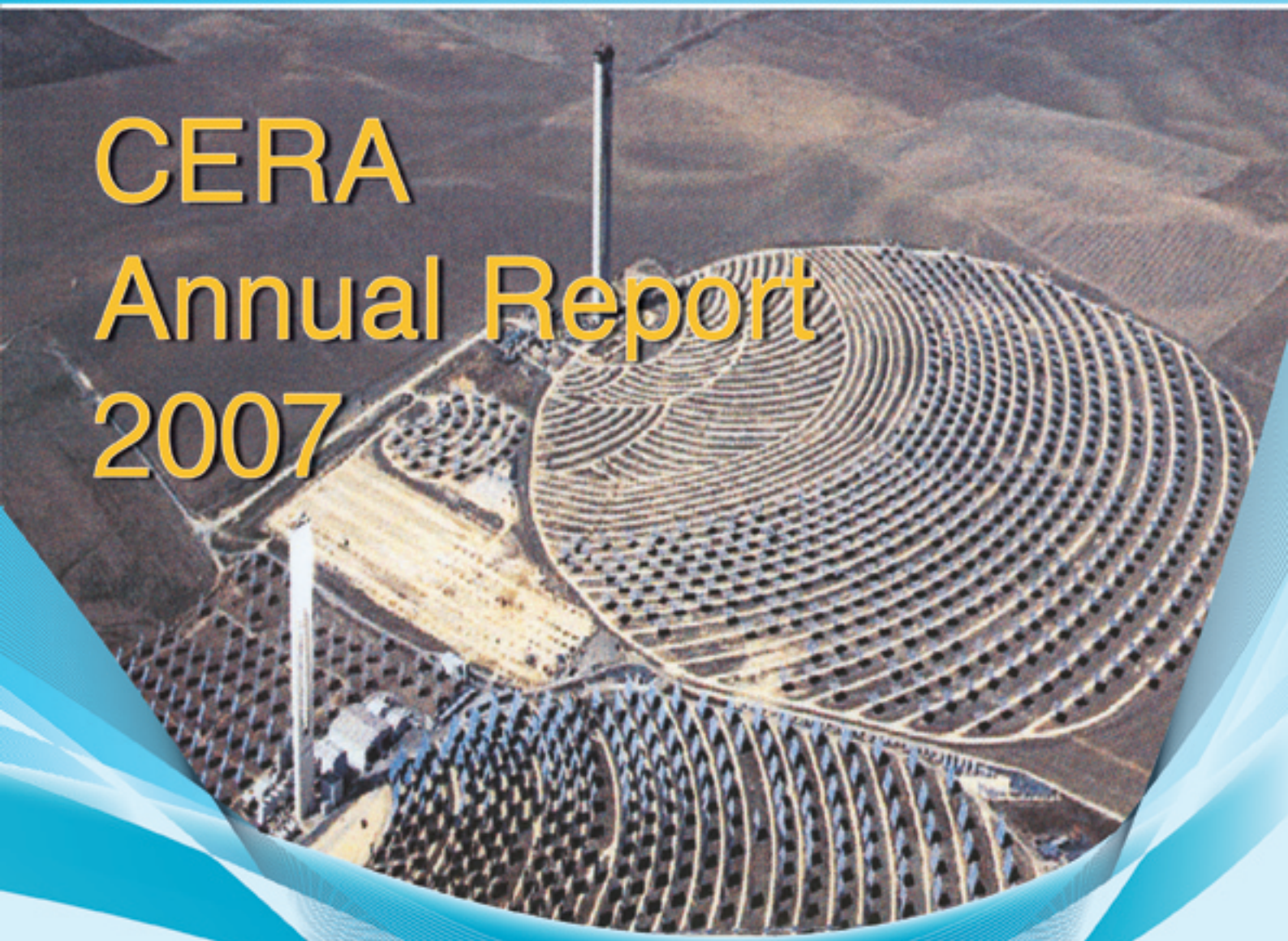
ρυθμιστική αρχή
ενέργειας κύπρου
cyprus energy
regulatory authority



CERA Annual Report 2007

cyprus energy
regulatory authority

ρυθμιστική αρχή
ενέργειας κύπρου

ANNUAL REPORT FOR 2007

The Cyprus Energy Regulatory Authority (CERA) was established by virtue of the Law of 2003 On Regulating the Electricity Market, L.122(I)/2003, which was enacted by the House of Representatives on the 25th of July 2003. The Members of CERA were appointed on the 21st of January 2004 and assumed their duties on the 4th of February 2004 after giving the prescribed affirmation for the faithful execution of their duties to the President of the Republic of Cyprus.

The present Annual Report on CERA's proceedings covers the period from the 1st of January 2007 to and including the 31st of December 2007, and is the fourth one to be issued.

By virtue of the provisions of the above Law and in particular of Article 18, CERA submits to the President of the Republic of Cyprus an Annual Report on its Activities by the end of March every year, and provides copies of the Report to the Council of Ministers and the House of Representatives.

The Annual Report of the CYPRUS ENERGY REGULATORY AUTHORITY also incorporates the Report on the Activities of the Transmission System Operator (TSO) as provided by the Law L.122(I)/2003 (Article 61).

CONTENTS

His Excellency the President
of the Republic of Cyprus
Mr. Demetris Christofias
Nicosia

31 March 2008

Your Excellency, Mr. President

We have the honour to submit the 4th Annual Report and the Accounts of the Cyprus Energy Regulatory Authority, which also includes the Annual Report of the Transmission System Operator, for the year ended 31st of December 2007, as well as the Report of the Auditors.

The Report and Accounts is submitted to you in accordance with Articles 18(1), 19(3) and 61(3) of the Laws on Regulating the Electricity Market L.122(I)/2003 to 2006.

Respectfully

Costas Ioannou
Chairman

Stelios Petrides
Vice-Chairman

Kypros Kyprianides
Member

INTRODUCTION

In the year under review important events took place as well as actions taken by CERA in the sectors of electrical energy, natural gas, wind farms, and the simplification of processes for issuing licenses and other procedures.

All CERA's efforts are aimed first and foremost to secure healthy competition in the electrical energy and natural gas sectors that affect directly the economy of the country and thousands of consumers.

CERA pays special attention to the task towards securing correct operation of the energy market so that it operates in a really liberalised environment where there should be no monopolies.

Without doubt the subject, which belaboured at some length all the competent authorities and dominated current affairs on a daily basis was that of natural gas and the way of its arrival into our country.

A lot has been said as well as written on the methodology that should be used. CERA's position was and it remains that the essence of the subject is for natural gas to arrive as soon as possible, at the lowest possible price for the benefit of the consumers and the Cyprus economy.

Finally in December 2007, the House of Representatives passed a Law, L.199(I)/2007 for Natural Gas, which provides for the construction of a land - based gas terminal. For the benefit of the economy efforts should now be exerted so that the realisation of the Decision materilises at a fast pace so as to avoid any further delay.

Another fundamental priority of CERA during 2007 was the encouragement by means of increased subsidies for the production of electrical energy with photovoltaic systems, in co-operation with the Ministry of Commerce, Industry & Tourism. The common goal set is that the generation of electrical energy from RES should increase to 6% by the year 2010 and to this end we exert continuous and coordinated efforts.

Another important subject to which CERA has paid attention is the outcome of the 3rd Energy Package, which sets a new and difficult target to achieve.

That is, to achieve an increase in the production of Energy from RES to 13% by the year 2020, whilst the general target set by European Union for Member States is 20% by the year 2020.

Mention should also be made to the efforts of CERA for the simplification of the procedures for obtaining the necessary licences in order that we should have as soon as possible operating the first Wind Farms, for which wide interest has been expressed. The promotion and use of RES in combination with the development of generation and sufficiency of Electrical Energy remain the primary aids of CERA, along of course with the protection of the environment. At the same time, CERA does everything possible to introduce competition in the generation of electrical energy. The provisions of the Law and its obligations require this targeted effort and it will continue with the same intensity in the current year.

Equally important for CERA is the price at which electrical energy reaches the different categories of consumer. During the year under review, CERA examined thoroughly the

subject of methodology for the tariffs of electricity and their structure and it is expected that during 2008 decisions will be taken regarding the electrical energy tariffs of EAC.

In closing this brief report on CERA's activities and on the sectors to which CERA attached priority, we wish to thank all who have co-operated with us.

The various government authorities and more specifically the Ministry of Commerce, Industry & Tourism supported us in our work and we are grateful for this.

We had amicable co-operation with the staff of the General Auditor of the Republic, the Transmission System Operator, the Electricity Authority of Cyprus and individuals who showed interest in electrical energy generation.

Finally we wish to thank all CERA's associates and CERA's office staff for their hard work and commitment.

THE BASIC MISSION OF CERA IN THE ENERGY MARKET (ELECTRICITY AND NATURAL GAS)

The basic mission of CERA as same is defined in the provisions of the existing legislation in the sectors of Electricity and Natural Gas is, among others:

- To secure essential and healthy competition in the Electricity and Natural Gas Market, avoiding discrimination both between the Licencees and the applicants for Licences.
- To protect the interests of Consumers of Electricity and Natural Gas.
- To promote the development of an economically viable and efficient Electricity and Natural Gas Market.
- To ensure the Security, Continuation, Quality and Reliability of Electricity and of Natural Gas Supply.
- To take into serious consideration the Protection of the Environment.
- To take into consideration the needs of the consumers of agricultural areas, of the consumers who are in a disadvantageous position and of the elderly.
- To encourage the efficient generation and use of Electricity.
- To promote the use of Renewable Energy Sources (RES).
- To encourage research and development of generation, transmission, distribution and the use of Electricity and Natural Gas.

THE ESTABLISHMENT OF CERA AND ITS ROLE IN THE ENERGY MARKET

The structural changes of the energy markets in the European Union (EU) Member States, aiming at a Common Internal Energy Market, have created the need to establish Regulatory Authorities in the EU countries.

Directive 96/92/EEC of the European Parliament and the Council of the 19th of December 1996 regarding the common regulations for the internal Electricity Market in the European Union, created the need to the Republic of Cyprus, for harmonisation purposes with the Directive, to enact the Laws of 2003 – 2006 On Regulating the Electricity Market, by virtue of which the Cyprus Energy Regulatory Authority (CERA) was established.

The establishment of the Energy Regulatory Authority emanates from the obligations of Cyprus towards the European Union. The basic purpose of its establishment is the supervision of the operation of the Energy Market (Electricity and Natural Gas) in a new liberalised environment, in the absence of monopolies.

