 2003 to 2017, CERA takes a Regulatory Decision gives instructions to the Cyprus TSO and the DSO to prepare and issue technical rules, which are subject to CERA's approval, on the operation of the Transmission System and the Distribution System, respectively.

The provisions of the Transmission and Distribution Rules are observed by all licensees or by persons to whom exemptions were granted, to the extent that the licences or exemptions require this, respectively.

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

The Rules:

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

During the year under review, a revision of the Transmission and Distribution Rules was published by the TSO on 21 October 2016, following CERA's approval. Version 4.0.1. - October 2016 is the latest amending version of the Transmission and Distribution Rules.

3.1.2.3. Monitoring time taken to connect and repair

CERA monitors the time taken by the TSO and EAC, to make connections and repairs. Each year the TSO has to report to CERA through its annual report regarding this issue. In general, CERA monitors the number of disconnections due to repair and the duration of these disconnections.

Furthermore, CERA in 2005 enacted regulations "On regulating the electricity market - Performance Indicators - Reg. 571/2005" whereby, Performance Indicators are defined as the indicators for the supply of electricity and include the obligations of the Supplier and DSO, consumer rights, performance standards and minimum levels of performance as well as the fine automatically imposed in cases of the Supplier's and/or the DSO failure to comply. More information is given in Chapter 5.

A total of thirty-four (34) production disturbances occurred in 2016, of which eighteen (18) at Vasiliko Power Station, seven (7) at the Dekeleia Power Station, two (2) at Moni Power Station, one (1) at "Oreites" Wind Park, five (5) at Power Stations located in the occupied areas and one (1) incident involved jointly the Dhekelia Power Station, the Vasilikos Power Station and the Power Station located in the occupied areas.

In seventeen (17) cases the loss of production units was accompanied by load disconnection.

In 2016, a total of nineteen (19) failures in the transport system occurred:

- Sixteen (16) faults due to failure or malfunction of the equipment (84%).
- Three (3) failures due to bad weather (16%)

In ten (10) out of nineteen (19) cases, the damage was accompanied by disconnection of consumers. All failures were fully restored.

The total number of transport failures (19) in 2016 has increased by 32% compared to 2015 (13). The numbers of failures, due to failure or malfunction of the equipment, increased by 7%, while the number of damage due to bad weather decreased by 7%. It is also worth noting that the number of high humidity failures remained at exactly the same zero (0%) percentage as those in 2015.

3.1.2.4. Monitoring Safeguard Measures

In accordance with the recent Electricity Act, when the Minister of Energy, Commerce, Industry and Tourism or CERA decide that a sudden crisis in the energy market is presented, the Minister, after consultation with CERA issues a Decree under which declares the energy market under sudden crisis and determines the beginning of the energy crisis.

When the Minister or CERA decide that the reasons for which the energy market was declared under sudden crisis, have ceased, the Minister, after consultation with CERA issues a Decree under which declares the end of the sudden crisis in the energy market and determines how to restore the normal situation.

Furthermore, CERA has to issue a Regulatory Decision in order to establish the following:

- Preventive/pro-active Action Plan of the measures required to eliminate or mitigate risks and
- Emergency Plan of the measures to be taken to eliminate or mitigate the impact of a sudden crisis in the energy market.

The above plans must cause the least possible disturbance in the functioning of the internal market and must not be wider in scope than is strictly necessary to remedy the sudden difficulties which have arisen.

3.1.2.5. RES regulatory framework

Provided security and quality of supply requirements are met, RES-E producers have priority dispatch over conventional ones. According to the Trading and Settlement Rules generators are self-dispatched. Existing RES generators (currently only RES energy sold to EAC by the feed-in tariff regime, is injected to the system) provide their forecast to the TSO on the day-ahead on a half hour basis, and are not liable for any imbalances.

Furthermore, according to the New Market Model to be implemented in the coming years, new RES generators with installed capacity above 1 MW may either directly participate into the market on a per plant basis or be represented by an aggregator. Operators of such plants may choose to bilaterally trade their output or trade it through the DAM or both. Participation to the DAM will be possible through priced Orders (Offers). New RES generators with installed capacity below 1 MW as they cannot offer energy quantities, on a half hourly basis, greater than 0,5 MWh shall be represented by an aggregator.

With respect to RES generators under the Support Scheme it was decided that EAC will manage the total of RES under Support Schemes under its demand portfolio (independently of their size) in which case EAC would have to forecast the total of their input and handle them as negative load.

The Council of Ministers, exercising the powers granted to it under paragraph (f) of section 44 of the Promotion and Encouragement of the Use of RES Laws of 2013 to 2015, has issued Regulations Κ.Δ.Π. 375/2016 on the Promotion and Encouragement of the Use of RES (Fixing the Amount of Excise Tax).

These Regulations concern the determination of the amount of the excise tax and the date of its enforcement, and in addition include a provision for reimbursement of the amount paid by the RES producers in 2015.

Finally, by Decision 1585/2016, CERA decided to determine the certified entities, the minimum time period and the manner in which the wind power measurements of an area, accepted by CERA, should be carried out in accordance with the current International Standards:

- The necessary and acceptable measurements of wind power submitted to CERA together with the application for Wind Farm construction for commercial purposes must:
  - Be performed by certified operators in accordance with the applicable standards, ISO / IEC 17025: 2005, or any other replacement,
  - Be performed in a representative position and height relative to the proposed station.
- The duration of the measurements shall be equal to or greater to one (1) year with an occupancy rate of 85% or 6 months if the average speed is greater than 7.5m / s with an occupancy rate of 90%.
- The results of the wind power measurements should be analysed and processed according to the wind energy standards, the IEC 61400 or any other replacement.

3.1.3. Network tariffs for connection and access

3.1.3.1. Report on New tariff regulation provisions

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

The methodology developed and followed concerning network tariffs is based on the following principles:

- Unbundling of EAC accounts under the following broad categories:
  - Generation
  - Transmission Network
  - Transmission System Operator
  - Distribution
  - Supply
  - Non regulated business
- Re-evaluation of generation and network assets.
- Identification of ancillary services and cost valuation of each one separately.
- Identification of PSOs.
- Benchmarking of various activities with reference to published performance indices of European Utilities.

CERA has been vested through the Law with the responsibility of approving tariff methodologies and actual tariffs and charges of the Monopoly Sectors of the industry and all activities of EAC who is the dominant participant in the Electricity Market (Generation and Supply of electricity).

CERA has approved the following charges for the use of networks (decisions 01/2016, 04/2015, 02/2013, 03/2010 and 04/2010):

Table 1. Charges for the use of networks and other operational expenses

CHARGES FOR THE USE OF NETWORKS AND OTHER OPERATIONAL EXPENSES	2012 €cents/ kWh	2013 €cents/ kWh	2014 €cents/ kWh	2015 €cents/ kWh	2016 €cents/ kWh
High Voltage (HV)	0.86	0.86	0.86	0.86	0.86
Medium Voltage (MV)	1.33	1.33	1.33	1.33	1.33
Low Voltage (XT)	1.47	1.47	1.47	1.47	1.47
TSO	0.08	0.11	0.11	0.11	0.09
Ancillary Services	0.21	0.21	0.21	0.21	0.21
Long Term Reserve/Stand by	0.46	0.46	0.46	0.46	0.46
TOTAL HV	1.61	1.61	1.61	1.61	1.62
TOTAL MV	2.94	2.94	2.94	2.94	2.95
TOTAL LV	4.41	4.41	4.41	4.41	4.42

By Decision 30/2017, the Members of CERA decided and approved that the TSO fee (D-TSO: Tariff for TSO expenditure) for 2017 onwards should remain, until it is reviewed, at 0,09 €cent/kWh.

Furthermore, on 2 February 2017, the Members of CERA decided to approve the following fuel clause coefficients and base prices, for the year 2017:

Table 2. Fuel clause coefficients and base prices, for 2017

Fuel clause coefficients for the consumers (€c/kWh/€5c/MT)	
Low voltage	0.00128
Medium voltage	0.00125
High voltage	0.00122
Fuel clause coefficients for RES energy purchase (€c/kWh/€5c/MT)	
Low voltage	0.00125
Medium voltage	0.00122
High voltage	0.00121
RES base prices (€c/kWh)	
Low voltage	7.648
Medium voltage	7.509
High voltage	7.407

By Decision 1565/2016, CERA decided to set the Weighted Average Cost of Capital for the 2017 - 2021 regulatory period at 4.6% for each of the activities of Generation, Transmission Ownership and Distribution of EAC.

The Weighted Average Cost of Capital may change during the regulatory period 2017 - 2021 only if there are significant changes in its specific parameters, and following consultation between EAC and CERA.

On 25 May 2017, by Decision 97/2017, CERA approved the new tariffs submitted by EAC for the regulatory period 2017 – 2021. Specifically, CERA decided the following:

- Approval of the Allowed Revenues submitted by EAC for the regulatory period 2017 – 2021, provided that they will be reviewed in accordance with the provisions of the Regulatory Decision 02/2015 (Statement of Regulatory Practice and Electricity Tariff Methodology).
- Approval of the Allowed Revenues of the TSO, submitted by the TSO on 25 January 2017, provided that they will be reviewed each year.
- Approval of the recovery of the Allowed Revenues for the regulatory period 2017 – 2021 through energy charge (which includes marginal cost of energy and marginal capacity cost).
- Approval of new tariff categories submitted by EAC.
- Approval of the Seasonal Time of Day (STOD) tariff structure:

Season	Period	Description	Season	Period	Description
Summer (June – September)	Peak	09:00 – 23:00 All days	Other (October – May)	Peak	16:00 – 23:00 All days
	Off-peak	23:00 – 09:00 All days		Off-peak	23:00 – 16:00 All days

- Approval of the Wholesale tariff submitted by EAC.
- Approval of the Use of the Transmission System tariff per voltage as:

High Voltage	**0.54 €c/kWh**
Medium Voltage	0.86 €c/kWh
Low Voltage	0.88 €c/kWh

- Approval of the Use of the low and medium voltage Distribution System tariffs submitted by EAC.
- Approval of the Business Management Services provided to customers tariff submitted by EAC, as monthly charge of €2.33 per consumer. CERA instructed EAC to submit a revised proposal for the above-mentioned tariff by the end of June 2018 at the latest.
- For the purpose of calculating the Ancillary Services and Long-Term Reserve tariffs, use the existing pricing as approved by the CERA in the Regulatory Decision 03/2010 (Charges for the use of Transmission and Distribution Networks, TSO Expenditure, Ancillary Services and Long-Term Reserve in the Electricity System). The Ancillary Services tariff should be applied per voltage as follows:

High Voltage	**0.65 €c/kWh**
Medium Voltage	0.66 €c/kWh
Low Voltage	0.67 €c/kWh

CERA instructed TSO to submit a revised proposal for the above-mentioned tariffs by 30 September 2018 at the latest.

