



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

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1 Foreword

The Regulator for Energy and Water Services ('REWS'), as of the 31st July 2015, is the body in Malta, responsible for the regulation of electricity and natural gas in terms of the Third Energy Package and the regulatory issues under REMIT. REWS has also regulatory functions with respect to the water and the petroleum sectors as defined under the Regulator for Energy and Water Services Act. The functions of the REWS are wide ranging and include economic regulation, energy security and safety issues and protection of consumers.

The REWS Board is composed of a Chairman, Deputy Chairman, and five members. The regulatory functions are exercised through Sections as established and vested within the responsibilities of the REWS and under the overall responsibility of the Chief Executive Officer.

The mission statement of the REWS is:

To regulate and monitor the efficient production and use of water and energy to guarantee a safe, secure and sustainable service for the benefit and welfare of the consumer

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

The report follows, as far as applicable, the reporting structure recommended by the European Council of Energy Regulators (CEER).

In view of the fact that in 2016 there was no natural gas market in Malta, the report focuses mainly on the internal electricity market and covers this sector for the year 2016.

2 Developments in the Gas and Electricity Markets

This section provides a summary of the key developments in the Electricity and Gas Markets in Malta during the year 2016.

Major Developments

Main changes in legislation

One of the principal objectives of the REWS, under the Regulator for Energy and Water Services Act, is the regulation of energy and water services and resources to ensure greater focus on and increased consumer protection. During the year under review, the REWS was given the additional functions of energy ombudsman and single point of contact for energy consumers within the meaning of the Third Energy Package through amendments to both the Electricity Market Regulations and the Natural Gas Market Regulations. The legal framework for electricity and natural gas was also updated with conditions related to supplier switching.

Other amendments to the Electricity Market Regulations and the Natural Gas Market Regulations were related to the introduction of an obligation on suppliers to provide access to consumers' historic consumption data in line with the requirements of Directive 2012/27/EU on energy efficiency.

Other amendments to the electricity and natural gas markets legal framework were related to transmission system operators and their tasks.

The above legislative amendments were followed by the publishing of the Dispute Resolution (Procedures) Regulations laying out the procedures to be followed by the Regulator in the resolution of disputes falling under its responsibility.

Electricity generation and security of supply

The local fossil fuel generation capacity, as at the end of the year 2016, amounted to a nominal installed capacity of 490MW. The Maltese electricity system is connected and synchronised to the Italian system by a 200MW HVAC 220kV electricity interconnector which came into full operation in the year 2015.

In the year under review, the total amount of electricity sent out to the grid from all local generators, including RES and imports was 2266GWh. The 200MW HVAC 220kV electricity interconnector between Italy (Sicily) and Malta contributed 1480 GWh to the units sent out to the Maltese grid thus contributing to 68% of the units sent out to the grid in the year 2016.

The peak system demand, as reported by the distribution system operator, was 417.4MW and this peak occurred on the 7th July 2016.

During 2016, the Regulator continued the processing of the application from ElectroGas Malta Ltd for the issue of an authorisation to construct and the consequent licensing of the 215MW CCGT plant (Delimara 4) at Delimara Power Station.

The electricity generation market is open to competition and generators may produce electricity for their own consumption and/or sell to Enemalta plc. Enemalta plc remained the main local producer of electricity, with the exception of a number of relatively small producers producing electricity from renewable energy sources.

Development of renewable energy

The electricity generation capacity from renewable energy sources installed by the end of 2016 was 95.78MWp. The electricity generation capacity from renewable sources is composed mainly of solar photovoltaic installations. During the year under review, the solar photovoltaic installed capacity increased by 17.9MWp and thus representing an increase in installed capacity of 26.5% in one year. The REWS continued to administer grant schemes for the purchase of solar photovoltaic installations targeting households. The allocation of the feed-in tariff for electricity exported to the grid from solar photovoltaic installations is also administered by the REWS.

Electricity distribution and retail

The retail of electricity is not open to competition.

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

All customers of electricity remain on a regulated retail tariff. During the year under review, there were no changes in the electricity retail tariffs.

Smart meters

The electricity meters replacement program continues with the total number of smart meters installed and commissioned reaching 219,773 by the end of the year. This means that by the end of the year under review, 70.8% of the electricity meters were replaced by smart meters with Automatic Metering Management (AMM) capability.