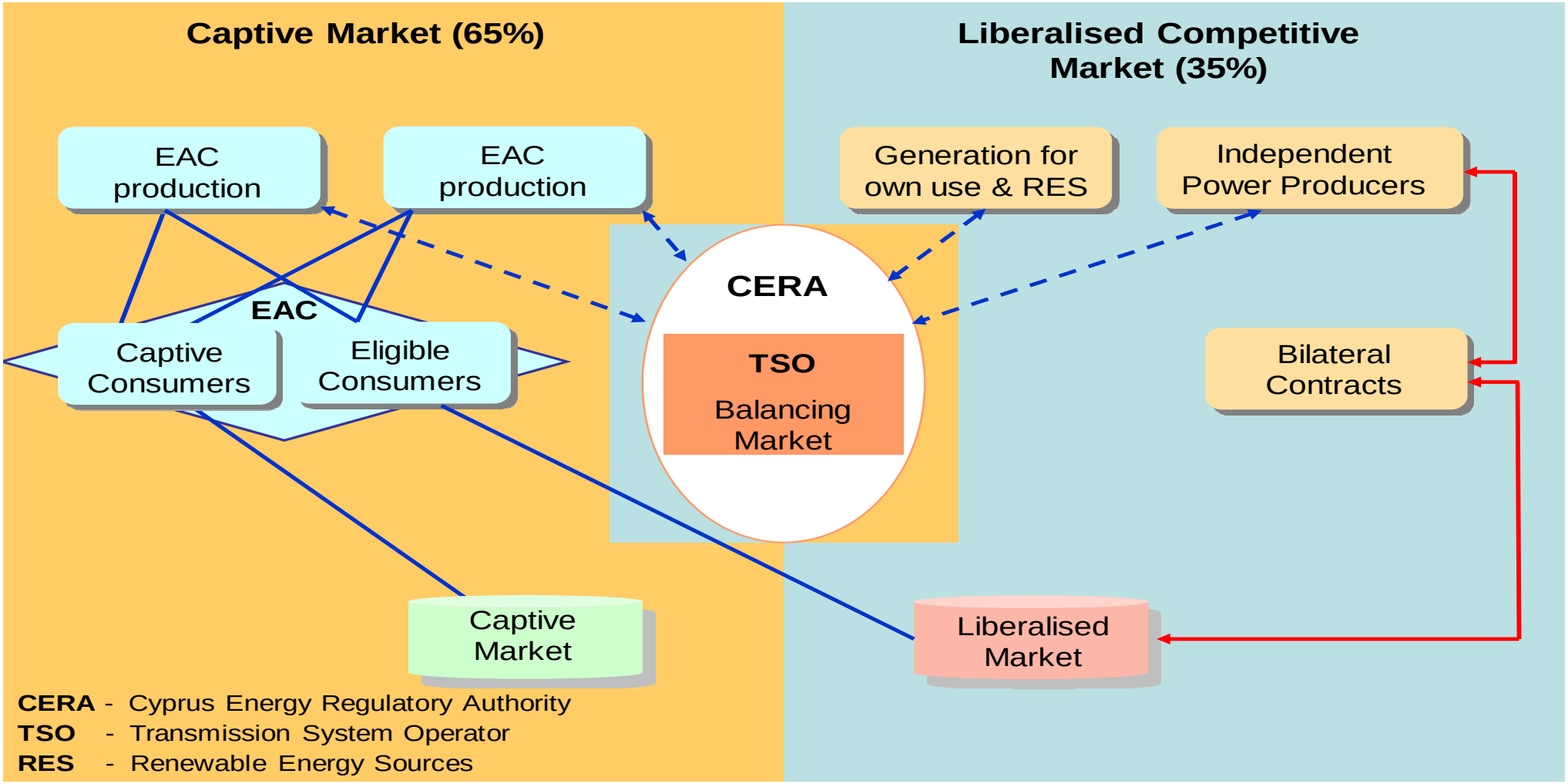
According to the Law on Regulating the Electricity Market, which was enacted in 2003 and, in essence, was put into effect on the 1st of May 2004, the generation and supply of electricity ceased to be monopolistic activities of the Electricity Authority of Cyprus (EAC).

The implementation of the provisions of the relevant legislation began with the assumption of duties by the members of CERA on the 4th of February 2004. CERA is, inter alia, responsible for the safeguarding of competition in the electricity market, the protection of the consumers' interests and the promotion and development of an economically viable and efficient electricity market. Any enterprise which is interested in generating and supplying electricity may submit an application to the Energy Regulatory Authority and obtain the relevant Licence provided the criteria set are fulfilled. The companies obtaining such a Licence have the right to use the existing electricity transmission and distribution network. Although these networks remain the property of the EAC, a Transmission System Operator has been appointed and functions independently in terms of organisation and decision making from the EAC, and its activities of production, distribution and supply, in order to safeguard access onto the Transmission network and the equal treatment of all users of the said network. The Owner of the Distribution System has also been nominated as the Distribution System Operator and although he is not independent in the same sense as the Transmission System Operator, he has the same duty / responsibility of safeguarding access to the Distribution network and equal treatment of all users of the said network.

Cyprus Energy Regulatory Authority also regulates all the Tariffs, Charges and Quality Standards, examines complaints relating to the services offered by the Licencees, and imposes fines and other measures.

One of the top and urgent priorities of CERA was the opening of the Electricity Market. This was achieved and the Electricity Market was liberalised by 35% on 1st May 2004. In 2007 this percentage included the 811 biggest electricity consumers in Cyprus, each of whom consumes at least 350,000 kilowatt-hours per year. The annual electricity bill of these 811 consumers is estimated to amount to about CY£94 (€160) million. These consumers are free to select their Electricity Supplier. With effect from January 1st 2009 the market will be liberalised for all ''non domestic'' consumers, and with effect from January 1st, 2014 all consumers of electrical energy will be able to select their Supplier according to what is in their best interest.

CYPRUS ELECTRICITY MARKET



POWERS, COMPETENCES AND DUTIES OF CERA

The Cyprus Energy Regulatory Authority is an Independent Authority of the Republic of Cyprus and by virtue of the relevant Laws, has the following executive powers, competences and duties in the Energy Field**.**

POWERS AND COMPETENCES

ELECTRICAL ENERGY

- Issues, controls, enforces, amends and revokes Licences, or grants exemption from the obligation of securing a Licence.
- Advises the Minister of Commerce, Industry & Tourism on all issues relating to electricity.
- Ensures that the “Electricity Transmission and Distribution Rules” and the “Electricity Market Rules” are prepared and approved in accordance with the Law.
- Safeguards adequacy in electrical energy to the satisfaction of all reasonable needs and demands for electricity.
- Regulates the tariffs, charges and other conditions and prerequisites which are implemented by the Licencees for any services offered in accordance with the conditions of their Licences.
- Determines, publishes and enforces quality standards with which the Licencees will comply.
- Determines the rules or the procedures according to which complaints are examined which relate to services offered by the Licencees including, when it considers it appropriate, the carrying out of investigations and the taking of decisions for such complaints.
- Encourages and secures competition with the ultimate target to reduce prices.
- Protects the interests of the Consumers.
- Ensures the Continuation, Quality, Reliability and Security of Electricity Supply.
- Protects the Environment.
- Encourages the use of Renewable Energy Sources (RES).
- Encourages Research and Development in the field.

NATURAL GAS

- Issues, controls, amends, suspends and revokes Licences, or grants exemption from the obligation to secure a Licence.
- Approves the conditions and prerequisites for the connection and access to the network, including the transmission and distribution tariffs as well as the conditions, prerequisites and tariffs for access to the installations of liquified natural gas.
- Determines the rules for the management and the distribution potential of interconnection, in consultation with the appropriate authority or authorities of the Member States with which there is interconnection.
- Sets up or approves mechanisms to face congestion in the natural gas network.
- Protects the natural gas Consumers.
- Regulates the tariff rates, charges and other conditions and prerequisites imposed by the Licencees for any offered service based on the conditions of their Licences.
- Enacts, publishes and enforces Regulations for quality standards with which the Licencees must comply.

- Takes appropriate and effective measures for control and transparency, so as to avoid possible misuse of dominant positions, and in particular of those misuses to the detriment of consumers.
- Creates, keeps and maintains a Licence Register.

OBLIGATIONS OF THE CYPRUS ENERGY REGULATORY AUTHORITY

ELECTRICAL ENERGY

During the execution of the duties assigned to CERA under the Laws of 2003 – 2006 On Regulating the Electricity Market, CERA acts within the framework of the Electricity Market Field in order to:

- Safeguard essential competition in the Electricity Market avoiding discrimination both between the Holders of Licences and the applicants for Licences.
- Protect the interests of the Consumers.
- Ensure that all the reasonable demands and needs relating to electricity are satisfied.
- Ensure that the Licencees operate efficiently and have the ability to finance their business activities for which they are licenced.
- Promote the development of an economically viable and efficient electricity market.
- Secure the safety, continuation, quality and reliability of Electricity supply.
- Take into consideration the Protection of the Environment.
- Encourage the efficient use and generation of Electricity.
- Take into consideration the needs of the consumers of rural areas, the consumers who are in a disadvantageous position and the elderly.
- Encourage the research and development of Generation – Transmission – Distribution and the Use of Electricity.
- Promote the use of Renewable Energy Sources (RES).

NATURAL GAS

According to the Laws of 2004 – 2006 On Regulating the Natural Gas Market, CERA has, inter alia, the following duties:

- Safeguarding observance to the competition rules in the field of import, storage, transmission, distribution and supply of natural gas.
- Protecting the interests of Consumers of natural gas.
- Safeguarding satisfaction of demand for natural gas.
- Ensuring that the Licencees are able to finance the business for which a Licence is obtained.
- Promoting the development of an economically strong and effective natural gas market.
- Safeguarding the safety, continuity, quality and effectiveness in the supply of natural gas.
- Caring for the protection of the environment.

- Encouraging research and development regarding the transmission, supply, storage and use of natural gas.

It is also the duty of CERA to:

- Safeguard and publish measures which may be put into effect in case of unforeseeable crisis in the energy field, or when the safety of people, works, installations or the integrity of the networks, are threatened, and
- Follow up the issue of the security of supply, and especially the balance of supply and demand in the market, the level of the expected future demand and the availability of Supply, as well as the level of competition in the market.

During the performance of its duties, CERA takes all necessary measures for the adherence of all parties involved to the Obligations of Public Service.

CERA's ultimate aim is to protect the interests of the Consumers of Electricity and Natural Gas in the best possible way, as well as to protect the Public Interest.

Furthermore during the execution of its duties, CERA may:

- Take Decisions by which, inter alia, determine the regulation of the Electricity and Natural Gas Market is regulated.
- Take Decisions in accordance with the provisions of the relevant Laws and Regulations.
- Carry out investigations, either following the submission of a complaint or initiated by CERA ex officio.
- Impose administrative fines, in the event of a breach of the terms of the Licence, or a breach of Regulated Decision.

NATURAL GAS

DEVELOPMENTS, REGULATIONS, SECURITY OF SUPPLY

The turn towards the use of Natural Gas is a worldwide trend chiefly because it constitutes an economic and, most importantly, an environmentally friendly fuel. The arrival and use of Natural Gas will contribute to the reduction of atmospheric pollution and therefore to the protection of the environment. In addition it will be of substantial benefit to the Cypriot Electricity consumer in terms of lower price due to the prospect of the reduced cost of electricity generation. Similar benefits are expected to result for Cypriot consumers of Natural Gas for uses other than that of electricity generation.

The arrival and use of Natural Gas in the Energy Balance of Cyprus is expected to affect seriously certain important sectors of the economic and social life of the country, since such an action promotes and secures the differentiation of the energy sources in the country, particularly so since this fuel is of high quality and can be utilised in many sectors (Industry, Electricity Generation, Transport and others). Moreover, the arrival and use of Natural Gas is expected to increase competition, improve quality of life and to create new work positions.

The Natural Gas Sector has been harmonised with the relevant European Directive 2003/55/EC in relation to the common rules for the internal Natural Gas Market of the Member States. To this end the Law of 2004 On Regulating the Natural Gas Market, L.183(I)/2004, has been enacted and came into force.

Within the framework of CERA's competences and in order to further harmonise with the provisions of Directive 2003/55/EC of the European Parliament and the Council of the 26th June 2003, CERA prepared an amendment to the Law with the purpose of including in the basic Law, provisions authorising CERA to impose administrative fines in the event of breach of the terms and conditions of a Licence, to issue Regulatory Decisions, to set up, keep and manage a Register, to issue Regulations regarding the Licence fees and, the carrying out of Investigations.