- The recovery of the TSO Expenditure tariff for 2017 should be applied per voltage as follows:

High Voltage	**0.09 €c/kWh**
Medium Voltage	0.09 €c/kWh
Low Voltage	0.09 €c/kWh

- Approval of the recovery Measurements Expenditure tariff submitted by EAC, as monthly charge of €0.49 per consumer. CERA instructed EAC to submit a revised proposal for the above-mentioned tariff by the end of June 2018 at the latest.
- Considering that, on the basis of cost-orientation, there is an average reduction in total tariffs, and the following tariff categories presented an increase based on cost-reflectivity:

Tariff description	Code	% Increase due to cost-orientation
High Voltage	83	2
Public Lighting	35	3
Water Pumping	41	13
Off-peak	55	49
Industrial Use Maximum Demand Medium Voltage	76	4

- CERA decided to approve EAC's proposal to maintain the above tariffs at current levels for energy charges for up to the operation of the new Electricity Market or four years after the new tariffs are applied, whichever is the sooner. The reduced revenues that the EAC will incur from the implementation of the above tariffs will not be passed on the consumers, and EAC will bear the reduced revenues.
- The new tariffs will be applied from 1 September 2017.

- CERA instructed EAC to submit, by 30 June 2017, the detailed Electricity Tariff Plans of 2017 for approval by CERA, which will include all the elements of each tariff code. Following the approval of CERA, EAC will publish the approved Tariff Plans to properly inform the electricity consumers and other electricity market participants.
- CERA also instructed EAC to submit, by 30 June 2017, a recommendation to CERA on the content of electricity tariffs bills to be issued to consumers in accordance with the provisions of the Regulatory Decision 02/2015 (Regulatory Practice Statement and Electricity Tariff Methodology)
- Finally, taking into account that the recoveries of the Allowed Revenues will be achieved through tariffs based on energy pricing (including marginal cost of energy and marginal capacity cost) rather than energy pricing and power pricing, EAC will submit to the CERA every January a full report covering the profile of the reactive capacity and of the capacity coefficient of the electrical system of the previous year.

3.1.3.2. Prevention of cross-subsidies

One of the main objectives of the Regulatory Decision No. 02/2015 "Statement of Regulatory Practice and Electricity Tariffs Methodology" is the prevention of cost subsidies between regulated activities.

With the issue of Decision No. 97/2017 which is given in detail in section 3.1.3.1 above, CERA approved the cost-reflective electricity tariffs for all customer groups, with the exception of tariff codes 83,35,41,55 and 76. Also, tariffs for each regulated activity were approved.

3.1.4. Cross-border issues

At present, the electricity system of Cyprus operates without cross-border links. An interconnection project through an underwater cable with Greece and Israel is currently under study, the so called "EuroAsia Interconnector Project", which is promoted as a Project of Common Interest (PCI).

The EuroAsia Interconnector was proposed for the electricity interconnection between Israel, Cyprus and Greece. It was approved by the European Commission and was included in EU list as a Cluster consisting of three distinct projects: Israel - Cyprus, Cyprus - Crete and Crete - Attica. The project consists of a DC subsea cable (HVDC) 600 kV with a total capacity of 2000 MW, and the required electrical equipment, i.e. power plants to convert the electrical current from DC to alternating current (AC) and vice versa, and for its transmission from and to the countries concerned. The total length of the submarine cable is estimated at around 820 nautical miles/ about 1518 km (329 miles between Cyprus and Israel, 879 km between Cyprus and Crete, and 310 km between Crete and Attica). It is estimated that the laying of the cable on the seabed in some places between Cyprus and Israel will exceed the depth of 2000 meters and 2500 meters between Cyprus and Greece.

With the implementation of this project, Cyprus will cease to be a system isolated from the European network, which is one of the main pillars set by the EU. It is also expected to contribute positively to the achievement of EU goals for the integration of the internal electricity market, security of supply, energy efficiency and better backup supply in emergencies.

On 24 April 2016, the project promoter of EuroAsia Interconnector notified the project in writing to the competent authority of Cyprus, the MECIT. On 6 May 2016, the MECIT accepted the notification.

After the notification was accepted, the project promoter submitted to CERA in the course of 2016, studies related to the project's investment request.

3.1.5. Compliance

Ensuring compliance with binding decisions of the Agency and the Commission, and with the Guidelines

Under the Third Package, NRAs are required to ensure compliance with and implement binding decisions of ACER and of the European Commission. In order to enable CERA to do this, the Law Regulating the Electricity Market has been amended so as to provide the Authority with the necessary powers to carry out its functions in the manner that it considers is best calculated to implement or ensure compliance with any binding decision of ACER or of the European Commission.

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

CERA has the power to investigate compliance of transmission and distribution, electricity undertakings with relevant Community legislation. If a breach is found, CERA has the power to impose penalties. Furthermore, Cyprus has obtained an exemption from article 9 of the new Directive on the unbundling of transmission systems, therefore TSOs' certification compliance does not apply.

3.2. Promoting Competition

3.2.1. Wholesale markets

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

After public consultation, CERA decided to adopt a study, which was prepared by an external consultant of CERA titled "The New Electricity Market Arrangements in Cyprus" concerning the detailed design of the Electricity Market in Cyprus and published the Regulatory Decision 01/2015 whose content was the actual study. The study proposes a design regarding the new electricity market arrangements in Cyprus based on the decision for implementing a Net-Pool Model as being the most appropriate trading arrangement approach for the Cyprus electricity market and which was fully compliant with the EU target Model.

In brief, the above market design, is aiming at creating the appropriate market environment to enable market participants to operate in the electricity sector of Cyprus. Special arrangements and mechanisms have been included in the design in order to allow RES generators (not operating under government support schemes) to benefit by their direct participation in the competitive electricity market either through a day ahead market (DAM) or through bilateral contracts with suppliers.

Specifically, under the d net pool design, bilateral physical forward contracts are notified and corresponding schedules are nominated on a half hourly basis to the MO on the day ahead of

real time. Orders in the DAM are unit based in the case of generators (or per RES plant or per aggregators of smaller size RES plant). Suppliers submit demand orders based on individually forecast half-hourly demand. Orders in the DAM correspond to residual quantities not already covered by the nominated bilateral contracts. The DAM is centrally managed by the MO by processing matching bid curves in order to optimise dispatch. Contracts resulting from the DAM are between market participants and the MO at the DAM clearing price. Through a centralised approach, the crucial ancillary services are allocated using a co-optimising Integrated Scheduling Process (ISP) prior to gate closure on the day ahead of real time. A real time Balancing Mechanism is used for optimised real time dispatch actions.

The Market Arrangements provide for a centrally organized Day – Ahead Market, compatible with Regional Price Coupling principles (PCR) and an-Intra-Day Market. An integrated Daily Unit Scheduling Process is also provided, matching with a real time Balancing Market. Development of a Forward market is also foreseen, based on Over-the-Counter (OTC) transactions. Over-the-Counter forward products are bilateral contracts, negotiated and concluded between market players, in some case with the mediation of a broker. These contracts are not referring to standardized products transacted in an organized marketplace, e.g. a Power Exchange, although in the market arrangements a platform for the transaction of these contracts might be developed later by the Market Operator.

Subsequently CERA, instructed the Cyprus TSO, as the competent and responsible organisation, to prepare, according to the detailed description of the high level design, the new Trading and Settlement Rules (known as the Market Rules) and take all necessary steps leading to the implementation of the market according to the agreed plan and timetable. Cyprus TSO set under Public Consultation a text modifying the Market Rules and discussion within the Advisory Committee followed. By Decision 84/2017, 12 May 2017, the Members of CERA decided to approved the proposed amended Trading and Settlement Rules submitted by the Cyprus TSO.

By Regulatory Decision 01/2017, on 27 January 2017, CERA set the implementation of a Binding Timetable for the full commercial operation of the new Electricity Market Model. Specifically, CERA decided to instruct the Cyprus TSO to be staffed, by 30 June 2017, by applying the provisions of article 60(1)(c) of the Law Regulating the Electricity Market, to meet its needs in order to become competent in the exercise of its responsibilities and proceeded immediately with the necessary actions for the completion of the works needed for the full commercial operation of the new Electricity Market Model, until the EAC Board of Directors places appropriate permanent staff.

Moreover, CERA decided that by 1 July 2017, to initiate the implementation of the timetable, as proposed by the Cyprus TSO, and complete within 24 months for the full commercial operation of the new Electricity Market Model. Also, CERA has set the 1st of July, 2019 as the latest date that the new Electricity Market Model to be fully operated.

By Regulatory Decision 02/2017, on 27 January 2017, CERA instructed the Owner of the Transmission System for allocation of resources to the Cyprus TSO, by 30 April 2017, in order to become competent in the exercise of its responsibilities and proceeded immediately with the necessary actions for the completion of the works needed for the full commercial operation of the new Electricity Market Model.

By Regulatory Decision 04/2017, on 26 June 2017, CERA decided on the implementation of the transitional arrangements of the electricity market in Cyprus prior the full implementation of the new Electricity Market Model. The transitional period will be based on bilateral contracts

between producers and suppliers for the supply of a standard quantity of electricity (kWh) on a monthly basis. The implementation and operation of the transitional arrangements do not require a Market software, due to the fact that the related tasks are relatively simple and can be implemented with simple spreadsheets.

The RES-E producers interested in joining the transitional electricity market, should be included under a support scheme of the MECIT.

Finally, the transitional arrangements of the electricity market in Cyprus will start at 1 September 2017 and will be in force until the full implementation of the new Electricity Market Model where the work of all market participants, EAC-Production and EAC-Supply will be transferred to the new electricity market.