Natural gas infrastructure

During the year 2016, Electro Gas Malta Ltd continued the work on the construction of the LNG facility consisting of a floating LNG storage (FSU) and onshore re-gasification plant which will be used to provide a source of natural gas for electricity generation. The floating LNG storage arrived in Malta at the end of the year 2016. The REWS continued to work on the processing of the authorisations and licences related to the LNG facility.

The third selection process for the selection of candidate projects of European common interest (PCI) in the North-South gas interconnections in Western Europe ("NSI West Gas") was underway. The Regulator for Energy and Water Services continued to cooperate with ACER, ENSTOG and the Working Group involved in the selection of candidate projects of European common interest (PCI). The Project Promoter continued in the preparations to submit the Malta PCI natural gas project as a candidate for the third PCI's list.

3 The Electricity Market

3.1 Network Regulation

3.1.1 Unbundling

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

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

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

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

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

3.1.2 Technical functioning

The Maltese electricity system is synchronised with the Italian system continuously with scheduled imports as from April 2015 through the 200MW HVAC 220kV electricity interconnector. The interconnector is operated by Enemalta plc in coordination with the transmission system operator in Italy, Terna. According to this arrangement the Maltese electricity system is being treated as a virtual consumption and production point connected to the Italian transmission grid. During the year 2016 the interconnector served for imports towards Malta only.

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

The electricity system balancing is carried out by Enemalta plc in coordination with transmission system operator in Italy, Terna. During the year 2016, imbalances on the interconnector were settled in accordance with AEEGSI (Decision 549/2015/R/EEL) issued on the 20th November 2015¹.

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

¹ Deliberazione 20 Novembre 2015 549/2015/R/EEL-Disciplina degli sbilanciamenti effettivi applicabile all'interconnessione Italia-Malta

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

Report relevant security and reliability regulation and data

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

Table 1 provides estimates based on the information provided by Enemalta plc for the average minutes lost per customer per annum for the years 2011 to 2016 due to planned and unplanned interruptions at 11kV or higher voltages. The overall figure for the average minutes lost per customer for the year 2016 represents an improvement over the previous year. There was a marked decrease in unplanned interruptions attributed to incidents on the local generation side.

Table 1: Average minutes lost per customer per annum (minutes per year) 2011-2016

SAIDI	2011	2012	2013	2014	2015	2016
Planned interruptions(customer minutes lost):	69	80.4	61.04	207	54.6	62.8
Unplanned interruptions(customer minutes lost):	191	286.2	360.04	570.6	172.8	101.02
Overall (customer minutes lost):	260	366.6	421.08	777.6	227.4	163.83

Source: Enemalta plc

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

For the year 2016, the number of planned interruptions affecting the 11kV level was 786 and the number of unplanned interruptions was 266.

The average number of planned and unplanned interruptions per customer was 0.61 and 1.99 respectively.

The average duration of a planned interruption was 1.71 hours and that of an unplanned was 0.81 hours. Based also on the information provided, 93.2% of the customers who suffered an interruption in supply due to incidents occurring at 11kV level or above had their supply restored within 3 hours. This also represents an improvement over the previous year.

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

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

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

The Regulator monitors the time taken up by the distribution system operator to provide new service connections, upgrades of existing services and the time taken to connect RES generators to the distribution system.

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

During the year 2016, according to the information provided by the distribution system operator, the average time for the provision of a new service connection not requiring any type of extension of the network or new substation was of 24.7 days. This represents an increase in the average time taken to provide a service, when compared to the previous year, when the average time was of 21.3 days.

According to the information provided by the Distribution System Operator, the average time taken for connecting RES generators to the distribution system, which includes the provision of the necessary metering equipment, was of 16 days for the year 2016. Normally, RES generators are provided with a generator meter and import/export meter.

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

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

No crises in the energy system occurred in Malta in 2016 which would have required the implementation of safeguard measures as described in Article 37(1)(t) and Article 42 of Directive 2009/72/EC.

Enemalta plc is also required through the licence conditions to prepare and submit to the REWS Emergency Response and Security Plans for the distribution system and the power stations.

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

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

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

- (e) report to the Regulator if any significant measures are taken to curtail the renewable energy sources in order to guarantee the security of the national electricity system and security of energy supply and indicate corrective measures that will be taken to avoid inappropriate curtailment.

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

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

3.1.3 Network tariffs for connection and access

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

Report on relevant new tariff regulation provisions

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

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

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

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

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

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

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

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

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

3.1.4 Cross-border issues

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

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

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

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

Not applicable.