Within the framework of its responsibilities CERA prepared Regulations regulating essential issues regarding the organisation and operation of the Natural Gas Sector, the access to the market, the criteria and procedures for granting Licences for the transportation, supply and storage of Natural Gas. These Regulations include those concerning issuing Licences for the construction and operation of Natural Gas installations, the payable fees for Licences covering the activities relating to Natural Gas and the investigations procedure for submitted complaints. The amendment to the Law and the above mentioned Regulations were approved by Parliament and came into effect on 21st of July 2006.

Following the enactment of the amendment to the Law and of the Regulations, the company GOLAR ENERGY LTD submitted the necessary Licence applications for the Construction and Operation of an Offshore facility for Import/Storage/Regasification of Liquefied Natural Gas for Own Use in an Electricity Generating Power Station at the Vasilikos area. It should be noted that previously, on the 28th December, 2006, CERA had decided to grant a Licence to Golar Energy Ltd for the Construction of a Floating Electricity Generating Power Station of combined cycle, without creating any commitment or obligation on behalf of CERA to grant a licence to an applicant concerning the construction, operation and exploitation of installations (floating stations) for the import/ storage/ degasification of liquefied natural gas for own use. At the same time, interest was expressed by Vasilikos LNG Ltd which on the 21st of May 2007

submitted the required applications for the construction, operation and exploitation of installations (floating station) for the import/ storage and regasification of liquefied natural gas for the purpose of supplying natural gas to wholesalers, to eligible and non eligible consumers, generation of electrical energy in the Vasilikos coastal area.

The above actions were taken in order that the Directive concerning the internal gas market was applied. The Government, after numerous discussions and meetings with all the competent authorities stated its intention to declare the Cyprus Natural Gas Market as emergent according to the articles 28(1) (2) of the relevant European Directive, 2003/55/EC.

In relation to the above a Law was passed and published on the 31st of December 2007 in the Government Gazette, Law 199(I)/2007, amending the Laws of 2004 – 2006. "On Regulating the Natural Gas Market".

This Law states that in the event that the Council of Ministers decides to assign the import and supply of natural gas to the Republic of Cyprus to only one company and the creation of one land terminal as the exclusive station for the delivery, storage and regasification of liquefied natural gas to the Republic of Cyprus, the application of the following articles of the basic Law is suspended: Articles 8-14, 16(1) (2) and (3), 18, 21, 22(5) and (6), 23, 27, 28, 31, 32 and 33.

In addition, it states that until such time as the Council of Ministers takes that Decision, CERA should act deviating from the above articles by not issuing licences in order not to endanger achieving that goal.

It is evident that the authority and competence of CERA as well as the model of the natural gas market in Cyprus are drastically transformed. At this stage CERA is assessing the consequences that may result from the application of the amending Law with regard to its authority and competence and what should be done with the two pending applications for the importation of natural gas as well as the general orderly operation of the domestic market.

In addition, CERA has prepared the necessary Regulations for the purpose of securing a sufficient level of security of supply with natural gas and the achievement of an orderly operation of the domestic gas market, as provided by the European Directive 2004/67/EC of the Council of Ministers of the 26th of April 2004 on the measures for the security of supply of natural gas. Taking into account all that was stated above concerning the Government's intention to declare the market as emergent, we believe that the amending Law should be reviewed.

CERA'S GENERAL POSITION ON NATURAL GAS

The subject of the way natural gas should arrive to our country has been discussed at length during 2007. It is indicative that the Council of Ministries and the Committees of the House of Representatives examined the subject at some length and the controversy that it created is well known.

CERA, as a supervisory Authority, meticulously avoided taking part in the public discussion and the controversy. However, the general position of CERA was expressed

by means of one and only detailed announcement on the 5th of June 2007, which was as follows:

QUOTE

CERA AS A SUPERVISORY AUTHORITY DOES NOT TAKE PART IN THE PUBLIC DEBATE AND CONTROVERSY ON THE SUBJECT. It will therefore make the one and only general clarifying statement:

1. A lot has been said and written over the last few weeks on this serious subject especially in relation to EAC's involvement, which in our opinion does not assist in solving the problem. We think it necessary to clarify right from the start that **it would not be sensible for EAC to suffer irreparable damage as a result of any decision and there is no such intention.**

   CERA is not in opposition with EAC. On the company, with a sense of responsibility, it has with its actions proved until now how interested CERA is in the maintenance of EAC's financial health and its maintenance of the important role in the country's energy matters.

   We refer to just two examples:

   a) CERA agreed that the electricity market should not be 100% opened up **before 2014** and we succeeded in obtaining European Union approval in order that EAC should be given enough time to adjust itself to the impending competitive environment.

   b) CERA has issued EAC with licences for three generation Units of 220MW each, of total power 860MW, at a time when EAC already holds a dominant position with 100% of the market, thus reducing the chances of all the other potential competitors to EAC, and this at a time when other countries such as Ireland, which is a relevant example, forced its own electricity authority to limit itself to 40% of the market decommissioning its own generation stations. We have been severely criticised for this by interested independent producers and by circles within the European Union.

2. However, at the same time, CERA is obliged by Law to protect the interests of the consumers by securing for them energy at the lowest possible price. It is therefore, necessary to find the optimum solution.

3. Now, to return to the current issue. In the controversy on the way in which natural gas should arrive in Cyprus, CERA never advocated nor does it advocate in favour of the floating terminal. CERA advocates in favour of any method, which will secure natural gas as soon as possible and at the lowest possible price for the benefit of the customers and the economy of Cyprus. This is an obligation we have under the Law otherwise CERA would not be performing its duty.

4. Recently certain Tables CERA prepared for the Ministerial Committee scheduled to take place at the Presidential Palace on the 24th of May 2007, become the subject of general discussion. Too much is made out of this for no real reason. These Tables do not make a comparison of the costs between a floating and a land Terminal. They simply point out the probable cost to the Cyprus Economy caused by the delay in the arrival of Natural gas, **irrespective of the reason of**

this delay. CERA did not prepare these Tables out of its own volition, but in fact after a written request (15/05/2007) from the Ministry of Industry, Commerce and Tourism and only after it was established that EAC delayed their compilation.

5. We wish to point out that the Law On Regulating the Electricity Market as well as the Law On Regulating the Natural Gas Market both appoint CERA as Consultants to the Ministry of Commerce, Industry and Tourism on these matters as well as Consultants to the House of Representative, if requested. So, although properly it should have been EAC that should have prepared the Tables, which CERA would have subsequently examined, there was no other choice but for us to estimate the cost of the non arrival of Natural Gas based on whatever information we had an our disposal.

6. We examined three possible scenarios based on information supplied by EAC at different times with two different prices for Natural Gas ($7.5/mmbtu and $9.0/mmbtu). The results for the period 2009-2015 taking into account the cost difference between diesel and natural gas, the difference in the cost of CO_2 emissions and the interest on this difference amounts, along with the various assumptions which are clearly indicated in the Tables for anyone examining the Tables in good faith, we arrived at the conclusion that the probable cost up to the 31st December 2015 would range between £600-£700 million (€1025-€1196) million **in 2015 prices.** We stress this point because EAC has used a different method for estimating the cost using 1st of January 2009 prices.

7. These estimates were done by CERA's technical services based on the current approved and licensed by CERA Development Generation Programme of EAC, which includes Units 4, 5 and 6 of Natural Gas/Diesel Combined Cycle.

8. If under certain other assumptions or if the government permits EAC to change its Development Generation Programme (although there is a Ministerial Decree Dated 17th March 2006, which prohibits new generating Units to use any fuel other than Natural Gas) and if other most likely resulting environmental problems are resolved, **then it is obvious that one could arrive at different figures.**

9. If on the other hand, EAC wishes to be convincing with its arguments in favour of a **land based Natural Gas Terminal exclusively** EAC should come out openly and ask for the project to be assigned to EAC. But, at the same time EAC should **assume the responsibility for the completion without any delays of the construction** timetable that will be approved by CERA under the licencing provisions of the Terminal as well as the undertaking not to pass on to the consumers the likely additional fuel cost regulating from any delays.

10. If, as it has been said, EAC has prepared another, and under the circumstances better alternative Development Generation Programme that is based on **non Natural Gas** fuel, then this alternative Development Generation Programme should be submitted as soon as possible **to the Government and to CERA for approval.**

UNQUOTE

ELECTRICITY

- *Conventional Units*
- *Renewable Energy Sources*
- *Wind Farms*
- *Photovoltaic*
- *Relaxations*
- *Opening of the Market*

CONVENTIONAL GENERATING STATIONS

The unoccupied areas of Cyprus are at present supplied with Electricity from three main generating stations using Conventional fuel (mazout and diesel) and these stations occasionally may provide limited support to meet the needs of the occupied areas. All these generating stations are owned by EAC.

These main generating stations (MONI, DEKELIA and VASILIKOS) have a total generating capacity (nominal installed power) of 1.118MW.

Additionally, EAC has obtained licences for an additional 660MW, which are expected to be installed according to the Development Generating Programme of EAC.

In addition to the above, CERA has issued Licences to two independent producers for the construction and operation of conventional power stations of 290MW total capacity whilst currently under examination by CERA there are two more applications for a totaling capacity of 280MW. It should be noted that to the above one should add the number of private installations for the generation of Electricity by conventional means for own use of total capacity 17.7MW.

WIND FARMS AND WHAT WE SHOULD KNOW

Informing the public is an issue upon which CERA has a special interest. It is CERA's policy to inform the public on all matters concerning Energy as well as other related matters. In this multifaceted effort all relevant CERA officers are involved. We list below answers to the most common questions posed.

THEIR BENEFIT

A general question concerning Wind Farms is why they should be created and what their usefulness is.

1. Wind Farms are areas in the countryside were more than one wind generator – a machine that converts wind energy to electrical energy – are installed.
2. Wind Farms are constructed for the purpose of utilising wind energy as part of the plan to utilise RES (Wind, Solar, Hydroelectric, and Biomass).
3. Our island will benefit the most from the creation of Wind Farms, since today it relies entirely on conventional power generating units using oil.
4. This source of Energy is environmentally friendly, it reduces atmospheric pollution, and emissions creating the glass house effects that cause significant climate changes to our planet. Expert studies warn that the temperature of the planet is continuously increasing, which will result in very serious consequences. Wind Energy is a renewable – inexhaustible source of energy, does not require complicated constructions, the space where wind farms are created could also be used for other purposes, it does not have any fuel costs and is not affected by any crisis in the International Energy Market.

5. In addition to the benefits advantages listed above, the utilization of the wind potential of our country through the construction of Wind Farms will contribute:

- To the increase in generated Electrical Energy whilst at the same time saving significant quantities of conventional fuels
- Reduced dependence on oil and the saving of foreign exchange for its importation
- To the creation of new jobs for technical and scientific personnel
- To the attraction of new investment
- To the improvement of the economic and social prospects of rural and isolated areas
- To the implementation of our commitment to EU to cover 6% of our Electricity needs from RES by the year 2010 (for which we need an installed capacity of the order of 220MW). This percentage will most likely be increased after 2010 since EU's target appears that it shall be 20% up to 2020 for member states
- To Cyprus responding to the provision of the "Kyoto Protocol" on RES and a cleaner Environment
- To the creation of Theme Parks for research, training and for tourist purposes.

GREAT INTEREST

Another interesting question concerning Wind Farms is that on whether there is any interest expressed in the creation of Wind Farms, how many applications have been submitted and which are the areas for which licences have been granted.