By Decision 120/2017 and 121/2017, 26 June 2017, CERA decided respectively, that the threshold for participation in the transitional electricity market for producers with either generation units or RES Units would be above 4.5 MW and the threshold for contracts for the supply of energy to consumers, with a total agreed capacity, to participate in the transitional electricity market for suppliers would be above 10 MW.

The two thresholds mentioned above are dynamic and may be modified depending on the participation in the transitional electricity market.

As regards the degree of integration of the market with neighbouring Member States, it was previously mentioned that Cyprus constitutes a small and isolated system.

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

By Regulatory Decision, the Members of CERA decided, on 7 October 2016, to apply provisions prohibiting abusive practices affecting the wholesale energy markets, which are in line with the rules applicable to the financial markets and the proper functioning of those wholesale energy markets, taking into account at the same time their specific characteristics.

In particular, this Regulatory Decision introduces more specific legislative and regulatory arrangements that are deemed necessary for the issues related to Regulation (EU) No. 1227/2011 on the prohibition of insider trading, the obligation to publish inside information, the prohibition of market manipulation, implementation of prohibitions against market abuse and the imposition of related sanctions.

3.2.2. Retail market

As already pointed out, Cyprus has opened the Electricity Market on the 1st May 2004 for the 35% of the annual consumption, on 1st January 2009 extended up to 67% and finally on 1st of January 2014 the market is fully liberalised and each customer is able to choose his own supplier. Currently EAC is the only supplier of electricity, as no new players already being licensed have been put into operation. It is expected that with the establishment of the New Market Model the competition will start developing.

The total consumption of customers and the consumption by sector is given below.

Table 3. Consumers, total and average sales and prices

CONSUMERS, TOTAL & AVERAGE SALES & AVERAGE PRICES						
As at 31 December	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
NUMBER OF CONSUMERS						
Domestic	422 655	427184	428616	433072	437577	442293
Commercial	85 325	85198	84695	85188	85525	86494
Industrial	11 255	10805	10222	9836	9712	9596
Agricultural	14 692	14978	15280	15536	15748	15886
Public Lighting	9 983	10333	10635	10942	11138	11287
TOTAL	**543 910**	**548 498**	**549448**	**554574**	**559700**	**565556**
SALES TO CONSUMERS (thousands kWh)						
Domestic	1 721 663	1671095	1435231	1407656	1475972	1567312
Commercial	1 854 782	1836756	1655761	1630789	1659588	1728200
Industrial	796 187	631829	581860	656097	685864	819693
Agricultural	136 747	128590	129129	135680	129447	155638
Public Lighting	85 502	87330	87807	85257	85211	87648
TOTAL	**4 594 881**	**4 355 600**	**3889788**	**3915479**	**4036082**	**4358491**
AVERAGE SALES PER END YEAR CONSUMER (kWh)						
Domestic	4 073	3912	3349	3250	3373	3544
Commercial	21 738	21559	19550	19143	19405	19981
Industrial	70 741	58476	56922	66703	70620	85240
Agricultural	9 308	8585	8451	8733	8220	9797
Public Lighting	8 565	8452	8256	7792	7650	7765
AVERAGE REVENUE PER UNIT BILLED kWh (€cent)						
Domestic	18,644	22,271	20,743	18,663	14,654	12,417
Commercial	19,352	22,645	20,840	18,923	14,731	12,498
Industrial	17,123	20,868	19,127	16,824	12,531	10,079
Agricultural	18,268	21,929	20,013	18,168	14,127	11,996
Public Lighting	17,416	20,909	19,393	17,353	13,366	10,558
ALL CONSUMERS	16,232	18,632	22,188	20,488	18,418	**11,957**

As there is only one supplier operating at present, switching procedures for customers to change suppliers are not possible. Regarding the average (typical) contract duration for households, this for the time being is not applicable in Cyprus. As a general assessment to whether the market is seen to be active, it could be said that the market seems to become active. By considering the above conditions under which Cyprus has to act, i.e. small isolated system, the progressively opening of the electricity market where it constitutes a contemporary activity for the island, the above situation can be justified.

Table 4. Market share of 3 largest companies & supplier switching

Year	Total consumption (TWh)	No. of companies with >5% retail market	Number of fully(1) independent suppliers	Market share of three largest companies (Producers)			Cumulative % customers having changed supplier (by volume)		
				Large and very large industrial	Small-medium industrial and business	Very small business and household	Large and very large industrial	Small-medium industrial and business	Very small business and household
2003	3,66	1	0	n/a	n/a	n/a	0	0	0
2004	3,74	1	0	n/a	n/a	n/a	0	0	0
2005	3,93	1	0	n/a	n/a	n/a	0	0	0
2006	4,14	1	0	n/a	n/a	n/a	0	0	0
2007	4,30	1	0	n/a	n/a	n/a	0	0	0
2008	4,56	1	0	n/a	n/a	n/a	0	0	0
2009	4,66	1	0	n/a	n/a	n/a	0	0	0
2010	4,78	1	0	n/a	n/a	n/a	0	0	0
2011	4,59	1	0	n/a	n/a	n/a	0	0	0
2012	4,35	1	0	n/a	n/a	n/a	0	0	0
2013	4,26	1	0	n/a	n/a	n/a	0	0	0
2014	4,32	1	0	n/a	n/a	n/a	0	0	0
2015	4.51	1	0	n/a	n/a	n/a	0	0	0
2016	4,86	1	0	n/a	n/a	n/a	0	0	0

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

By Decision 1524/2016, having taken into consideration Regulatory Decision 02/2015 (Regulatory Practice Statement and Electricity Tariffs Methodology) and the calculations on allowable revenue submitted by EAC, CERA decided to preliminary approve the Allowed Revenue of EAC for the 2017 – 2021 regulatory period provided that these will be differentiated on the basis of the 10 remarks that CERA has set in its Decision.

During the process of verifying the calculations of Allowed Revenue submitted by EAC, it emerged that the volume of work for the preparation of the Allowed Revenue calculations was concentrated on a very small number of employees in the EAC Financial Services Unit. CERA urged EAC to proceed with the training and re-training of more officers involved in the subject of Allowed Revenue in order to perform more efficiently and effectively the work related to the calculation of Allowed Revenue.

By Decision 1557/2016, CERA decided to give instructions to EAC to include in the calculation of the purchase price of electricity from RES the avoidance cost of purchasing greenhouse gas allowances, which EAC does not incur due to the generation of electricity from RES.

CERA also decided that the base prices and the fuel adjustment clause for the purchase of electricity produced from RES, including the following:

- Fuel Cost Avoidance,
- Variable Maintenance Cost Avoidance,
- Greenhouse gas emissions purchasing cost avoidance, and
- Contribution to the Cyprus Organisation for Storage and Maintenance of Oil Stocks cost avoidance,

should be submitted to CERA for approval.

Furthermore, the Decision states that the purchase price of electricity from RES is under detailed scrutiny and will change on the basis of the results that will emerge.

On 25 May 2017, by Decision 97/2017, CERA approved the new tariffs submitted by EAC for the regulatory period 2017 – 2021 that will be applied from September 2017.

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

The average selling price of electricity in €cent / kWh for all categories is given below:

Table 5. Average Selling Price of Electricity

AVERAGE SELLING PRICE OF ELECTRICITY (€cent / kWh)						
Year Category	2011	2012	2013	2014	2015	2016
Domestic	18,695	22,271	20,743	18,663	14,654	12,417
Commercial	19,377	22,645	20,840	18,923	14,731	12,498
Industrial	17,148	20,868	19,127	16,824	12,531	10,079
Agricultural	18,293	21,929	20,013	18,168	14,127	11,996
Public Lighting	17,481	20.909	19,393	17,353	13,366	10,558
Average Selling Price (€cent / kWh)	18,668	22,188	20,488	18,418	14,281	11,957

With regards to investigations and measures to promote effective competition CERA may on its own initiative or after receiving a complaint to investigate whether a licence holder is infringing or omitting to comply with any condition of the licence or any Regulatory Decision or Decision.

After carrying out such an investigation, CERA shall notify a notice to the aforementioned persons by which it shall determine:

- The term of the license or exemption or the regulatory decision or decision which, in CERA's opinion may be infringed at first sight or which is likely to be infringed by the licensee.
- The acts or omissions which in CERA's opinion may or are likely to constitute an infringement of the relevant term, Decision or Regulatory Decision of CERA.
- The deadline within which the licensee may submit objections in writing, which deadline shall not exceed the 30-day time limit from the date that the notice is notified.
- CERA shall examine any objections submitted. In examining any objection, CERA may issue a decision by which, it shall order the licensee to take such measures as may be necessary for remedying the infringement or preventing future infringements.
- In the event that the licensee fails to remedy the infringement within one month from being notified of the decision of CERA, or within a reasonable period of time as CERA may prescribe by its decision, CERA may:
- Impose an administrative fine on the licensee depending on the nature, seriousness and duration of the infringement or omission as may be prescribed by Regulations issued under the relevant Law; and/or,
- Decide that an administrative fine depending on the seriousness of the case, shall be owed for each day on which the infringement or omission is continuing as referred to above; and/or,
- Revoke an authorisation, exemption, order or prior permit in accordance with the procedure prescribed by Regulations issued by CERA.

CERA's decision to impose an administrative fine or to revoke a license must be in writing and duly reasoned.

CERA's reasoned decision to impose an administrative fine shall be notified to the person who has been considered to be responsible for the infringement or omission. Such person may, after being notified of the decision, make written representations to CERA which must be lodged within 30 days of the notification of the decision. CERA shall collect the administrative fine if the 75-day time limit for filing a recourse before the Supreme Court of Justice has passed without any action being taken from the date of notification of the decision to impose such administrative fine, or, in the event that the recourse has been filed, following the issuing of a court decision which does not annul the fine.

If a fine imposed by CERA in accordance with the Law and the Regulations issued under it is not paid, CERA shall initiate court proceedings and shall collect the sum as a civil debt due to the Fund of the Office of CERA.