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

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

The distribution system operator is required to provide information regarding the development of the network assets and new connections to the network of users.

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

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

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

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

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

3.1.5 Compliance

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

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

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

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

No compliance issues were identified in 2016.

3.2 Promoting competition

3.2.1 Wholesale markets

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

There is no wholesale electricity market in Malta.

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

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

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

There is no wholesale market for electricity in Malta.

3.2.2 Retail market

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

Retail Market overview

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

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

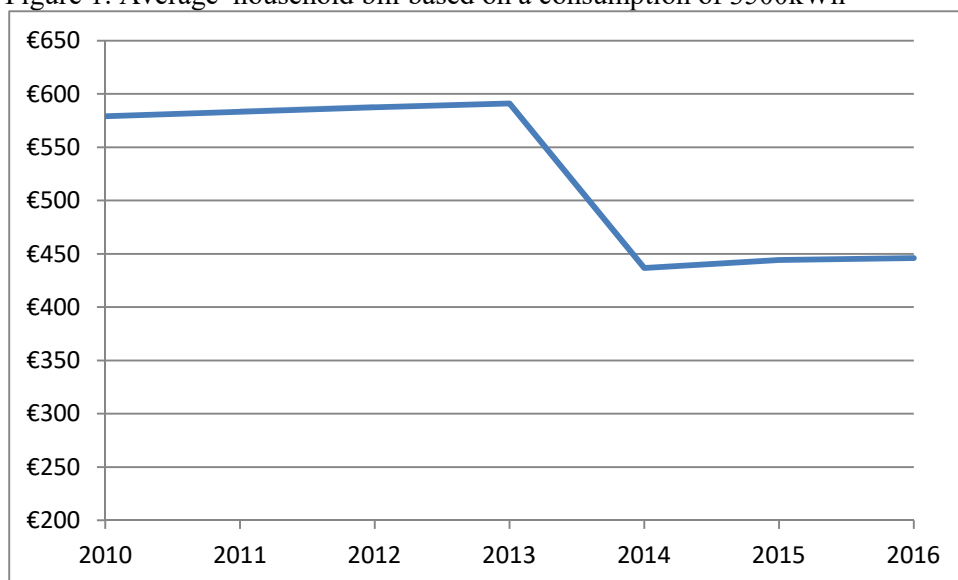
- Article 37(1)(i),(j),(k),(l),(u) and Article 40 (3)

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

The electricity retail market is not open to competition. All consumers of electricity are on regulated retail tariffs approved by the REWS.

The developments in the average household bill over the years from 2010 to 2016 are shown in figure 1. The average household bill is based on the average price per kWh for the band of consumption between 2500kWh and 5000kWh as reported by the Maltese National Statistics Office to Eurostat and an assumed consumption of 3500kWh. It should be noted that tariffs and tariff bands are applied *pro-rata* according to the days covered by the bill and therefore a change in the billing period may effect the average price per kWh.

Figure 1: Average household bill based on a consumption of 3500kWh



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

- Article 37(1)(o)

Report on recommendations at national level on supply prices and competition and how supply prices are set (linked to spot prices,...)

Describe system of regulated prices (if they exist) and plans of phasing out

- Article 37(4)(b)

Report on investigations carried out, main results and possible measures adopted

Report on tariff deficit if it exists

The principles underlying the determination and approval of the retail tariffs are published on the Regulator's website². In the event of a review of the electricity tariffs, the REWS publishes the documents related to the review process.

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

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

² REWS website: www.rews.org.mt

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

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

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

- households composed of two or more persons may benefit from a two tier eco reduction mechanism provided that the consumption per person does not exceed 1750kWh per annum. A reduction of 25% in the consumption bill is possible if the consumption does not exceed 1000kWh per person for the first tier. The second tier consists of a reduction of 15% in the bill on the next 750 kWh per person/household,
- single person households enjoy a reduction of 25% in their consumption bill if their annual electricity consumption does not exceed the 2000kWh/annum.

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

The non-residential premises tariffs are applicable for electricity consumed in all the other premises which are not registered either as a primary residence or as domestic premises.