Judging from the number of applications submitted to CERA, it appears that there is great interest particularly from private organizations.

Since the establishment of CERA and up to the end of 2007, CERA received thirty-eight (38) applications for the construction of Wind Farms for electricity generation, five (5) of which were rejected.

CERA issued twenty-three (23) licences for the construction of Wind Farms, one (1) of which has been revoked.

Ten (10) applications are still under examination.

The licences issued provide for a total installed capacity of 454.7MW in the 1st phase with the prospect of increasing the total to 855.56 MW as and when conditions allow it, according to CERA's judgment.

CRITERIA AND OTHER PARAMETERS

Criteria for the installation of Wind Farms, procedures followed in order to issue a Licence, and average period of processing of an application until the issuing of the Licence.

The criteria, which have been set by CERA for obtaining a Construction and Operation Licence for an electricity generating Power Plant (Wind Farm) are the following:

- **Availability Certificate for the land on which the Wind Farm will be constructed.** Specifically, the applicant must submit to CERA the written preliminary consent of the owner of the land.

- **Technical Study on the measurements of the wind potential capacity at the specific area, incorporating supported calculations,** where:

    a) The analytical measurements will be taken by the Applicants themselves through a wind-gauge installed on the proposed land for the Wind Farm for a period of at least 6 months. The measurements will be submitted with all the data logger of the wind gauge at the height of the proposed rotor of the wind turbine or simulated to that height.

    b) Analytical measurements from the nearest Meteorological station of the State's Meteorological Department for a period of one year at least, simulated to the plots of land on which the Wind Farm will be constructed and at the proposed height of the rotor of the wind turbine. The measurements on which the simulation will be based must be confirmed by the Meteorological Department.

    c) Analytical measurements from Satellite Wind Maps that have been approved by CERA and cover a period of at least one year. These measurements must be confirmed by the publisher of the Map and must be referring to the height of the rotor of the wind turbine.

- **Economic study incorporating provisions and income allocated to the main categories with regard to cash inflows and outflows.**

- **Environmental Impact Study by an independent Specialist,** which must be approved by the Environmental Department.

- **General layout Plan.**

- **Details of Applicant, Partners and Subcontractors.**

- **Project Funding Sources.**

- **Balance Sheets for the last three financial years, if the Company is not newly incorporated.**

- **The programme of the enterprise for the next 5 years.**

- **Timetable of Construction.**

- **The Company's Articles of Association (Company Registration Number and Certificate of Registration and of Shareholders by the Registrar of Companies).**

PROCEDURE FOR OBTAINING A LICENCE

The procedure for the issuing of a licence for Wind Farms is as follows:

1. Submission to CERA of the specific application form as provided by the Laws of 2003-2006 on Regulating the Electricity Market and the relevant Regulations. The application should be accompanied by the appropriate fee and all the necessary supporting documents that would enable CERA to examine the application thoroughly and arrive at a decision.

2. Within five (5) days of submitting this application, the applicant should publish his application in the press for two (2) consecutive days.

3. CERA records applications in the Register according to the Regulations in force at the time.

4. CERA may, within two (2) months from the date it receives an application, ask the applicant in writing to supply any additional information within the time period specified in CERA's letter to him. When CERA does not require additional information then the application is considered to be complete. If the applicant omits to supply the additional information within the prescribed period, CERA may reject the application and inform the applicant to this effect in writing.

5. If an applicant submits additional information and CERA does not request any additional information within a month since then, the application is considered as complete.

6. An applicant whose application is considered to be complete must, within five (5) days, publish in the daily press that his application is complete and specify a time period within which any person may submit relevant information. The specified period should not be less than fifteen (15) days. Any information submitted to CERA after the end of this period will not be considered by CERA.

7. Any relevant information may be submitted by any person. However, CERA is not obliged to reply to the persons submitting such information. CERA provides a copy of this information to the applicant, who may reply within a time period specified by CERA.

8. Once the application is considered to be complete, CERA commences the formal examination of the application after the end of the time period allowed for the submission of the information by other persons and for the applicant's reply.

9. During the examination of an application CERA reaches its decision, based on the information supplied in the way CERA considers appropriate according to the circumstances and concentrates on deciding the terms and conditions that should be incorporated in the Licence.

10. Decision on each application is reached by CERA within three (3) months from the date the application is deemed complete. It may, however, be

decided to extend the time period for arriving at a decision. The extension of time is not over three (3) months. If CERA decides to extend the period before reaching a Decision, CERA informs the applicant accordingly along with the reasons for the extension.

11. When CERA decides to grant a Licence the applicant is informed, CERA publishes its decision within forty-five (45) days in the Government Gazette, it enters the Licence in the Licence Register within fifteen (15) days from the publication and issues the Licence within forty-five (45) days from its Decision to grand the Licence. The period of validity of a Licence is stipulated in the terms of the Licence, but it is usually five (5) years for a Construction Licence and thirty (30) years for an Operation and Production Licence. CERA's Decision to grant a Licence comes into force as from the date of its publication in the Government Gazette.

12. In case CERA decides to reject an application, the applicant is informed in writing and CERA informs in writing the European Commission on the grounds for the rejection within twenty-eight (28) days.

It should be noted that according to the provisions of the Laws 2003-2006 "On Regulating the Electricity Market", article 34(3), granting a Licence, does not absolve the holder of the Licence from his obligation to obtain other permits or licences (e.g. Town Planning permission, Environmental Permit etc), which are required by the Laws and Regulations of the Republic of Cyprus. Also, the Licence is issued on condition that the holder will comply with all the criteria for the protection of the environment, as those are defined in the Laws of the Republic of Cyprus, the Directives of the EU and the terms that may be imposed by the competent authority, the Environmental Services of the Ministry of Agriculture.

Depending on the position of the Wind Farm, one should secure approvals/permits from the following Government Services/ Departments etc:

- Ministry of Commerce, Industry and Tourism

- Ministry of Agriculture and Natural Resources and the Environment

    1. The Forestry Department
    2. The Environmental Services
    3. The Department of Agriculture (Live Stock Section)
    4. The Land Reallotment (Redistribution of land) Department
    5. The Geological Survey Department
    6. The Water Development Department
    7. The Meteorological Services Department
    8. The Fisheries and Marine Research Department
    9. The Mining Services

- Ministry of Interior

    11. Town Planning Department
    12. Land Registry and Surveys Department
    13. Hunting Game Department

- Ministry of Transport and Communications

    13. Electronic Communication Department
    14. Public Works Department
    15. Road Transport Department
    16. Civil Aviation Department
    17. Antiquities Department

- Ministry of Defence
- Ministry of Health
- Local District Officer
- Local Authority
- EAC
- CYTA
- CyBC
- Civilian Administrator of the British Bases (if applicable)

Applications submitted to CERA are examined and assessed in a speedy manner, with a high sense of responsibility, always within the time limits clearly stated in the Laws and Regulations "On Regulating the Electricity Market". Although CERA's Decision on whether or not to grant a Licence does not require collaboration with Government Departments yet, in the framework of promoting RES and with CERA's initiative a series of meetings took place at CERA's offices between Government Departments and authorities directly involved in the assessment procedures and licencing of electricity generating Units from RES. At these meetings it was decided to harmonise and expedite the licencing procedure by all authorities involved.

THE FIRST WIND FARM

When will the first Wind Farm come into operation?

It is expected that the first 3 - 4 Wind Farms will operate during 2009 -2010.

SUBSIDIES

Any kind of subsidies offered by the State or European Union, is of great interest to those aiming to establish of Wind Farms.

There are no European Union subsidies.

In brief, after a European Directive for the promotion of RES, there is State subsidy for the construction of the Wind Farms from the RES Subsidy Fund of €2.90per KWh (maximum) of generated energy depending on the rate of annual generation of energy. In addition EAC is obliged to purchase the generated electrical energy supplied to the network at €6.32 per kWh. These figures are currently under review.

It is clear that subsidies only apply to already constructed and operating plants producing electrical energy.

This Subsidies Scheme was devised by the Ministry of Commerce, Industry and Tourism and approved by the Council of Ministers.

SOUND POLLUTION AND ELECTROMAGNETIC FIELDS

It is a natural question in the minds of interested parties, whether a wind farm of two or more wind generators causes any sound pollution or if a Wind Farm generates electromagnetic fields. There are clear answers to both questions.

Modern design and construction of Wind Farms has reduced the intensity of noise of Wind Generator, which can be estimated in advance. According to the manufacturers' specification for the Wind generators to be used in Wind Farms licenced by CERA, the noise level at 350 meters is below 45db.

The noise emitted by a Wind Farm at 300 meters is equivalent with the noise produced by a domestic refrigerator, according to the British Wind Association and Green Peace.

According to paragraph 4.2.1(a) of the Direction of 2006 of the Ministry of Interior concerning Town Planning, it is not permitted to establish a Wind Farm at a distance less than 850meters from the boundary of a designated area for development or 350 meters from a lawfully existing remote residence situated outside the boundary of the designated areas of development.

Any far as the electromagnetic fields produced by wind turpines are confined, within the outer shell of the Wind Generator, which is some 80 meters above ground. In addition readings taken even at the height of the generator do not exceed the minimum limits set by the World Health Organization. The transmission lines and the network connection of the Wind Farm with an EAC's substation as well as the existing network is based on International Specifications that EAC applies for some decades now and which according to readings taken do not exceed the limits set by the World Health Organization.

Taking the above into account in conjunction with locations where these Wind Farms will be established in Cyprus, one can be assured that:

(a) they will not cause an increase in the existing noise level above any permitted level especially in populated areas

(b) they will not expose humans to high noise levels

The easiest way for one to be convinced on the subject of the noise level is to visit a Wind Farm on a day when the wind generators are operating normally.

CONCLUSIONS

A careful study showed that what are reported as being the disadvantages of wind generators are mainly due to local resistance and groundless. Most of these so-called disadvantages are exaggerations not based on facts. In a great number of cases local and personal interests are set above environmental issues. It is the required environmental impact study in conjunction with the existing legal framework that will prove whether an area is suitable or not for the installation of a Wind Farm.

The environmental impact of Wind Farms is dealt with by means of careful selection of the installation site and with the proper design and location of the Wind Generators.

Within a very short time and with technological developments it is expected that Wind Energy will be fully competitive with conventional fuel from the financial point of view, whilst at the same time it is clean, safe and causes relatively minute environmental problems primarily of a local nature. Wind energy is a reliable supplementary, alternative solution to an energy supply system that is design to accept in combination solar, geothernal, hydroelectric, biomass and other renewable sources of Energy.

In the environmental advantages of Wind Energy at a national as well as international level one should include the zero emissions to the atmosphere, the zero problems at decommissioning the Wind Farm, diversification of energy sources, and limited use of land. In general, the use of Wind Generators offers important advantages both on a national and a global level.

The reduction in emission gases that cause the green house effect, the acid rain and the hole in the ozone layer is imperative if we are to continue living on this planet. The climate changes that we are witnessing demand that we should change our ways before it is too late for all of us.

PV AND WIND ENERGY SYSTEM

CERA decided to raise the level below which producers were not obliged to submit an application for exemption from the obligation to hold a licence as follows: **From 10KW to 30KW for Wind Farms and 10KW to 20KW for PV Systems and biomass.**

It is understood that users of such systems for electricity generation who benefit from this exemption as a result of this Decision by CERA, do not cause any environmental problem or noise whilst operating their units and they undertake the responsibility for the safe installation, connection and operation of their Units complying with any other relevant Law or Regulation of the Republic of Cyprus.

The above Decision by CERA was published in the daily press.