3.3. Security of supply (if and insofar as NRA is competent authority)

3.3.1. Monitoring balance of supply and demand

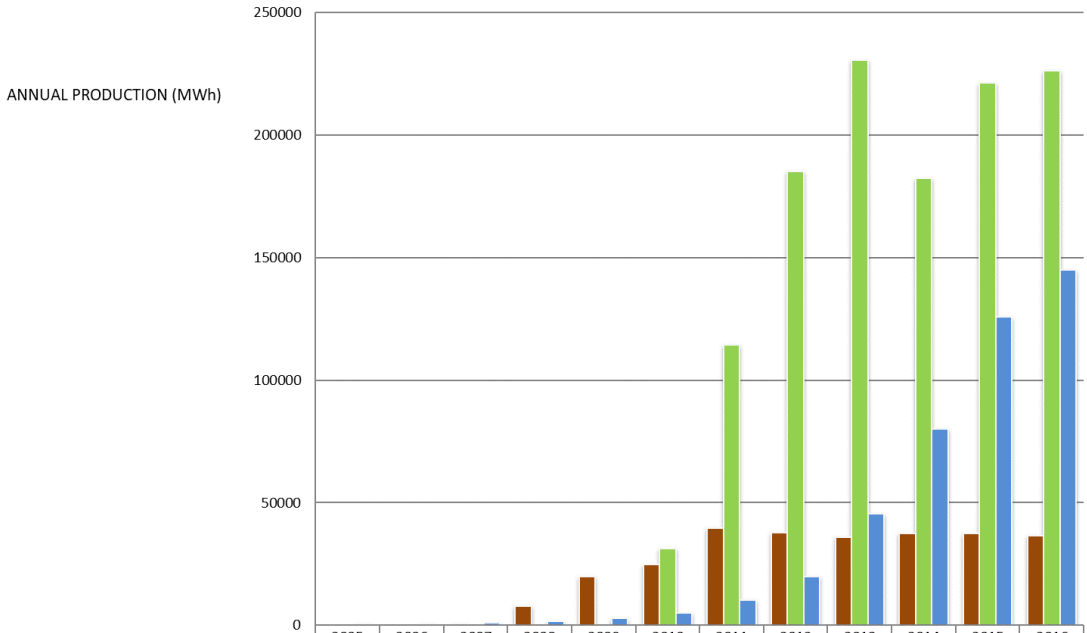
CERA in accordance with the Law on Regulating the Electricity Market has the responsibility, for the adequacy of electricity supply in Cyprus, the reliability and security of the Generation, Transmission and Distribution system and the quality of electricity supply.

CERA systematically monitors the adequacy, quality and reliability of supply and whenever it ascertains possible shortfalls informs the Minister of Commerce, Industry and Tourism, who after consulting with CERA, takes the indicated corrective measures.

The Maximum Demand for 2016 was recorded on Tuesday 2/8/2016 at 14:30 hours, when the Total Power Generation rose to **966 MW.** The energy crisis has adversely affected both maximum power generation of the year, as well as the annual energy generation.

The following important records concern the recorded Total Electrical Energy Generated during 2015. The total gross electrical energy generated reached **4859 GWh.** EAC contributed with **4128 GWh,** while RES producers generated **40.8 GWh.** The EAC Generating Stations produced **22.06 GWh** for their local needs. Total units sent out to the Transmission System from the EAC Power Stations, reached **4231 GWh.** Recorded energy losses in the Transmission System amounted to **8.26 GWh** of the energy flowing into the transmission network**.** It should be noted that the mean value of the Annual Load Factor increased to 54.0% compared to 51.1% in 2015.

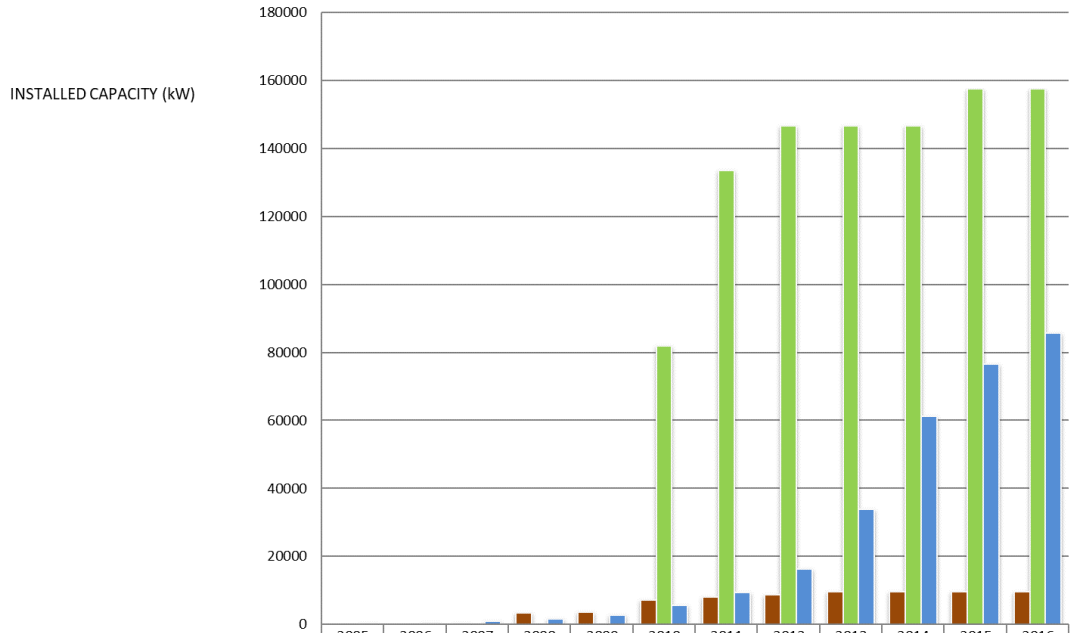
Figure 1 below shows the annual generation produced from each type of RES for the period 2005-2016:



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
BIOMASS/BIOGAS UNITS PRODUCTION (MWh)	0	0	37	7809	19850	24802	39712	37634	35831	37461	37408	36607
WIND TURBINES AND WIND FARMS PRODUCTION (MWh)	-	-	-	-	-	31370	114251	185149	230610	182418	221398	226267
PHOTOVOLTAIC SYSTEMS PRODUCTION (MWh)	66	322	933	1637	2909	4839	10232	19827	45349	79942	125920	145100

Figure 1. Annual installed capacity - Production (MWh) RES 2005-2016

Figure 2 below shows the total installed capacity of each type of RES-E for the period 2005-2016:



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
BIOMASS/BIOGAS UNITS INSTALLED CAPACITY (KW)	0	0	250	3310	3555	7214	7964	8764	9700	9700	9700	9700
WIND TURBINES AND WIND FARMS INSTALLED CAPACITY (KW)	0	0	0	0	0	82000	133500	146700	146700	146700	157500	157500
PHOTOVOLTAIC SYSTEMS INSTALLED CAPACITY (KW)	155	578	843	1586	2695	5564	9319	16364	33900	61200	76500	85681

Figure 2. Annual Installed Capacity (kW) RES 2005-2016

Figure 3 below shows the total electrical energy production in 2016:

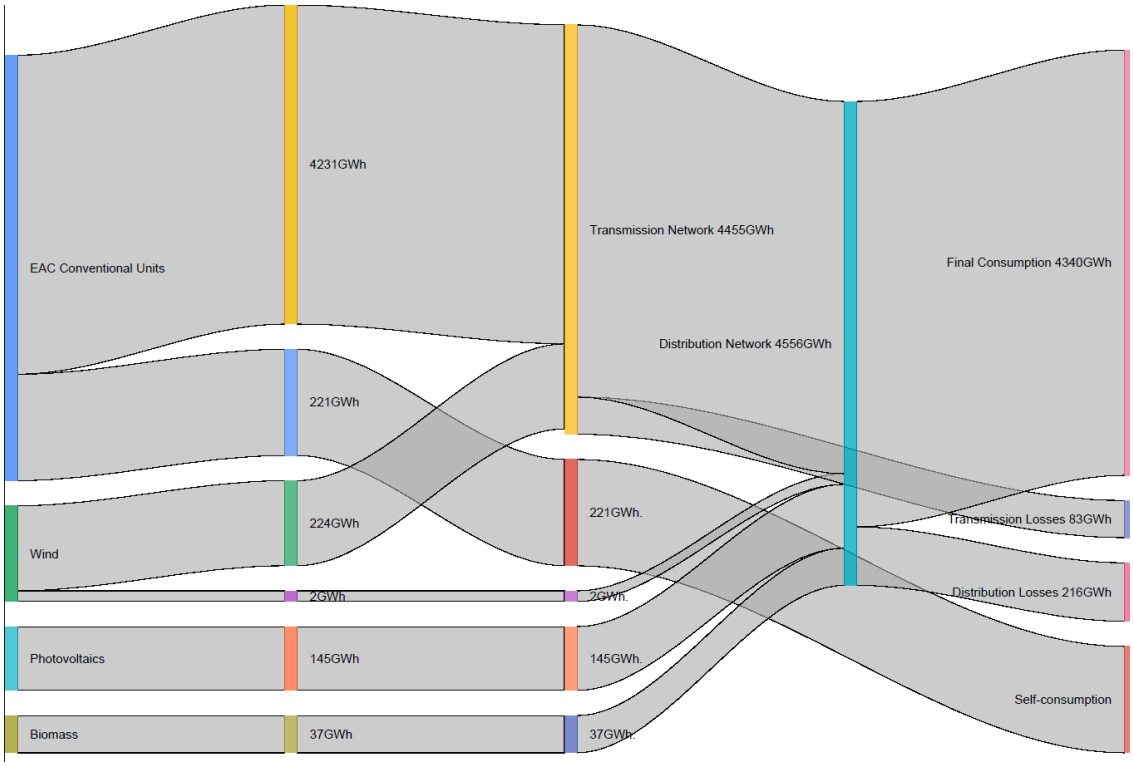


Figure 3. Sankey Diagram for overall electricity production in 2016

Figure 4 below gives the RES penetration levels into the Cyprus electrical system for the year 2016. The average RES penetration reached 8.4 % of the Total Generation in Cyprus for 2016:

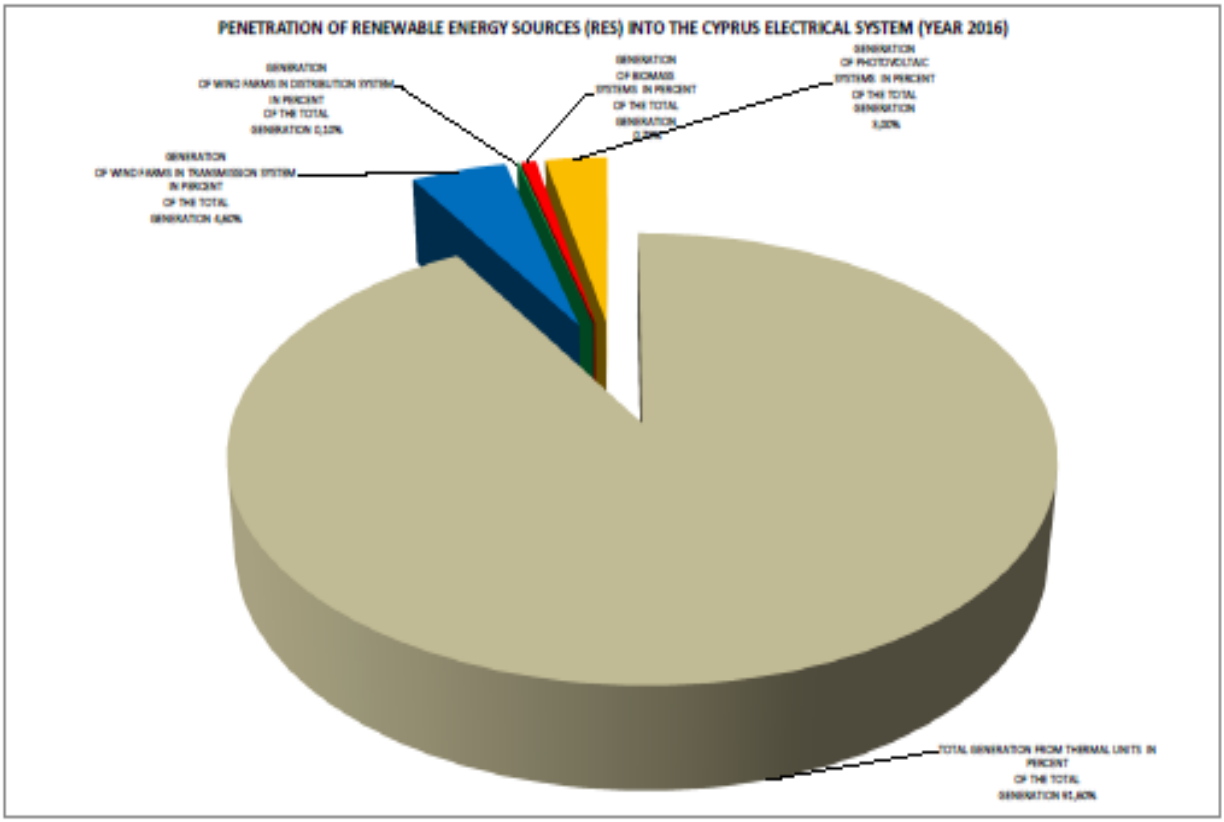


Figure 4. RES penetration levels into the Cyprus electrical system for the year 2016

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

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

Moreover, recognising the specificities of electricity and its importance for the economy, the Law introduces a safety valve, in the form of a tendering process, by which CERA may justifiably intervene when the authorisation process appears to be unable to timely bring about the needed generation capacity. For the specification of the need based on which the tendering process may be initiated the Law refers to the mandate of CERA to act so as to ensure security, continuity, quality and reliability of electricity supply. CERA is thus enabled to require from the TSO timely information on the expected needs of the system, and may provide the appropriate regulatory signals, where necessary; or, CERA may commence the tendering process described by the Law where CERA considers that despite such signals, or due to unforeseen circumstances, the market is unable or unwilling to bring about the needed investment. Clearly, the process should be directed to resolve the specific problem identified by the TSO, which the market cannot address in a timely manner, i.e. it should specify characteristics of new generation corresponding to the requirements of the TSO.

3.3.2. Monitoring investment in generation capacities in relation to SoS

3.3.2.1. Operational Network Security

The Table 7 below shows the total installed capacity of EAC's conventional units for 2015:

Table 6. Total Installed Capacity of EACs' Conventional Units (MW)

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

During 2015, the total capacity licensed by CERA for conventional generating stations was 2,210.44 MW, of which 1478 MW belong to EAC, 30.59 MW belong to self-producers and 751.85 MW, belong to independent power producers. The total installed capacity of Wind Farms in commercial operation amounted to 157.5 MW. The total installed capacity of units for the cogeneration of heat and power, autonomous or interconnected to the electricity system amounted to 9.7 MW. Finally, the total installed capacity of PV systems was 76,5 MW.

Under the EU's NER300 initiative to fund innovative projects of RES technologies that are mature enough for demonstration but not yet commercially implemented, two Cypriot power projects have been approved by the EU. The Council of Ministers has approved for each of these projects an Individual Support Measure.

CERA in the framework of the NER300 program and the Individual Support Measure approved by the Council of Ministers granted in 2016:

- a licence to construct and operate a Solar Thermal Park with a capacity of 50 MWe, storing thermal energy and consisting of small towers and mirrors,
- a licence for the construction of a Solar Thermal Power Station of a capacity of 50 MWe with Stirling machines storing electrical energy.

Figures 5 and 6 below show the geographical distribution of licensed conventional generating stations and power plants using RES with a capacity of more than 20 kWp.

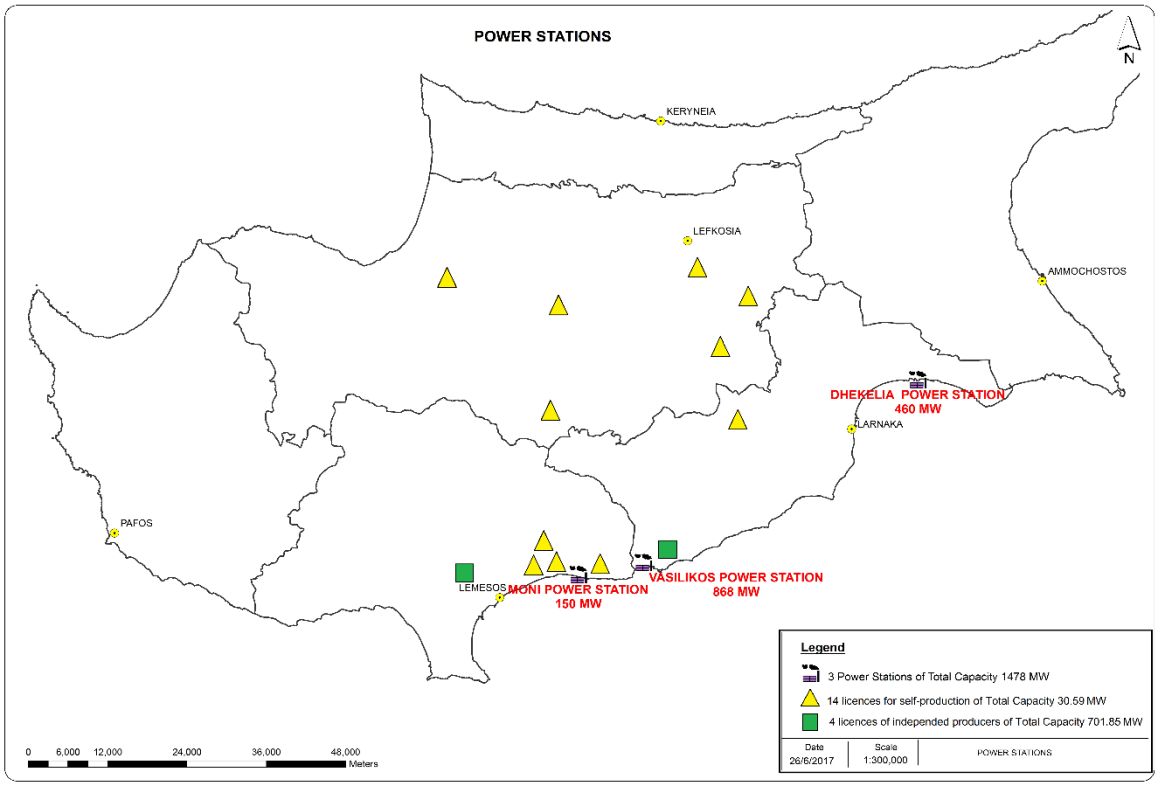


Figure 5. Presentation and Geographical Distribution of Licences for Conventional Generating Stations up to 2016

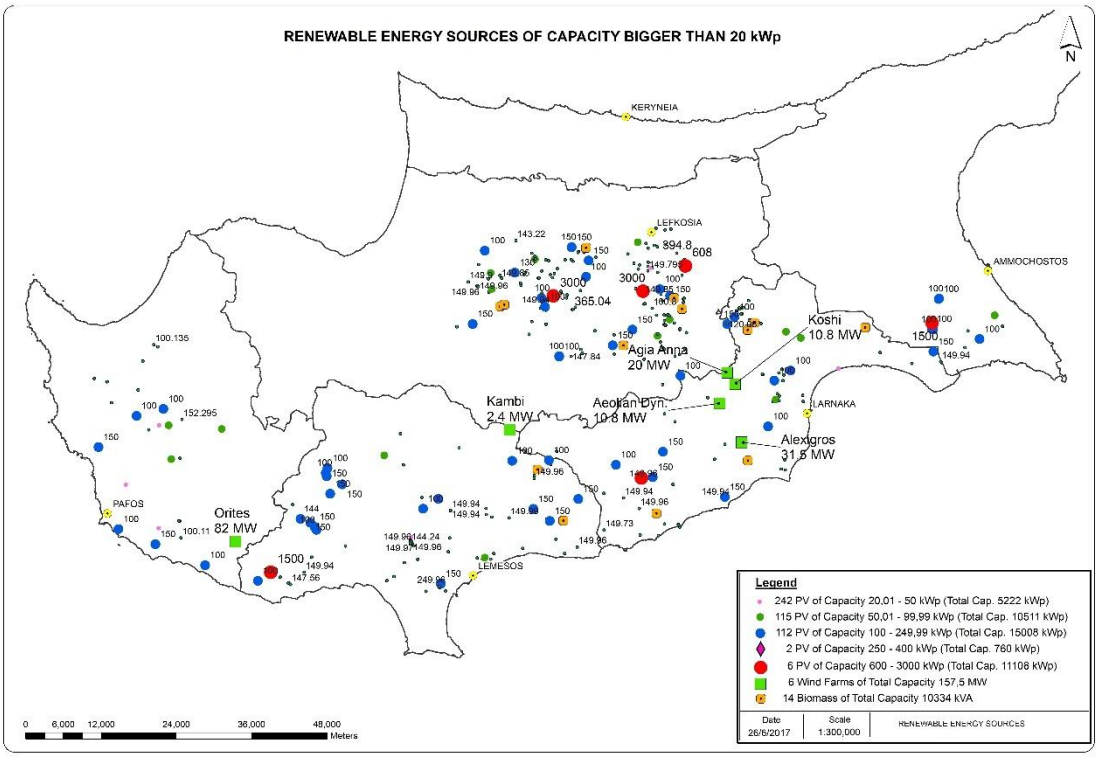


Figure 6. Presentation and Geographical Distribution of Licences for RES Units by 2016

3.3.2.2. Investment in Interconnection capacity for the next 5 years or more

As mentioned above, in Chapter3.1.4, the electricity system of Cyprus operates without cross-border links. The "EuroAsia Interconnector Project" is currently under study, which is promoted as a Project of Common Interest (PCI).