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

3.3 Security of supply

3.3.1 Monitoring balance of supply and demand

- Article 4 72/2009

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

During the year under review, the 90MW steam plant at Marsa Power Station kept on cold standby was shut down completely. As a result, the total fossil fuel nominal generation capacity of the two power stations (Marsa Power Station and Delimara Power Station) as reported by Enemalta plc decreased from 580MW to 490MW as shown in Table 2.

The local fossil fuel electricity generation mix for the year 2016 consisted of 97.04% heavy fuel oil and 2.96% gasoil. The total electricity generated by the two fossil fuel power stations in Malta was 0.720 TWh which represents a decrease of 40.15% in the electricity generated locally from fossil fuel when compared to the 1.203 TWh generated in 2015.

The electricity imported through the interconnector, as measured in Malta, amounted to 1480GWh, thus amounting to 68% of the units sent out to the grid.

The electricity generated and sent out to the grid from generators producing from renewable energy sources (mainly solar photovoltaic installations) amounted to 114.944GWh³. This figure does not include electricity generated by RES and consumed on site by the producers.

Table 2 – Local fossil fuel capacity per technology as at the end of the year 2016

Technology	Installed Nominal Capacity(MW)
Conventional Steam cycle	120
Open Cycle Gas Turbine	111
Combined Cycle Gas Turbine	110
Combined cycle diesel engines ⁴	149
Total	490

Source: Enemalta plc

The total electricity generation capacity from renewable energy sources installed by the end of 2016 was 95.78MWp⁵. As may be deduced from the breakdown in Table 3, the renewable generation capacity installed consists mainly of solar photovoltaic installations. During the year under review, the installed solar photovoltaic installation capacity increased by 17.9MWp. The largest solar photovoltaic installation is 2MWp while 97.3% of the PV installations connected to the grid by the end of 2016 have a capacity of 11kWp or lower.

Table 3- Installed capacity renewable energy as the end of the year 2016

Renewable energy technology	Capacity installed (MW)
Solar photovoltaic systems	92.67MWp
Micro wind	0.0698MWp
Biogas plants	3.037MWe
Total	95.78MWp

Source: REWS and Enemalta plc records

During the year 2016, the system peak demand recorded was 417.4MW. This peak, as reported by Enemalta plc, occurred on the 6th July at 14:00hrs. The figure for the peak demand includes the internal consumption of the local fossil fuel power stations. According to the information provided by Enemalta plc, the system peak demand was met by 172.74MW provided by local fossil fuel

³ The figure is provisional

⁴ Owned by D3 Power Generation Ltd and operated by Enemalta plc

⁵ The figure for the total RES MWp capacity installed is provisional.

generation capacity, 192MW imported through the Italy-Malta interconnector and a contribution from solar photovoltaic installations estimated at 52.6MW.

The total local fossil fuel electricity generation capacity available on the 6th July day of peak system demand was 392 MW.

3.3.2 Monitoring investment in generation capacities in relation to SoS

- Article 37(1)(r)

Operational network security

- Article 7 2005/89/EC

Investment in interconnection capacity for the next 5 yrs or more

- Article 7 2005/89/EC

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

- Article 7 2005/89/EC

After the coming into full operation of the new 215MW CCGT, operating on natural gas provided by Electro GasMalta Ltd, planned to occur by the end of the year 2017, Enemalta plc, has not indicated the need for any additional local generation capacity in the next five years or next fifteen years.

The 90MW steam plant in Marsa Power Station is earmarked for complete dismantling by the end of 2017 and the 120MW steam plant in Delimara Power station is currently being de-commissioned and is earmarked for complete dismantling by the end of 2018.

The 149MW diesel engine plant commissioned in 2012 is expected to be completely converted to natural gas by the end of 2017. The capacity of this plant will increase slightly to 151MW.

After the above mentioned changes to the local generation capacity, the local fossil fuel generation and interconnection capacity shall be as shown in Table 4.

Table 4- Current and Future nominal generation and interconnection capacity

Technology	Installed Nominal Capacity(MW)
Combined Cycle Gas Turbine	215
Open Cycle Gas Turbine	111
Combined Cycle Gas Turbine	110
Combined cycle diesel engines	151
Electricity Interconnector Italy-Malta	200 ⁶
Total	787

Source: Enemalta plc

⁶The net maximum importation capacity of electricity to the interconnector is actually 192MW due to losses in the interconnector.

The peak system demand is expected to reach 445MW by 2021. It is expected that the 111MW Open Cycle Gas Turbine capacity and the 110MW Combine Cycle Gas Turbine will be used only as backup reserve capacity. The forecasted electricity demand in MWh for the years 2017 up to 2021 is shown in Table 5.