On the 23rd of July 2007 CERA submitted to the Ministry of Commerce, Industry and Tourism in writing its views regarding substantial increases and improvements to the

incentives for PV Systems. It is expected that quite soon at least some of CERA's views will be adopted and implemented.

THE PROCEEDS FROM FEES CHARGED ON UNITS GENERATING FOR OWN USE TO BE PAID INTO THE RES FUND

CERA Members decided that the fee of C£0.13/KWh (€0.22/KWh) of generated electrical energy from Units for own use of nominal installed capacity of 1MW shall be paid directly from the producer into the RES Fund. The RES Fund shall be responsible for collecting the amount of C£0.13 (€0.22/KWh) per KWh.

OPENING OF THE MARKET

RELAXATIONS OBTAINED BY THE CYPRUS REPUBLIC

As it is known, on the 28th of June 2004, the Cyprus Republic applied to the European Commission for exemption until the 31st December, 2008 from the provisions of Article 21(1)(b) of the Directive 2003/54/EC and exemption until the 31st December, 2013 from the provisions of Article 21(1)(c) of the same Directive, which refers to the opening of the Market to all non domestic consumers and to the opening of the market to all consumers respectively.

The Committee dealing with granting exemptions from the specific provisions of the Directive 2003/54/EC of the European Parliament and of the European Council were satisfied by the reasoned argument of the Republic of Cyprus, that granting exemption as well as the method of its implementation would not be detrimental to achieving the aims of the Directive 2003/54/EC.

As a result the exemption was granted and it provides for:

The opening of the market covering all non-domestic consumers shall come into effect as from 1st January 2009, whilst for the remaining consumers as a whole as from the 1st of January 2014.

REGULATORY DECISIONS

ELECTRICITY TARIFFS

REGULATORY DECISIONS:

01/2007, REGULATIONS 105/2007, published on 02/03/07

and

02/2007, REGULATIONS 227/2007, published on 25/05/07

During the year under review, and after consultation with all interested parties, CERA amended the methodology for the electricity tariffs, through the above mentioned Regulatory Decisions.

The main amendments are as follows:

- The tariff for use of the Transmission System, which is levied by the Transmission System Operator to all consumers who are supplied with electricity through the network system were amended so that the charge which represents the total compensation to EAC, as Owner of the Transmission System, to include as well the cost of supply, installation and maintenance of the electricity meter and any relevant equipment.

- Corresponding amendments apply to the tariff for use of the Distribution System Tariffs (medium and high tension).

- Further amendments to the determination of tariffs for the use of the Transmission and Distribution Systems at medium and low tension, through the Regulatory Decision 02/2007, Reg. 227/2007, provide that the charges will be apportioned in terms of power and energy according to CERA's Decisions from time to time.

- As base for the estimation of the reasonable rate of return on capital employed for each activity has been amended so that the base is calculated on historical values and not revaluated asset values (Regulatory Decision 02/2007, Reg. 227/2007).

- The rate of return of capital invested in Transmission and Distribution was amended to 6% (Regulatory Decision 02/2007, Reg. 227/2007).

- The base for calculating the depreciation of fixed assets, which is allowed as an expense, was amended so that it is calculated on historical values and not on revaluated asset values (Regulatory Decision 02/2007, Reg. 227/2007).

IMPORTANT DECISIONS

PUBLICATION OF DECISIONS AND OTHER INFORMATION IN THE GOVERNMENT GAZETTE

Exemptions form the obligation to hold a licence for the construction and operation of an electricity-generating unit

CERA worked with exemplary zeal in this direction, always within the framework of its competence and authority. All contraventions that came to CERA's attention were either referred to the Attorney General or by means of its intervention caused the offender to comply with the provisions of the Law.

CERA has already published in the Government Gazette information explaining that for the installation and operation of an electricity generating unit of capacity greater than 10KW one should apply for a licence or for an exemption from holding a licence from CERA and that failure to do so was a criminal offence which carried a penalty of up to three (3) years imprisonment or a fine of C£50.000, or both, according to article 103(1) of the Laws of 2003-2006 "On Regulating the Electricity Market".

During 2007 in order to enforce compliance with the provisions of the Law CERA sent a circular to all relevant departments and services of the Government as well as to other organizations urging strict application/compliance of the above Law.

This action by CERA brought results in terms of an increase in the number of applications submitted as well as the number of licences issued, as seen below.

NUMBER OF APPLICATIONS 2007	NUMBER OF EXEMPTIONS ISSUED	NUMBER OF ELECTRICITY GENERATING UNITS	INSTALLED CAPACITY IN KW
111	91	108	2168.4

In order to further promote the use of electricity generating units from renewable sources of energy (RES), on the 11th of June 2007, CERA decided to increase the level below which it was obligatory to submit an application and obtain an exemption from holding a licence from CERA, from 10KW to 30KW for wind energy systems and from 10KW to 20KW for photovoltaic systems and biomass. This decision of CERA was published in the Government Gazette on the 15th of June 2007.

It is understood that users of such systems for electricity generation who benefit from this exemption as a result of this Decision by CERA, do not cause any environmental problem or noise whilst operating their units and they undertake the responsibility for the safe installation, connection and operation of their Units complying with any other relevant Law or Regulation of the Republic of Cyprus.

For RES generating establishments of capacity higher than the above limits and up to 5MW, it is necessary to submit an application for exemption from holding a licence on a

special application form approved by CERA on the 27th July 2007. This application form can be found on CERA's web page. For units above 5MW using RES, it is necessary to apply for a licence.

In addition during the past year, CERA received twelve (12) applications for exemption from licence to construct and operate electricity operating units of total capacity 6,687MW using biomass, Three (3) applications for exemption for the construction of photovoltaic systems of total capacity 6MW, two (2) applications for exemption from licence for the construction of hydroelectric plants of total capacity 0,33MW and one (1) application for exemption from licence for the construction of a wind farm of 4,5MW capacity.

During 2007 CERA issued twelve (12) licences for the construction and operation of electricity generating units of total capacity 6.947MW from biomass.

<table>
<tr><th colspan="2">MANNER OF USE OF THE UNIT</th><th colspan="2">STAND-BY USE</th></tr>
<tr><td colspan="2">NUMBER OF ELECTRICAL GENERATORS AND MANNER INSTALLED</td><td>The Unit consists of one or more Electrical Generators installed in the same vicinity, connected to one or more Distribution Panels and the total installed capacity does not exceed 1MW.</td><td>The Unit consists of two groups of Electrical Generators installed in the same vicinity, connected to one or more Distribution Panels but one group acts as stand-by for the other, with no possibility of both groups of Electrical Generators operating at the same time. The total installed capacity of each of the two groups of Electrical Generators does not exceed 1MW.</td></tr>
<tr><td colspan="2">OBLIGATION TO SUBMIT AN ENVIRONMENTAL STUDY</td><td colspan="2">STAND-BY Units are exempt from the obligation to submit an Environmental Study.</td></tr>
<tr><td colspan="2">NUMBER AND TYPE OF APPLICATIONS TO BE SUBMITTED TO CERA</td><td>One application for exemption from the Licence for construction and another application for exemption from the Licence for generation for Own Use as Stand-By.</td><td>One application for exemption from the Licence for construction and another application for exemption from the Licence for generation for Own Use as a Stand-By, for each group of Elec. Generators</td></tr>
<tr><td colspan="2">RECORD OF GENERATED ELECTRICAL ENERGY</td><td colspan="2">Those qualified for exemption from Licence for generation for Own-Use as a Stand-By are exempt from the obligation to record the quantity of generated energy</td></tr>
<tr><td rowspan="3">FEES PAYABLE</td><td>APPLICATION FEE</td><td>£200,00 (or €341,72)</td><td>£400,00 (€683,44)</td></tr>
<tr><td>ANNUAL FEE</td><td colspan="2" rowspan="2">DOES NOT APPLY</td></tr>
<tr><td>FEE FOR RES</td></tr>
<tr><td colspan="4">NOTE: Obtaining a Certificate of Inspection, Check and Approval is necessary before any Unit is put in to operation. Approved Certificates are those issued by the Electro-Mechanical Department, the EAC or, an electrical engineer who is a registered member of The Cyprus Scientific and Technical Chambers.</td></tr>
</table>

MANNER OF USE OF THE UNIT	GENERATION FOR OWN USE	
NUMBER OF ELECTRICAL GENERATORS AND MANNER INSTALLED	The **Unit** consists of one or more Electrical Generators installed in the same vicinity, connected to one or more Distribution Panels and the total installed capacity does not exceed 1MW.	The **Unit** consists of two groups of Elec. Generators installed in the same vicinity, connected to one or more Distribution Panels but one group acts as stand-by for the other, with no possibility of both groups of Electrical Generators operating at the same time. The total installed capacity of each of the two groups of Electrical Generators does not exceed 1MW.
OBLIGATION TO SUBMIT AN ENVIRONMENTAL STUDY	An Environmental Study should be submitted at CERA's discretion. For Units between 50kW and 500kW an Environmental Study is submitted which focuses on the Atmospheric Pollution, Noise Pollution and Fuel Safety. For Units between 500kW and 1000kW an environmental Study should be submitted as determined by CERA.	
NUMBER AND TYPE OF APPLICATIONS TO BE SUBMITTED TO CERA	One application for exemption from the Licence for construction and another application for exemption from the Licence for generation for Own Use.	One application for exemption from the Licence for construction and another application for exemption from the Licence for generation for Own Use for each group of Electrical Generators.
RECORD OF GENERATED ELECTRICAL ENERGY	Those qualified for exemption from License for capacity greater than 100kW should notify CERA, at thee-month intervals, of the energy generated.	
FEES PAYABLE	APPLICATION FEE	£200,00 (€341,72)	£400,00 (€683,44)
	ANNUAL FEE	Does not apply to Units up to 100kW. For Units greater than 100kW the fee payable is 40 cent per kW of installed capacity.	Does not apply to Units up to 100kW. For Units greater than 100kW the fee payable is 40 cent per kW of installed capacity.
	FEE FOR RES	The amount of 0,13 cent per kW-hour is paid into the special fund for R.E.S. as a fee on Consumed Energy.	

NOTE: Obtaining a Certificate of Inspection, Check and Approval is necessary before any Unit is put in to operation. Approved Certificates are those issued by the Electro-Mechanical Department, the E A C or, an electrical engineer who is a registered member of The Cyprus Scientific and Technical Chambers.

AMENDMENT OF THE FUEL INDEX

At the meeting of the 27th April 2007, CERA Members decided unanimously to accept EAC's request to change the fuel charge from Cy£0.00133 (€0,00227) to Cy£0.00138 (€0,00235) effective as from the 1st of May 2007.

CERA's Decision was communicated to the General Manager of EAC on the 30th April 2007.

In arriving at its Decision to amend the fuel charge CERA took into consideration that Unit 3 at Vasilikos Power station would come into full operational condition as from April 2007.

In its letter to the General Manager of EAC stressed that the operating efficiency should be monitored, that the management of the generating units will be based on programmes aimed at improved operation, whilst it was made clear that fuel charge should be reviewed at regular 6 monthly intervals.

The fuel charge index is the relationship between the average efficiency of generation for every unit of energy sold, and it is expressed as the quantity of fuel per KWh (Kg/KWh).

MAXIMUM DEMAND AND LOAD FORECAST

During the year under review, the maximum load demand was recorded on the 30th July 2007 at 13.21 hours at 1.050MW (1.041 MW from EAC and 9MW from independent producer for own use).

The continuous increase in demand and the limited generation capacity forced implementation load shedding of up to the order of 42MW.