The EuroAsia Interconnector was proposed for the electricity interconnection between Israel, Cyprus and Greece. It was approved by the European Commission and was included in EU list as a Cluster consisting of three distinct projects: Israel - Cyprus, Cyprus - Crete and Crete - Attica.

With the implementation of this project, Cyprus will cease to be a system isolated from the European network, which is one of the main pillars set by the EU. It is also expected to contribute positively to the achievement of EU goals for the integration of the internal electricity market, security of supply, energy efficiency and better backup supply in emergencies.

On 24 April 2016, the project promoter of EuroAsia Interconnector, notified the project in writing to the competent authority of Cyprus, the MECIT. On 6 May 2016, the MECIT accepted the notification.

After the notification was accepted, the project promoter submitted to CERA in the course of 2016, studies related to the project's investment request.

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

According to the Electricity Market Laws 2003 – 2015, Long Term Forecast of Annual Total Generated Energy (GWh) and Long-Term Forecast of Annual Maximum Generation (MW) for the Years 2017 – 2026 were prepared by the TSO Cyprus and approved by CERA on the 15th of March 2017.

The results of the Long-Term Forecast of Annual Total Generated Energy (GWh) and Long-Term Forecast of Annual Maximum Generation (MW) for the Years 2017 – 2026, along with the recorded generation from 2005 until today, are shown below:

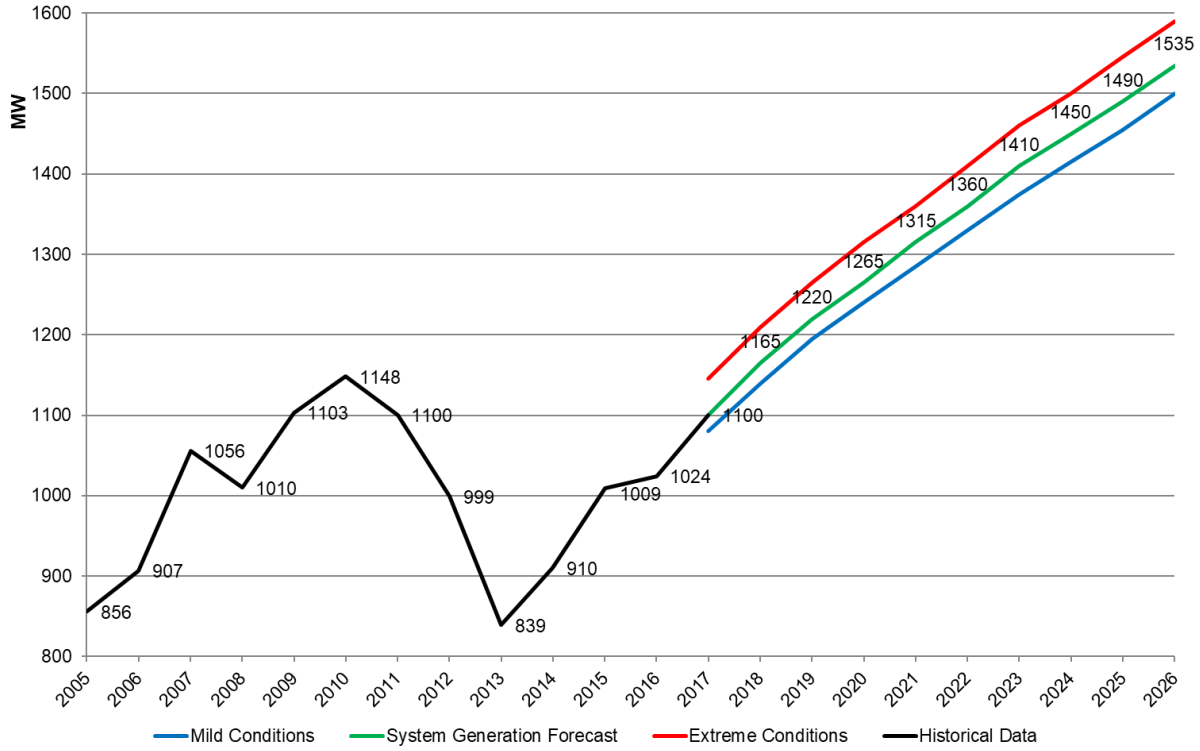


Figure 7. Expected future maximum generation

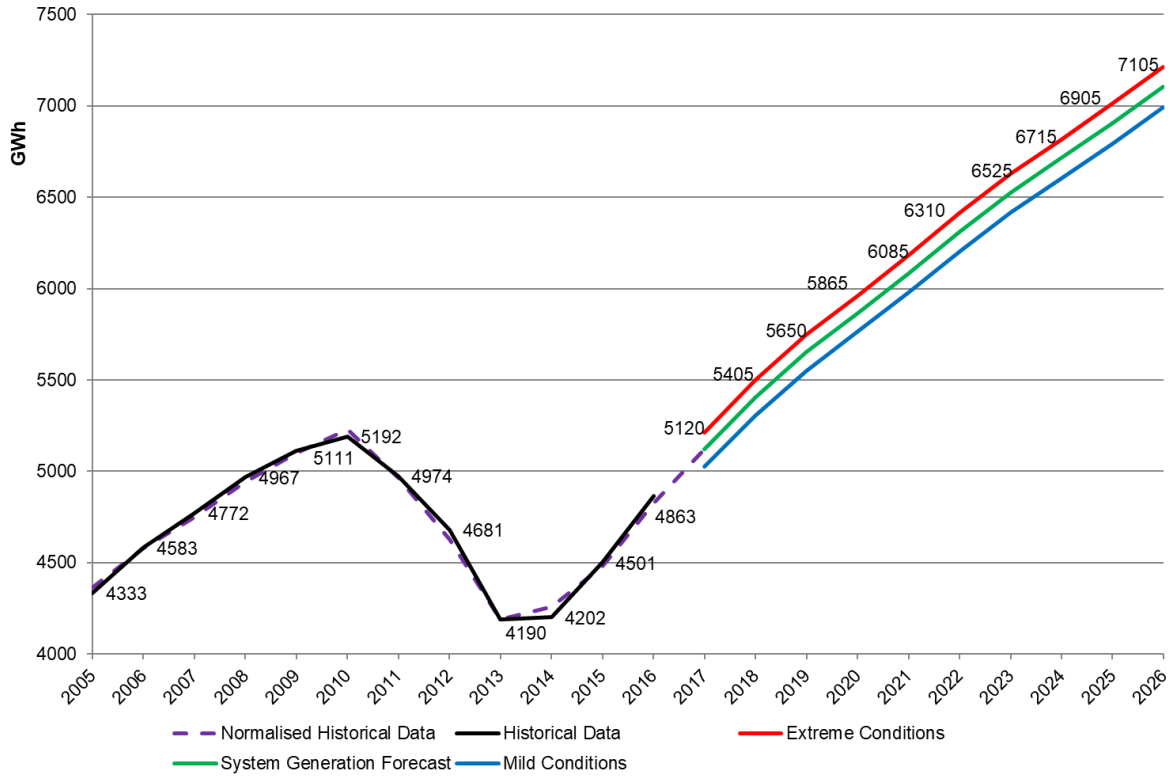


Figure 8. Expected future total generated energy

Cyprus has an obligation to reach 13% contribution from renewable energy sources in the final use of energy by 2020. The National Renewable Energy Action Plan submitted by the Government projected that by 2018 the electricity generation capacity from renewable energy sources would reach 425MW. This capacity is expected to reach 21.7% share of renewable energy in the gross energy consumption.

Table 7. National RES Plan provisions

	Estimation of total contribution expected from each RES technology in Cyprus			
RES Technology	**2017**	**2018**	**2019**	**2020**
Onshore Wind	210	210	260	300
Photovoltaic	75	125	145	192
Concentrated Solar Power	75	75	75	75
Biomass	15	15	17	17
Total Installed Capacity (MW)	375	425	497	584
Total Gross Electricity Generation (GWh)	820	900	1033	1175

3.3.3. Measures to cover peak demand or shortfalls of suppliers

CERA, during the energy crisis in 2011 and 2012 has taken immediate and effective steps to alleviate interruption of suppliers and to terminate shortfalls at the shortest possible time and at the same time at the lowest possible cost. Details are given in paragraph 3.1.2.4. “Monitoring Safeguard Measures” above.

4. The gas market

4.1. Network regulation

4.1.1. Unbundling

The gas sector according to the last amendment of the Law regulating the Natural Gas market as well as the relevant Ministerial Decision shall be monopolistic.

Today, the natural gas market in Cyprus is non-existent due to factors such as geographical isolation, small size of the market and lack of interconnections with other gas networks. This has adverse effects on the cost of electricity generation, as well as lack of energy source diversity for the industry in general. Moreover, the environmental cost associated with the extensive use of heavy fuel oil for power generation is significant, as it affects emission targets required by EU legislation.

A political decision has been taken to investigate the introduction of natural gas in Cyprus’ energy market, as an interim solution and until Cyprus gets its own gas, for the following principal reasons:

- The reduction of electricity generation cost and as a result the decrease of electricity prices to the end consumer; and

- The introduction of competition in the electricity generation market.

The Gas Directive (2009/73/EC) allows derogations for a limited duration from certain provisions, in the case of isolated and emergent natural gas markets, which are provided for assisting such markets in their transition in becoming functional and competitive. Since natural gas will be introduced in the Cyprus market for the first time, it is at the Governments' discretion to decide whether to invoke these derogations, fully or partially.