Table 5 – Demand forecast 2017-2021

Year	Estimated Demand(MWh)
2017	2,451,517
2018	2,514,881
2019	2,565,489
2020	2,600,081
2021	2,652,342

Source: Enemalta plc

3.3.3 Measures to cover peak demand or shortfalls of suppliers

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

4 Gas Market

The REWS and ElectroGas Malta Ltd. continued the discussions related to the licensing of the LNG facility consisting of a floating LNG storage (FSU) and onshore re-gasification plant. By the end of 2016m, the construction works on the LNG facility reached an advanced stage. The LNG floating storage unit, forming part of the LNG facility, arrived in Malta in the last quarter of 2016.

The LNG storage capacity of the FSU is of 125,000m³ and the maximum natural gas output from the re-gasification plant is of 89,000Nm³/hr of natural gas. The re-gasification plant is designed to meet simultaneously the full load natural gas requirements of a generating plant (D4) being also constructed by ElectroGas Malta Ltd, and the existing plant (D3). ElectroGas Malta Ltd. submitted its applications for a licence to carry out the functions of LNG System Operator and for an authorisation to Supply Natural Gas, both of these activities are regulated under the Natural Gas Market Regulations (S.L.545.12) which transposes Directive 2009/73/EC, and implements Regulation 715/2009 on conditions for access to the natural transmission networks.

ElectroGas Malta Ltd. has also applied for an LNG importation authorisation and an authorisation for the operation of a primary storage facility for the FSU, both issued under the Petroleum for the Inland (Wholesale) Fuel Market bottling of LPG and primary storage facilities Regulations (S.L.545.17).

Projects of Common Interest

A gas pipeline connecting Malta to the European Gas network (gas pipeline with Italy at Gela and Floating LNG Storage and Re-gasification Unit (FSRU)) was included in the second list of PCI's under priority corridor 'North-South gas interconnections in Western Europe in 2015- (refer to link http://europa.eu/rapid/press-release_IP-15-6107_en.htm). The gas PCI project was also included in the ENTSO-G TYNDP list of projects which is a mandatory requirement for the biannual review of the list of PCI projects to the Commission.

During 2016, the basic design and scoping studies were conducted as part of the next stage in the implementation of the PCI. These include the route identification study in order to identify the optimal 1.2km wide offshore route corridor, on-shore routes, connection points and areas of terminal stations in both Delimara (Malta) and Gela (Sicily), a basic design study of all the required infrastructure and the preparation of necessary documentation (i.e. Scoping Reports) required for the launching of the permitting procedure. A number of meetings with Italian/Sicilian stakeholders and Maltese relevant authorities were held in 2016 for their feedback and support towards the studies.

During 2016, the REWS participated in the regional and cross-regional working groups involved in the 3rd selection process of candidate projects of European common interest (PCI) in the North-South gas interconnections in Western Europe ("NSI West Gas") corridor where an exercise was conducted to identify the infrastructure problems and needs of the regions.. The REWS participated in the request for feedback on the Joint Research Centre (JRC) methodology for the Project Evaluation. The REWS's participation was in line with its role as the energy regulator in Malta and as required by the energy infrastructure regulations. The Regulator's input in the selection process was related to Malta's natural gas connection project listed in the first and second PCI list as PCI 5.19.

The REWS continued to communicate with ACER and the project promoter on the energy infrastructure development and data consistency check for Malta's Project of Common Interest.

The REWS identified Malta's cross-border Gas Infrastructure needs for consideration during the third PCI list selection process. The infrastructure needs identified by the REWS was highlighted in the ACER presentation during the NSI West Regional Group meeting held in November 2016. The

identified infrastructure need of ‘Connection between Malta and the continental European gas market’ to the ‘Gas Isolation’ problem was agreed at regional group level.

Staff from the REWS participated in the specialized training on Projects of Common Interest organized by the Council of European Energy Regulators.

Participation in ACER Activities

The REWS attended a number of meetings of the Board of Regulators. The participation in ACER activities included participation in the meetings of the Board of Regulators and of the ACER taskforce related to Gas infrastructure projects and providing feedback to ACER in relation to Cross Border Cost Allocation, Unit Investment Costs, Ten-Year Network Development Plan (TYNDP), commission’s Projects of Common Interest (PCI) selection methodology and regulatory incentives for investment in gas and electricity infrastructure projects. The REWS contributed to the ACER opinion in consultations launched by the EU Commission related to risk preparedness in the area of security of supply, on the energy market design and investment conditions for PCIs.