By studying historical load profile fluctuations and taking into consideration the observed continuous increase in demand of electrical energy it was estimated that the total maximum load demand would have reached 1.056MW (1.047MW from EAC and 9MMMW from independent producer for own use) at 14.15 hours, while the forecasted value for maximum demand was 945MW.

It is important to note that there was an unforeseen increase in the maximum demand load more than 16% over the previous year in contrast with the forecasted increase of 5% for 2007.

It may be also noted that the above mentioned have taken place under conditions of prolonged periods of elevated temperature levels reaching up to 41^{o}C in the inland areas.

The total gross electrical energy generated reached 4.850,251GWh, which agrees with the forecast (4.851GWh).

EAC contributed with 4.786,171GWh or 98.7% whilst producers for own use with 64.074GWh or 1.3%.

267,022GWh or 5.5% of the total generated energy was consumed for the internal requirements of the generating stations (of EAC and the independents.)

As a result of this unusually high maximum load demand in conjunction with its relatively short duration the value of annual factor fell dramatically which even with maximum demand recorded at 1050MW was 0.527 whilst the corresponding figure for the previous year was maintained at a level of the order of 0.585.

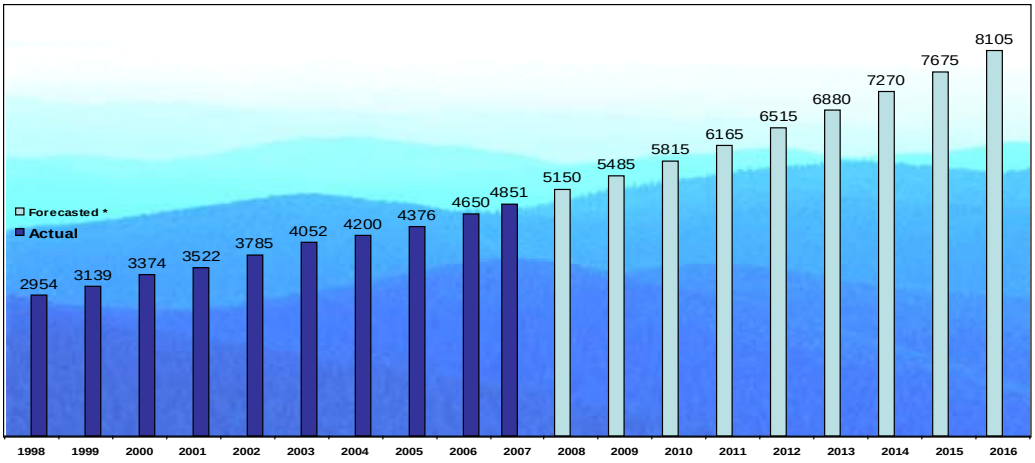
The conditions met during 2007 had an impact on the forecast that had been prepared for the period up to 2016, which are now shown in the revised figures 1+2 along with historical data from 1998 to 2007 and the forecasted values up to the year 2016.

In order to deal with the anticipated maximum demand for 2008, the following Decisions were taken at meetings between CERA and the Ministry of Commerce, Industry and Tourism.

1. EAC to expedite the operation of Unit No. 4 (of nominal capacity 220MW) to generating capacity of 130MW by the 31st of May 2008, and

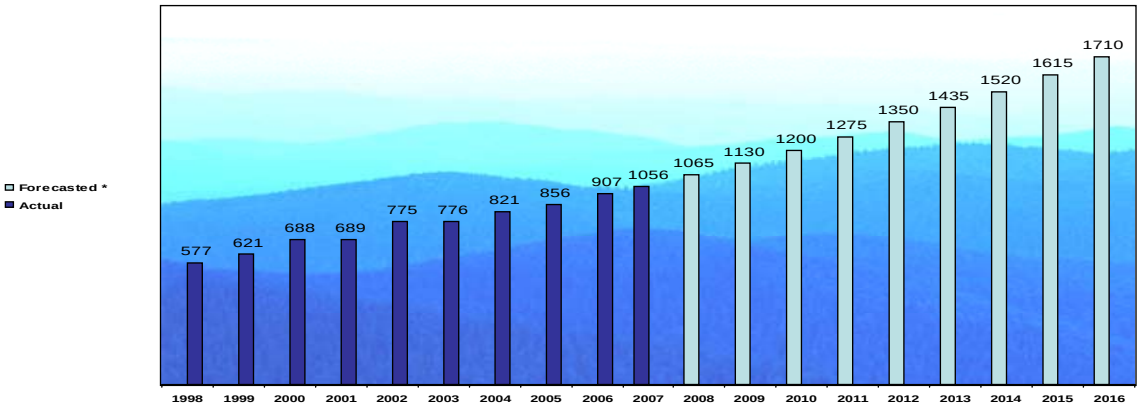
2. EAC, as the Universal Supplier, to install a further 50MW by the summer of 2008, always adhering to all the proper procedures.

TOTAL ANNUAL GENERATION OF ELECTRICAL ENERGY IN GWh until the Year 2016



* With a Variation of ± 1.5% for 2008 up to ± 3.5% for the year of 2016

Annual Maximum Demand in MW until the Year 2016



* With a Variation of ± 1.5% for 2008 up to ± 3.5% for the year of 2016

THE THIRD ENERGY PACKAGE

The European Commission launched its proposals for a third package of energy liberalisation legislation on 19th September.

ERGEG warmly welcomes these proposals but not without hesitation on important details.

These proposals and measures include, among other things the following:

- The effective separation of supply and production activities from network operation
- The enhancement of the powers and independence of the National Energy Regulatory Authorities
- The establishment of an independent mechanism for cooperation among National Regulators
- The creation of a mechanism for transmission system operators to improve the coordination of networks operation and grid security, cross-border trade and grid operation
- Greater transparency in energy market operations
- The development of cooperation among member states for the enhancement of the security of supply

IP/07/1361
Brussels, 19th September 2007

The new European Energy Market offers to its citizens greater choice, better services and prices.

Today a new momentum has been given to the energy policy for Europe. On the 19th September 2007, the European Commission has adopted a third package of legislative proposals[1] to ensure a real and effective choice of supplier and benefits to every single EU citizen. The Commission's proposals put consumer choice, fairer prices, cleaner energy and security of supply at the centre of its approach.

The package promotes sustainability by stimulating energy efficiency and guaranteeing that even smaller companies, for instance those that invest in renewable energy, have access to the energy market. A competitive market will also ensure greater security of supply, by improving the conditions for investments in power plants and transmission networks, and thus help avoid interruptions in power or gas supplies. Guarantees of fair competition with third country companies are also strengthened.

- Regulation for the establishment of an E U Organisation for the cooperation of the national regulatory authorities
- Directive for electricity, which amends and complements the existing Directive 2003/55 for electricity.
- Directive for natural gas, which amends and complements the existing Directive 2003/54 for natural gas.
- Regulation for electricity, which amends and complements the existing Regulation1228/03 for electricity.
- Regulation for natural gas, which amends and complements the existing Regulation1775/05 for natural gas.

"An open and fair internal energy market is essential to ensure that the EU can rise to the challenges of climate change, increased import dependence and global competitiveness. This is about getting a better deal for consumers and business and making sure that third country companies respect our rules",as explained European Commission President Jose Manuel Barroso.

"We have moved a long way towards an internal energy market in the EU over the last 10 years. It is now time to complete this process and ensure that the benefits of this market are real, effective and available to each and every person and company. The EU now has to take the necessary steps to ensure that all its citizens can choose their own supplier and be sure that they are getting the best deal", said Energy Commissioner Andris Piebalgs.

To make the internal market work for all consumers whether large or small, and to help the EU achieve more secure, competitive and sustainable energy, the Commission is proposing a number of measures to complement the existing rules:

1. Abolition of discrimination regarding access to the network system. This refers to the separation between the network operation of electricity and gas from supply and generation activities. The proposals make it clear that the Commission's preferred option in this respect is ownership unbundling - in other words that a single company can no longer own both transmission and be occupied in energy production or supply activities. Alternatively, the Commission proposes a second option, the "independent system operator" which makes it possible for existing vertically integrated companies to retain network ownership, but provided that the assets are actually operated by a company or body completely independent from it. Either one of these options will create

2. New incentives for companies to invest in new infrastructure, inter-connection capacity and new generation capacity, thereby avoiding black-outs and unnecessary price surges.

3. Facilitating cross-border energy trade: The Commission proposes to establish an Agency for the cooperation of National Energy Regulators, with binding decision powers, to complement National Regulators. This will ensure the proper handling of cross-border cases and enable the EU to develop a real European network working as one single grid, promoting diversity and security of supply.

4. More effective national regulators: the Commission proposes measures to strengthen and guarantee the independence of national regulators in Member States.

5. Promoting cross border collaboration and investment: The Commission proposes a new European Network for Transmission System Operators. EU grid operators would cooperate and develop common commercial and technical codes and security standards, as well as plan and coordinate the investments needed at EU level. This would also ease cross border trade and create a more competitive level playing field for operators.

6. Greater transparency: Steps to improve market transparency on network operation and supply will guarantee equal access to information, make pricing more transparent, increase trust in the market and help avoid market manipulation.

7. Increased solidarity: by bringing national markets closer together, the Commission foresees more potential for Member States to assist one another in the face of energy supply threats.

Customers will also benefit from a new Energy Customers' Charter to be launched in 2008. This will include measures against fuel shortage, provide information for customers so as to be in a position to choose a supplier and supply options, actions to lower red tape when changing energy suppliers and to protect citizens from unfair selling practices. A separate information campaign will inform customers of their rights.

The proposed package of measures was anticipated in the Commission's "**Energy Policy for Europe**"[2], which was endorsed by the European Council in March 2007. This set out the need for the EU to draw up a new energy path towards a more secure, sustainable and low-carbon economy, for the benefit of all citizens. Fully competitive markets are an essential pre-requisite to reaching this goal. From 1st of July 2007, citizens across the EU already have a right to choose their supplier. The new package aims to ensure that all suppliers fulfill high standards of service, sustainability and security.

The Commission's proposals for the internal energy market are an integral part of the Lisbon Strategy and the EU's energy strategy and will be discussed among Heads of State and Government at their regular Summits.

---

[2] [COM (2007)1 final]

ESTABLISHED EUROPEAN BODIES FOR ENERGY ISSUES

COUNCIL OF EUROPEAN ENERGY REGULATORS (CEER)

The Council of European Energy Regulators is a coordinating body to which the Energy Regulatory Authorities of the Members States of the EU and of other European countries take part.

The basic aim of this Council is the promotion and development of a healthy competitive market in Electricity and Natural Gas through appropriate and efficient mechanisms. All the Regulatory Authorities cooperate via this Council for the establishment of a common policy on matters of Electrical Energy and Natural Gas and advise the European Commission on these matters.

The Council meets at regular intervals, usually in Brussels. The Chairman of CERA represents Cyprus. During the year 2007 Cyprus was represented at four Meetings of the Council.

TABLE OF MEMBERS STATES OF THE COUNCIL

1.	Austria	14.	Italy
2.	Belgium	15.	Latvia
3.	Cyprus	16.	Lithuania
4.	Czech Republic	17.	Luxembourg
5.	Denmark	18.	Malta
6.	Estonia	19.	Holland
7.	Finland	20.	Norway
8.	France	21.	Poland
9.	Germany	22.	Portugal
10.	Greece	23.	Slovakia
11.	Hungary	24.	Slovenia
12.	Iceland	25.	Spain
13.	Ireland	26.	Sweden
		27.	United Kingdom

EUROPEAN REGULATORS GROUP FOR ELECTRICITY AND GAS (ERGEG)

The ERGEG acts as an advisory Group to the European Commission in consolidating the internal market for electricity and gas. Its members are the heads of the national energy regulatory authorities from the 27 EU Member States. The European Commission is represented at a high level at the meetings of the ERGEG and it also provides the Secretariat to the ERGEG.