The long term goal is the establishment of a functioning, competitive gas market in Cyprus with a level playing field and absence of conflicts of interest. This strategy is heavily fuelled by the strong interrelation between the gas and electricity markets and the decisive effects that a mature gas market will have on the introduction of competition in the electricity sector. Therefore, all necessary measures will be taken in order to ensure equal access to gas for potential IPPs, as well as other gas consumers.

Such strategy also necessitates the development of any network infrastructure, storage facilities and ancillary systems necessary for a fully functional and open market, able to utilize natural gas as part of the country's energy mix. Evidently, a backbone network for the supply of natural gas to the main industrial areas of the island, either via pipelines or through a system of transport and storage, would not only provide a geographical spread of electricity generation units (a strategic advantage against acts of terrorism, grand scale accidents or force majeure), but would also encourage, at a later stage, the use of natural gas by the transport sector, or by the heat intensive industries. In due course, large hotels, hospitals, or even domestic and office units will also be in position to utilise natural gas to cover their energy needs in heating, cooling and electricity through cogeneration and tri-generation technology.

In case the interim solution pursued by Natural Gas Public Company (known by its Greek Acronyms as DEFA - a private company which is not licenced by CERA in any way and is not appointed by the Government as TSO) with the bidders and EAC is successful, the Minister of Energy is planning to propose to the Council of Ministers to declare the Cyprus Natural Gas Market as an emergent market for the duration of this solution. This means that DEFA will be granted monopoly status in buying (importing), selling, transmitting, distributing and storing natural gas. This will be instated by selective use of certain derogation provisions of Directive 2009/73/EC. It will ensure stable introduction of natural gas in the market and gradual transition to an open competitive market. CERA has prepared a study which describes the evolution and functioning of the emergent market and also suggests the specific derogations to be invoked.

4.1.2. Technical functioning

Currently, natural gas is not available in the island, therefore is not applicable as yet.

4.1.3. Network and LNG tariffs for connection and access

Currently, natural gas is not available in the island, therefore is not applicable as yet.

4.1.4. Cross-border issues

At present, there are no cross - border gas links in Cyprus, however specific interconnection projects are promoted as PCIs. The European Commission has declared several energy projects, which are of strategic importance for Cyprus and Greece, as potential PCIs. The projects which concern Cyprus and have been included in the Union list in the cluster of natural gas and related equipment for the

transmission of gas from new sources from offshore Eastern Mediterranean deposits are the following:

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

4.1.5. Compliance

Ensuring compliance with binding decisions of the Agency and the Commission, and with the Guidelines

Under the Third Package NRAs are required to ensure compliance with and implement binding decisions of ACER and of the European Commission. In order to enable CERA to do this, the Gas Act has been amended so as to provide the Authority with the necessary powers to carry out its functions in the manner that it considers is best calculated to implement or ensure compliance with any binding decision of ACER or of the European Commission.

Compliance of transmission and distribution companies, system owners and natural gas undertakings with relevant Community legislation, including cross-border issues

CERA has the power to investigate compliance of transmission and distribution, natural gas undertakings with relevant Community legislation. If a breach is found, CERA has the power to impose penalties.

4.2. Promoting Competition

4.2.1. Wholesale markets

CERA, recognising the need for an immediate re-evaluation of the strategy to be followed for the cost-effective implementation of the gas import policy in Cyprus, has prepared a Report analytically presenting the parameters which should be taken into account in the planning of future actions aiming at achieving a final synthesis comprising a series of steps that could be taken to turn the apparent slowdown of progress in the gas market into a starting point for the fruitful conclusion of the whole effort as soon as possible.

According to the Report, the option of introducing Liquefied Natural Gas (LNG) in Cyprus' energy balance should not be seen as an intermediate situation, but as a permanent one and parallel to that of the gas supply from the deposits of South-Eastern Mediterranean, primarily for reasons of security of supply and also for the development of gas use in other sectors such as shipping and small-scale LNG.

The Report was submitted by CERA to the Minister of Energy, Commerce, Industry and Tourism in February 2016.

On the basis of the CERA Report and recommendations, in June 2016 a Decision was taken by the Council of Ministers for the arrival of LNG in Cyprus the soonest possible as an exclusive supply option and then as an alternative to ensuring the security of energy supply. In addition, DEFA was commissioned to prepare a study on the options for the development of the gas market in Cyprus in order to use the most suitable solution for the introduction of LNG by 2020 at the latest.

The members of CERA taking into consideration the decision of the Council of Ministers, 18 May 2017, according to which the Minister of Energy, Commerce, Industry and Tourism was authorised to instruct DEFA to tender for long-term supply of LNG for electricity generation purposes and to find a

strategic investor for the construction and subsequent operation of the necessary infrastructure including the floating storage and re-gasification technology, the anchor, the pipeline to the boundary of the Vassilikos power station and the natural gas storage system, decided to set the Basic Principles on Tariff Methodology of LNG Infrastructure.

According to the methodology, the allowed revenue will be submitted to CERA for approval on an annual basis. At the end of each year, auditing will be performed by comparing the allowed revenue with the actual cost, and subsequently the necessary adjustments will be made. For any differences arising and approved by CERA, an adjustment will be made to the allowed revenue for the following year.

The allowed revenue will include the capital and operating costs. The capital cost will include the depreciation of the average Regulated Asset Value (RAV) and the allowed return on the average RAV. The allowable return on the RAV will correspond to the Weighted Average Cost of Capital (WACC). The operating costs relate to the costs incurred for the operation of the LNG plant.

The efficiency of the operation of LNG facilities is an obligation of the investor. It is estimated that over time and by increasing the amount of LNG traded, there will be an increase in the efficiency of LNG facilities. When the project reaches a sufficient degree of maturity and as is the case for most energy systems with regulated tariffs, a methodology of incentive to reduce costs and therefore a reduction in annual charging is followed.

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

By Regulatory Decision, the Members of CERA decided, on 7 October 2016, to apply provisions prohibiting abusive practices affecting the wholesale energy markets, which are in line with the rules applicable to the financial markets and the proper functioning of those wholesale energy markets, taking into account at the same time their specific characteristics.

In particular, this Regulatory Decision introduces more specific legislative and regulatory arrangements that are deemed necessary for the issues related to Regulation (EU) No. 1227/2011 on the prohibition of insider trading, the obligation to publish inside information, the prohibition of market manipulation, implementation of prohibitions against market abuse and the imposition of related sanctions.

4.2.2. Retail market

Currently, natural gas is not available in the island, therefore is not applicable as yet.

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

Currently, natural gas is not available in the island, therefore is not applicable as yet.

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

Currently, natural gas is not available in the island, therefore is not applicable as yet.

4.3. Security of supply

Regarding the security of Natural Gas Supply, the Regulation (EU) No 994/2010 Regulation concerning measures to safeguard security of gas supply is automatically applicable in the event a

gas market exists and therefore any implementing measures are not required. Furthermore, CERA according to the Law regulating the Natural Gas Market is appointed as the competent Authority to ensure implementation of the measures laid down in Regulation (EU) No 994/2010.

It should be noted that CERA has taken part to the dialogue on the proposal on the draft SoS regulation concerning measures to safeguard the security of gas supply which refers to Regulation 994/2010.

4.3.1. Monitoring balance of supply and demand

Currently, natural gas is not available in the island, therefore is not applicable as yet.

4.3.2. Expected future demand and available supplies as well as envisaged additional capacity

Currently, natural gas is not available in the island, therefore is not applicable as yet.

4.3.3. Measures to cover peak demand or shortfalls of suppliers

Currently, natural gas is not available in the island, therefore is not applicable as yet.

5. Consumer protection and dispute settlement in electricity and gas

5.1. Consumer protection

The **consumer protection measures**, including those set out in Annex I of the directives 2009/72/EC and 2009/73/EC, are **effective and enforced** through the Law Regulating the Electricity Market and the Law Regulating the Gas Market respectively, which transposed the provisions of the said directives.

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

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

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

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

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

Furthermore, CERA is designated as the body (energy ombudsman or consumer body) which acts as an **independent mechanism** in order to ensure efficient treatment of complaints and out-of-court dispute settlements.

According to the law CERA shall ensure that electricity or natural gas suppliers or DSOs, in cooperation with CERA, take the necessary steps to provide all consumers with a copy of the **Energy Consumer Checklist** which contains practical information relating to energy consumer rights, which the Commission shall prepare in consultation with relevant stakeholders, including Member States, the national regulatory authorities, consumer organisations and undertakings, and shall ensure that the said Checklist is available to the public.

The Members of CERA, based on the Decision of the Minister of Commerce, Industry and Tourism dated 7 October 2016 [Κ.Δ.Π. 286/2016], which contains instructions to CERA for the imposition of PSOs and under Articles 89(1), 90 and 26 of the Law Regulating the Electricity Market and, taking into account the comments received following the publication of the Draft Amendment of Regulatory Decision 03/2015, dated 31 July 2015 [Κ.Δ.Π. 264/2015], issued Regulatory Decision 03/2016 on 14 October 2016.

With this Regulatory Decision, CERA imposed on all electricity supply Licensees PSOs with respect to specific vulnerable groups of consumers, by including them in the special tariff (code 08) of EAC, which compared to the normal tariff (code 05) has reduced charges. Moreover, they are provided with financial incentives for participating in a plan for setting up a Photovoltaic system at their house, with a capacity up to 3kW with the net-metering method

In addition to the previous defined categories of vulnerable consumers:

- The recipients of public assistance provided by the Social Welfare Services of the Ministry of Labour, Welfare and Social Insurance,
- The beneficiaries of guaranteed minimum income provided by the Welfare Benefits Administration Service of the Ministry of Labour, Welfare and Social Insurance,
- Families with more than 3 dependent children with an annual gross family income up to € 51.258. The income criterion of €51,258 for annual combined gross family income is increased by €5,126 for each additional child over the number of fourth,
- The Recipients of Severe motor disability allowance provided by the Department for Social Inclusion of Persons with Disabilities, Ministry of Labour, Welfare and Social Insurance,
- The recipients of care allowance in paraplegic individuals granted by the Department for Social Inclusion of Persons with Disabilities, Ministry of Labour, Welfare and Social Insurance,
- The recipients of care allowance in quadriplegic individuals granted by the Department for Social Inclusion of Persons with Disabilities, Ministry of Labour, Welfare and Social Insurance, and

  The Recipients of the grant to blind granted by the Department for Social Inclusion of Persons with Disabilities, Ministry of Labour, Welfare and Social Insurance.