Methodology and criteria for investment evaluation

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

In November 2015, the REWS launched a public consultation on the proposed methodology and criteria for infrastructure projects to be adopted in accordance to Article 13 of the Regulation 347/2013. The consultation process closed on 28th December 2015. The Methodology and Criteria for Investment Evaluation was finalised and published on the Regulator for Energy and Water Services website during 2016. The published document was also notified to the European Commission.

5 Consumer protection and dispute settlement in electricity and gas

5.1 Consumer protection

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

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

In addition, customers are to be provided with:

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

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

In general, the terms and conditions for the electricity supply service are currently implemented through legislative instruments, in particular the Electricity Supply Regulations (S.L.545.01) which specify *inter alia* the services and maintenance provided, applicable tariffs, and conditions for termination and renewal.

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

During the year under review, the Electricity Market Regulations and the Natural Gas Market Regulations were amended through Legal Notice 29 of 2016 and Legal Notice 30 of 2016 respectively, to introduce an obligation on the Regulator to make available a single point of contact so as to provide consumers with all necessary information concerning their rights, current legislation and the means of dispute settlement available to them in the event of a dispute.

Customer Complaints

The Electricity Market Regulations and the Natural Gas Market Regulations were amended through LN 29 of 2016 and LN 30 of 2016 to introduce the requirement on the Regulator to carry out the function of an energy ombudsman in order to ensure the efficient treatment of complaints and out-of-court dispute settlements.

Customer complaints have to be addressed at the first instance by Enemalta plc or by its contractor ARMS Ltd. ARMS Ltd deals with issues related to billing or meter reading, while Enemalta plc deals directly with issues related to connection to the grid and voltage quality. Enemalta plc is required to retain and update a register of all complaints related to the electricity service and to submit information on an annual basis related to the complaints received and time to respond to such

complaints as part of the licence monitoring reports. Currently the complaints register held by Enemalta plc does not distinguish between households and non-household customers.

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

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

The REWS received 23 complaints related to electricity from customers that were not satisfied with the solution provided by the supplier. Most of the complaints were related to billing issues and were resolved without the need of a formal decision procedure being initiated and concluded.

Disconnections for non-payment

As part of the conditions of its licence, Enemalta plc is required to report to the REWS data related to disconnections of customers for non-payment. The total number of disconnections for non-payment of electricity consumption that was reported to the Regulator for 2016 was 11,777 of which 5,695 were household customers and 6,082 non-household customers.

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

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

Vulnerable consumers

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

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

During the year 2016, the consumers that received energy benefits amounted to 24,044 which amount to 8.84% of all household consumers.

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

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

By the end of 2016, 71.3% of the 297,792 electricity meters supplying households were replaced by smart meters complete with Automatic Metering Management (AMM) function capability. In the case of non-households the percentage of smart meters is of 59.8% out of 12,679 active electricity meters.

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

The bill includes a breakdown of the bill calculations, total electricity consumption for the period covered by the bill, the average consumption per day, applicable tariffs and CO₂ emissions. The bill also includes the consumption related to the previous year and projections for electricity annual consumption.

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

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

During the year 2016, the Electricity Market Regulations were amended through legal notice 29 of 2016 to introduce a requirement on suppliers of electricity to provide access to consumer historic consumption data to other suppliers, energy service providers or third parties subject to customer's consent in accordance with the Energy Efficiency Directive.

5.2 Dispute Resolution

Article 37(11), 37(5)(c), Article 37(4)(e)

Article 41(11) and Article 41(4)(e)

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

The Electricity Market Regulations (S.L.545.13) and the Natural Gas Market Regulations (S.L.545.12) provide that complaints against the distribution system operator may be referred to the Regulator for Energy and Water Services. The Regulator for Energy and Water Services is obliged to issue a decision within four months from the date that a complaint is lodged. The timeframe for the issue of the decision may be extended by a further two months with the agreement of the complainant. Before a decision is issued, the REWS discusses the complaint with the parties involved who are allowed to make any submissions that they deem necessary.

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

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

No binding decisions related to the disputes or refusals related to connection to the network and/or network tariffs were issued by the REWS during 2016.