The ERGEG was set up on 11th of November 2003 by a European Commission Decision 2003/796 to "give regulatory cooperation and coordination a more formal status, in order to facilitate the completion of the internal energy market".

The ERGEG was established to facilitate consultation, coordination and cooperation between regulatory authorities, and between those regulatory authorities and the European Commission so as to ensure a consistent application in all Member States of the new legislative framework.

The European Regulators Group for Electricity and Gas (ERGEG) is the focal point for interaction between EU Energy Regulators, EU institutions and all interested parties in the development of a well functioning European energy market. The ERGEG is the factory where technical solutions to the old and new problems of integrating 27 electricity and gas markets are designed, tested and built within the complex EU legal and institutional framework.

ENERGY COMMUNITY REGULATORY BOARD (ECRB)

During the year under review, the activities continued of the Energy Community Regulatory Board, which was established on the 1st of July 2006 by virtue of the Energy Community Treaty entered into by the European Union and the countries of Southeast Europe.

By the terms of the Treaty, any Member State of the EU may be represented in the Ministerial Council, the Permanent High Level Group and the Regulatory Board and participate in the discussions in these Bodies and the Fora.

TABLE OF STATES MEMBERS OF THE BOARD

1.	Austria	10.	Croatia
2.	Albania	11.	FYROM
3.	Bosnia-Herzegovina	12.	Montenegro
4.	Bulgaria	13.	Hungary
5.	France	14.	Romania
6.	Greece	15.	Slovakia
7.	Italy	16.	Slovenia
8.	Kossovo	17.	Serbia
9.	Cyprus	18.	Czech Republic

Any other neighbouring third country can participate if the Ministerial Council approves a reasoned request. The parties granted **Observer status** at the ministerial meeting of 17th November 2006 to four applicant countries.

1.	Moldova	3.	Turkey
2.	Norway	4.	Ukraine

The Chairman of CERA represents Cyprus. During the year 2007, Cyprus was represented at three (3) Board Meetings.

CERA's ACTIVITIES

CERA'S INFORMATIVE AND MISCELLANEOUS ACTIVITIES IN 2007

As every year, so during 2007, CERA had an active participation and activity in the dissemination of information on energy matters and other sectors falling within its competence.

As already mentioned CERA receives several invitations for participation in various seminars and as a rule, CERA responds positively, represented by the chairman, vice-chairman and the member or by its officers. CERA's permanent aim is the exploitation of every offered forum for general, thorough and objective exchange of information on the issues of electricity, natural gas, licensing etc.

Listed below are some of the more important events in which CERA participated during the year under review:

- Presentation to the University's Economics Department on the subject **"The role and competence of CERA in the internal energy market",** on 30th of January 2007.

- Presentation at the Workshop of European Union Policy for **the future of Power Systems** titled "CERA's role and competence", on 13th of February 2007 at CERA's Offices.

- Participation to **RERINA Info Day** as member of the local Work Team, 29-30th of March 2007.

- **Wind Energy In Cyprus.** At his welcoming speech at the said seminar, which took place in Nicosia, on the 18th of June 2007 the chairman of CERA, Mr. Costas Ioannou, emphasized that energy and environmental issues are of global interest in the 21st century.

  It is an undisputed fact that until today, as Mr. Ioannou emphasised, the results of the international economy are dependent on a large scale from the cost and the adequacy of the fossil fuels.

  Many of the developments taking place in the international political scene are centered on efforts to control the sources of energy.

  The non-dependency of the European Union countries from the conventional sources of energy becomes imperative and is expected to become a global objective.

  In these circumstances, the logical use of energy and the promotion of the use of renewable sources of energy are in the center of the attention internationally.

  The change of climate on a global scale is the result of uncontrolled and continuous emission of pollutants to the atmosphere and consists a threat to humanity. The climate changes, as the Chairman noted, are caused primarily due to the emission of glass house effects gases, which inevitably accompany the generation of electrical energy from conventional fuels.

The remedy for improvement of this situation is a stable and continuous effort to promote renewable energy sources, and certainly wind energy. This is the only way we can contribute positively to the protection of the environment, the development of economy and the quality of human life.

THE PROMOTION OF RES

CERA continuously strives to promote RES. On this especially important matter CERA's Chairman stated:

QUOTE

CERA, recognising the environmental problem and the high cost of Energy resulting from the prolonged use of fossil fuels, exerts every possible effort to promote RES. Within the boundaries of its competences CERA completed the legal framework for the regulation of the Electricity Market while at the same time proceeded to simplify as far as possible the licensing procedure for the construction and operation of Electricity Generation Units of RES.

At the same time CERA aiming to meet the undertaking given by Cyprus to the European Union to increase electricity generation from RES to 6% of the total electricity generation up to 2010, already issued a number of licences to interested investors. Since CERA's establishment twenty-two (22) licences have been issued for the construction of Wind Farms of total installed capacity 454.7MW, as well as fourteen (14) Licenses for the generation of electricity using biomass of total generating capacity 8.697MW. Through these issued licenses it is expected that the 6% target will be achieved, provided, of course, the time consuming bureaucratic procedures are shortened in order to secure all the other permits required from all the Government Departments in order for these installations to come into operation.

It should be stressed that CERA shows a keen interest in all types of RES and takes measures in order to assist investing in exploiting solar Energy and Biomass. In order to further promote RES, CERA simplified the licencing procedure for RES installations up to 5MW. Additionally, CERA does not require for installations for the generation and supply of Electricity from small Wind Farms up to 30KW and for photovoltaic systems and biomass up to 20KW to be licenced.

CERA strives to establish close cooperation with other bodies in order to achieve its aim of promoting RES in our country. On this subject the Chairman had this to say:

This cooperation can be attained either though CERA's participation in European Programmes or through the completion of specialised studies in collaboration with Consultants and the University of Cyprus for the further promotion of RES and their penetration into the Energy Market of Cyprus.

In addition CERA organises informative seminars on energy matters for those directly interested or the public in general.

The efforts and initiatives for the further promotion of RES should be continued actively through a series of measures and intervention towards an attractive environment for investors in the RES sector with an ultimate aim of creating a clean and habitable environment for us and for future generations."

UNQUOTE

- Presentation at the 3 day Conference **"Renewable Energy Sources and Energy Efficiency"** on the subject of "CERA's role and activities to promote RES", 28th of September 2007.

- **Renewable Sources of Energy and Energy Efficiency.** CERA was co-organiser of the Conference titled "Renewable Energy Sources and Energy Efficiency".

  The Conference took place at a hotel in Nicosia, 28th -30th of September 2007 and a number of distinguished scientists from Greece, Japan, the USA, Cyprus and other European Countries presented their work.

  The conference was regional and the official language was English.

  The main co-organiser of the Conference was the Cyprus Chambers of Commerce and Industry.

- **WIND POWERED GENERATORS: CONSTRUCTION STANDARDS AND LICENCING PROCEDURES**

  CERA, the Cyprus Standards Organisation (CYS) and the Institute of Engineering and Technology organised a Seminar in Nicosia on the subject of "Wind Powered Generators: Construction Standards and Licensing Procedures", on 11th of October 2007.

  During the Seminar all the relevant bodies and departments explained the licensing procedure for the construction of Wind Farms as well as the construction standards for Wind Powered Generators. A presentation was also made on the latest developments in the use of Wind Energy in Greece.

  Mr. Panayiotis Keliris, a CERA Energy Officer, explained the licensing procedure for the installation of Wind Farms in Cyprus.

EVENTS

As part of CERA's policy to inform the public on Energy matters and to enforce the need to develop an Energy consciousness, CERA subsidised a number of events serving these aims. CERA assisted and subsidised the following events:

NEW EUROPEAN STANDARDS FOR THE ENERGY EFFICIENCY OF BUILDINGS

CERA subsidised a day Seminar on the above subject organised by the Cyprus Standards Organisation (CYS), which took place in Nicosia on the 8th of March 2007. Its

Chairman, Mr. Costas Ioannou, who gave the opening speech, represented CERA at the Seminar.

The purpose of the Seminar was to present the potential benefits, which the adoption of Directive 2002/91/EC will have on the general energy policy of Cyprus, and to present the new European Standards drafted in order to promote the implementation of this Directive.

For information purposes it should be mentioned that buildings (and their use) constitute one of the main energy consumers, 40% of energy is consumed by the domestic sector and this consumption is ever increasing. With this in mind as well as the potential of large energy savings in the buildings sector, the European Committee issued Directive 2002/91/EC for the energy efficiency of buildings, which aims, amongst other things, at a more responsible and rational use of energy in buildings.

Amongst the distinguished speakers were:

Ms. Jaap Hogeling, who leads the C.E.N/BT173EPBD Group that coordinates the work of the European Committees on Standards, which undertook to prepare technical standards for backing the Directive 2002/91/EC.

Dr. Agis Papadopoulos, Deputy Professor of the Heat Transfer and Environmental Engineering Laboratories of the Mechanical Engineering Department of the Polytechnic of the Aristotelian University of Salonica.

Mr. Pambos Kammas, Director of the Cyprus Standards Organisation, by letter dated 5th July 2007 thanked CERA for its co-cooperation and financial support for the Seminar.

INTERNATIONAL ACTIVITIES

CERA received a number of invitations to take part in events abroad relating to Energy, RES, and the use of Natural Gas.

During the year under review, CERA was represented at the following events, listed below in chronological order:

- Clean Energy Power 2007, Berlin, 23-26/01/07
- Natural Gas, Egypt, 07-09/02/2007
- Middle East Electrical Energy Exhibition and meeting of the Members of CERA with Members of the Electricity Authority of the United Arab Emirate, Dubai, 11-14/02/07
- Energy Gas Regulatory Forum, Madrid, 19-23/02/07
- European Policy Workshop on Offshore Wind Power Deployment, Berlin, 21-24/02/2007
- First International Exhibition on Saving Energy through RES, Athens, 08-10/03/207
- Academy of European Law Conference, on "Opening up of European Energy Markets", Brussels, 25-28/03/2007
- A European Program for the Protection of Installations of Vital Importance (EPCIP), Hague, 17-20/04/07
- 10th Athens Forum Conventional Energies, Unit Electricity a Gas Energy Community Meetings, Athens, 22-25/04/07
- EWEC- European Wind Energy Conference and Exhibition, Milan, 08-11/05/07
- MEDREG Meeting, Rome, 12-15/05/2007
- Power-Gen Europe2007, Spain, 25-29/06/07
- Progress Meeting "Explorer", Athens, 28-29/06/07
- Progress Meeting, " Distres", Lisbon, June/2007
- Meetings on the European Programs "Distres" and "Explorer", Athens, Salonica, Lisbon, 22/06-03/07/07
- Energy Community Investment Conference and meeting with CERA's Technical Consultants, Athens, 26-28/09/07
- European Gas Regulatory Forum, Madrid, 15-18/10/07

- 13th European Gas Regulatory Forum- Madrid, 16-17/10/07
- Kick off Meeting of "Stories"-Athens, 11-14/11/07
- ECRB Implementation Group Meeting
- ECRB Electricity Working Group Meeting
- 11th Athens Forum, Athens, 13-16/11/07
- MEDREG Meeting, Rome, 14-16/11/07

  During the important Meeting of Representatives from Mediterranean countries held in Rome on the 15th of November 2007 approval was given for the drafting of a founding Constitution to regulate the cooperation and the regulations on matters of Electrical Energy and Natural Gas.