Two new categories were added:

- Hemodialysis renal patients who receive a mobility allowance from the Department of Social Inclusion of Persons with Disabilities of the Ministry of Labour, Welfare and Social Insurance, and
- Individuals suffering from multiple sclerosis who are registered members of the Cyprus Multiple Sclerosis Association.

5.2. Dispute settlement

5.2.1. Electricity Market

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

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

- Procedures for the submission and, where appropriate, re-submission of proposed complaints procedures for approval.
- The timetable for the implementation of the complaints procedures.
- Penalties for failure to comply with the consumer complaints Regulations relating to the preparation or implementation or review of complaint procedures.
- A requirement that Suppliers and the DSO review their complaints procedures at intervals of not more than five years.
- Establishing procedures to deal with complaints from consumers that are not settled through complaint procedures to the satisfaction of consumers.
- Specifically, the following Regulations relevant to the above mentioned were enacted:
- Regulations on Regulating the Electricity Market (Procedure for Submitting Complaints) of 2005.
- Regulations on Regulating the Electricity Market (Performance Indicators) of 2005.
- The first of the above-mentioned Regulations determine the procedure for submission of complaints by consumers in cases were Suppliers of electricity and/or the DSO, are in breach of their obligations or duties and/or are acting outside the scope of their prescribed by the Law jurisdiction.

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

- Consumers' right to submit complaints to the Suppliers and/or the DSO.
- The obligation of the Supplier and/or DSO to respond to the complaints.
- The right to submit complaints to CERA and the procedure for examining complaints by CERA.
- The omission of the Supplier and DSO to comply with CERA's' decisions.
- The penalties provided for in the Regulations.

The second of the Regulations mentioned above, sets the minimum level of performance in relation to the performance indicators of the Supplier of electricity, which must be achieved by the Supplier and the DSO.

Furthermore, this Regulation provides for a Charter of Consumer Rights and sets the time limit within which a Supplier and the DSO must respond, determines the fines, the procedure of payment and the time at which the fines are to be paid in cases where a Supplier or the DSO fails to comply with the performance indicators set out therein.

By the implementation of these Regulations the rights of the consumers are safeguarded, their protection is secured, the procedure for the submission of consumer complaints is regulated in the event that Suppliers of Electrical Energy and/or the DSO are in breach of their obligations, competences and duties, the end result being the improvement of the services offered to consumers.

The following figures show the results from 2007 to 2016 of the penalties (€) imposed to EAC as DSO and as a Supplier for failure to comply with the customer complaints regulation relating to the preparation or implementation or review of complaints procedures.

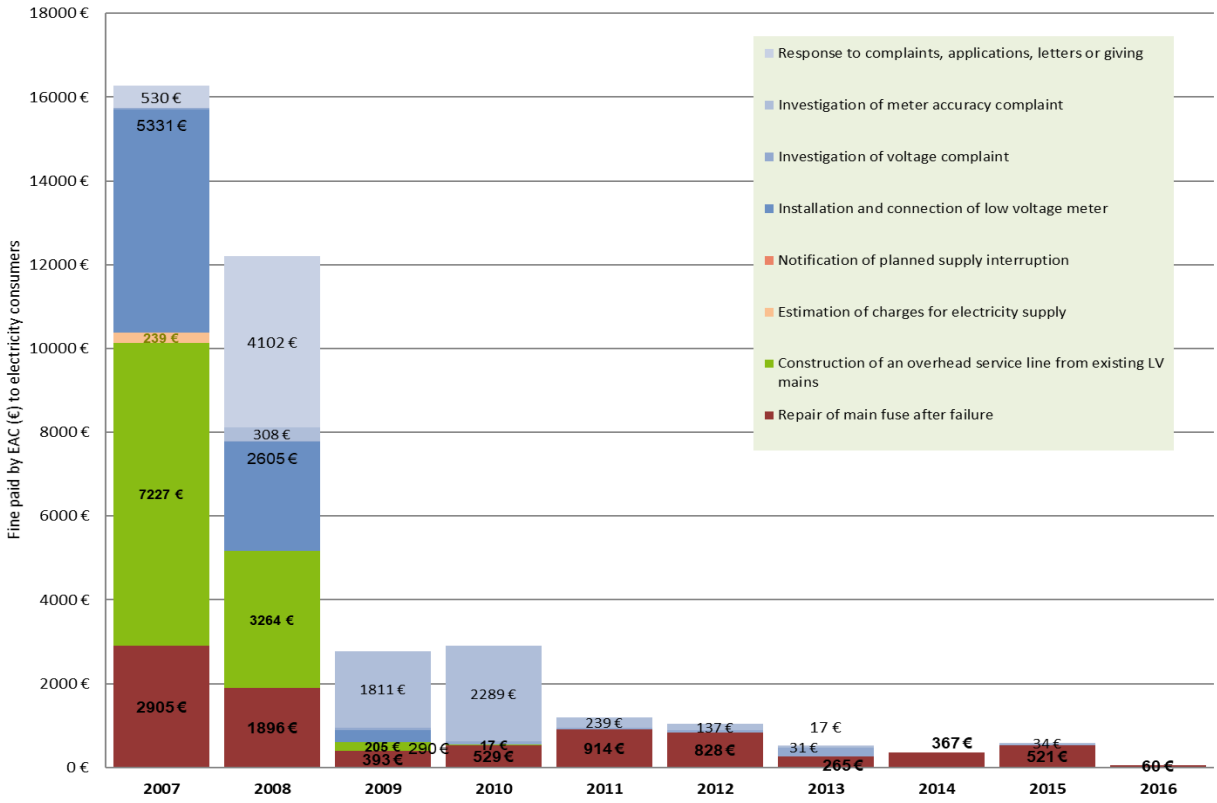


Figure 9. Performance Indicators Regulations of EAC as DSO

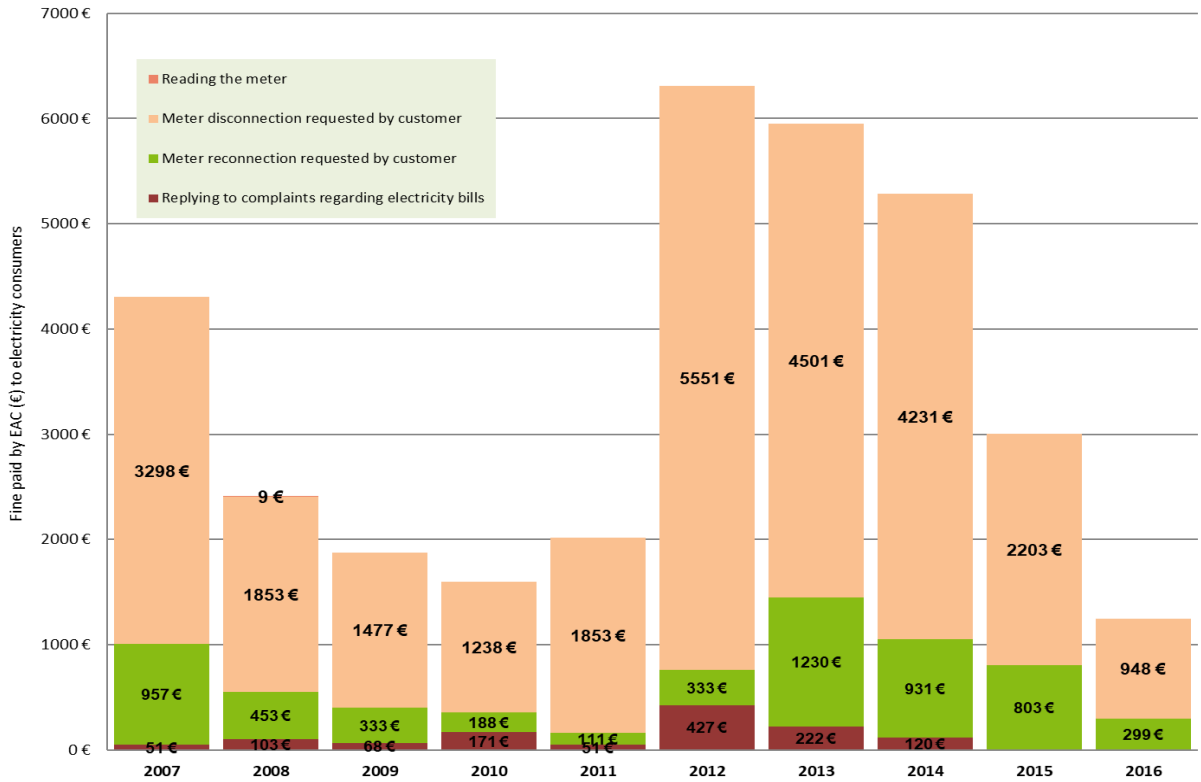


Figure 10. Performance Indicators Regulations of EAC as a Supplier

It should be noted that figures 7 and 8 show a decrease in the total amount paid by the EAC as a Supplier and as DSO in 2016 comparing with previous years, which may be considered quite satisfactory.

Regarding consumer complaints, which have been presented or formally submitted to CERA, it could be said that they were maintained within acceptable levels. Registered consumer complaints are shown in the table below:

Table 8. Customer enquiries / advice or complaints presented or submitted to CERA

Consumer Enquires/Complaints		
	Enquiries / Advice	Formal complaints
2010	4	8
2011	11	34
2012	4	31
2013	2	34
2014	4	27
2015	4	43
2016	1	23

The majority of the above complaints were based on bill issues. CERA handled with care the above complaints, with the collaboration of EAC and TSO, leaving the consumers in most cases satisfied.

5.2.2. Gas Market

Even though there is no gas market in Cyprus, the provisions of the directive 2009/73/EC regarding dispute settlement are in place. Therefore, any party having a complaint against a transmission, storage, LNG or distribution system operator in relation to that operator's obligations under this Directive may refer the complaint to CERA which, acts as dispute settlement authority, and issues decisions within a specific period after receipt of the complaint. CERA's decision shall have binding effect unless and until overruled on appeal.

As mentioned above CERA is designated as the body (energy ombudsman or consumer body) which acts as an **independent mechanism** in order to ensure efficient treatment of complaints and out-of-court dispute settlements.