  The Minister of Economic Development of Italy Pierluigi Bersani, who addressed the General Assembly, attended the opening ceremony of the proceedings of the 4th General Assembly. CERA's Vice Chairman, Mr. Stelios Petrides, and the Energy Officer, Mr. Panayiotis Keliris, represented Cyprus.

- The Internal Natural Gas Market - European Directive 2003/55/EC - Meeting the Director of the Electricity and Gas Branch DG-TREN along with the General Manager of the Ministry of Commerce, Industry and Tourism, EAC and EAC's Legal Adviser- Brussels, 22nd of November 2007.

- Exhibition and Pollutec Conference 2007, Paris, 26th – 29th of November 2007.

MEMORANDUM OF UNDERSTANDING ON SOCIAL ISSUES WITHIN THE EUROPEAN ENERGY SECTOR

The Memorandum of Understanding on Social Issues within the European Energy Sector was signed in Vienna on 18th of October 2007.

This Memorandum recognises the importance and the social dimension and suggests the principles of a social dialogue in the Energy Sector on the National and on the local level.

The representatives of the countries that signed this Memorandum will enable and promote a productive dialogue for the purpose of promoting consumer protection at the highest possible level so that it is compatible with competition in the Market of the Energy Sector.

The signatories to the Memorandum of the Understanding noted that the process of opening up the Market of the Energy Sector offers new economic and employment conditions whilst it also leads to the reconstruction and to changes to companies as well as to employees of whom the skilled will be mainly affected.

For this reason, the signatories to the Memorandum should aim at improving the adjustment of the manpower resources by supporting educational investments and by promoting leaning thought life.

THE EUROPEAN ENERGY COMMISSIONER'S VISIT TO CYPRUS

An especially important event was the arrival to Cyprus of the European Commissioner for Energy matters, Mr. Andris Piebalgs. During his stay in Cyprus on the 1st and 2nd of March 2007, Mr. Piebalgs had the opportunity to be informed on CERA's work and position on various matters within the Energy sphere, such as the liberalisation of the Electricity Market in Cyprus, Natural Gas, licensing of the Independent Producers of Electrical Energy, the promotion of Renewable Energy Sources etc.

PRIORITIES

The Commissioner was informed of the history of CERA's establishment and he was briefed on CERA's priorities, one of them being the opening-up of the Cyprus Electricity Market. This was achieved on the 1st of May 2004 with the liberalisation of 35% of the Energy Market. As result of this first step, the 811 major consumers of Electricity with an annual consumption of 350MWh already now have the right to choose supplier. By 2009, all non-domestic consumers will also have the right to choose their supplier, whilst as from the 1st January 2014 this right to choose will be extended to all consumers.

Mr. Andris Piebalgs was briefed also on the following:

- **ENERGY POLICY FOR EUROPE**
  PACKET OF MEASURES ON ENERGY

As part of its Energy Policy, Cyprus welcomed the packet of measures for energy given by the Commission, especially the 10th of January 2007 communication from the European Parliament and Council, under the title " Energy Policy for Europe" and the Council's conclusions which were adopted on the 15th of February 2007. Cyprus also welcomes the Commission's intention to promote a new strategic Plan on Energy, one that will be reviewed every two years.

- **THE DOMESTIC MARKET FOR NATURAL GAS**
  AND ELECTRICITY

The total installed generating capacity in Cyprus was 1,118MW plus that from producers generating for their own use. The maximum load demand was calculated to be 1,056 MW in July 2007 and the total annual electrical energy consumption was 4,850,251GWh.

CERA has issued a number of new licences for Electricity Generation.

Some of these licenses were issued to independent producers, thus ending the monopoly status of EAC, a status EAC held for over half a century.

LICENCE EXEMPTION FOR PV SYSTEMS

As part of its effort to promote Electricity Generation using PV systems CERA exempted such systems of capacity under 10KW from the obligation to hold a licence. For the Electrical Energy sector as well as for the Natural Gas sector CERA drafter Regulations that deal with the matters such as Organisation, Operation, Access to the network, Criteria and Procedures necessary in order to obtain a Licence, Licence fees etc. The Regulations were approved by the Council of Ministers and the House of Representatives and came into effect already.

CERA is of the view that additional measures should be taken in order to attain the goals set by the Commission's Report on the internal market and the final report which monitors the Electricity and Natural Gas Market with the aims of, increased competition, the setting effective Regulations and the encouragement of investment for the benefit of the consumers.

Although CERA and other European Regulatory Authorities were given a number of privileges and rights it is nevertheless felt that it is imperative and vital that the position of Regulatory Authorities as independent bodies should be strengthened further.

The competences of the Energy Regulatory Authorities in Europe need to be coordinated at the highest level and the National Energy Regulatory Authorities should be completely free from Government intervention.

It is also necessary to clarify the competences and powers of the National Energy Regulatory Authorities and the Competition Committees because, at first sight, they appear to overlap in certain matters relating to Energy.

CERA recognises the need for the operation of the internal markets in the EU for Electricity and for Natural Gas.

However, in order to implement the complete unbundling of the ownership and, to achieve a vertically integrated company regime, the specific characteristics of the Electrical Energy operations in each market should be considered.

The Cyprus market is small and isolated. A complete separation of such small markets usually leads to additional financial burdens.

Perhaps, suitable mechanisms could be introduced, permitting exemptions so as to avoid unnecessary expenditure not to the consumer's benefit.

RENEWABLE SOURCES OF ENERGY

Cyprus' target of producing 6% of its Electrical Energy consumption through RES by 2010 could be reached if all Wind Farms licensed by CERA come into operation.

In order to reach the above target it is necessary to further simplify the licensing procedures of the relevant Government Departments, such as Town Planning, taking into account the reaction from organised groups etc.

CERA is in complete agreement with the long-term commitment of the Community for promotion of RES further than 2010. On the other hand the target of 20% for 2020 is a very optimistic target for countries like Cyprus, which is expected to obtain relaxations from this commitment.

Furthermore, CERA is of the opinion that the specific targets set by the European Union for 20% production of the generated energy from RES must be based and take into consideration the potential and the specific characteristics of each country, such as the technology and its natural resources.

It is believed that concurrently there should be an indicative target and an obligatory target for each country, which should be set by agreement between the Member State and a Member of the Commission.

The national targets should take into consideration the unexploited potential and the specific characteristics of the Member State as well as the already installed capacity of RES.

REPORT TO THE EUROPEAN COMMISSION

In July 2007, CERA finalized its Report pertaining to the period from July 2006 to July 2007, and forwarded it to the European Commission in accordance with the provisions of the Directives 2003/54/EC and 2003/55/EC concerning the common rules for the internal market in Electricity and in Natural Gas.

The said report contains CERA'S activities in the electricity and natural gas markets, as well as the activities of the TSO.

PARTICIPATION IN EUROPEAN PROGRAMMES

The Cyprus Energy Regulatory Authority (CERA) acts and operates within the framework of the basic strategic aims of the energy Policy and the provisions of the existing legislation attaching emphasis on, amongst other, the encouragement for the efficient use of energy and energy saving measures, to the promotion of the use of RES and the encouragement of research and development in energy matters.

Towards this goal CERA encourages international co-operations within the framework of European Programmes concerning the Energy Sector, in order to promote its activities and to meet its obligations under the legal framework.

Specifically CERA is involved and succeeded in obtaining funding for the following programmes:

"EXPLORER"- ON LINE BENCHMARKING FOR EXPLOITATION OF RENEWABLE ENERGY SOURCES

The objective of the project is to develop a methodology for the systematic investigation of the possibilities and preconditions for the promotion of Renewable Energy Sources (RES) in regional Energy Systems of the countries involved in this project. The central

aim of the present project is to develop decision-making support tools for regional energy planning, conceived and geared towards the utilization of RES.

The problem lies in the dependence from conventional fuels and to the increasing trend of the energy demand and particularly in electricity cause power inefficiency problems requiring expensive solutions in coping with peak power loads. The use of RES would result in substantial savings of conventional fuel recourses, while at the same time reducing the burden on the environment. Renewable Energy Sources (RES) constitute a substantial and inexhaustible energy potential which so far has remained largely unexploited. RES development prospects today are very encouraging, given the existence of mature technologies, which make their utilization more feasible in economic terms. The use of RES implies a penetration on the energy market and acceptance by a wide range of potential customers. For this reason, the promotion of RES presupposes both changes within decision-making centers and modifications in the criteria used in decision-making processes.

The main activities of the project are focused in providing a detailed description of the existing energy systems of the countries participating in the project, Energy demand forecasts, in investigating the possibilities for intervention in the existing energy systems, in selecting the appropriate energy planning solution, in analysing the socio-economic development of each country, in formulating proposals on actions geared at increasing RES penetration in each country's energy systems, in testing the stability of the electricity systems in both steady-state and dynamic stability conditions, as well as to evaluate the financial aspect of the proposed measures.

By implementing the project a detailed description of the existing energy systems will be provided, and attention will be focused on estimating the exploitable potential of alternative energy forms. In parallel, a system will be developed decision-making support tools for regional energy planning, appropriate to determine the ideal penetration percentage of each different RES. An Action plan will also be developed for the encouragement of the utilization of RES, conceived and geared towards further penetration of RES in the Energy Systems of each country.

As part of the EXPLORER project's implementation, but also for information and planning purposes, the kick off meeting took place successfully on the 26th of January 2007 as well as the planned progress meeting of 28-29 June 2007.The project will last for nineteen months. Three partners participate in the project with CERA as the leading partner. In particular, in the project participate two countries, Cyprus through CERA, and Greece through the Laconia District Authority and the Municipality of Sykionion. The project is supported by the European Union's Scheme INTEREG IIII B ARCHIMED.

"DISTRESS' – PROMOTION AND CONSOLIDATION OF ALL RTD ACTIVITIES FOR RENEWABLE DISTRIBUTED GENERATION TECHNOLOGIES IN THE MEDITERRANEAN REGION

The overall goal of the DISTRES co-ordination action project is to exchange and disseminate good practice developed in the field of renewable energy sources distributed generation (RES-DG) technologies by isolated research activities and perform studies and/or analyses for the Mediterranean needs.

Since solar potential is an abundant commodity in the Mediterranean region the area of interest of DISTRES will be primarily on the electricity produced from solar energy (photovoltaic and/or solar thermal concentrating systems) from DG systems.

The Distress project will contribute to the understanding of the advantages of the distributed generation technologies by photovovoltaic systems in the Mediterranean Countries and to the dissemination of technologies from European research activities. The results from DISTRES will pave the way for pilot systems and products, meeting different needs and climate conditions under the specific socio-economic conditions of Mediterranean countries and will contribute to the development of appropriate RES-DG policies, thus facilitating the development of appropriate energy policies by each country for the purpose of proper and effective development of the photovoltaic systems.

The local character of the project Distres ensures that the technology of the generation systems, which will develop will be financially and socially viable combining low cost and maximum efficiency so that they meet the economic potential of the local population. Particular importance is given to the needs of villages and rural areas, to agriculture, to commerce, to industry, to tourism as well as to the general sector of energy and town areas.

The Distres project will establish centers of knowledge in the Mediterranean Countries, it will speed up the development of technical knowledge locally and it will promote international co-operation between the representatives of the interested parties i.e. the research, the economy, the regulatory authorities, the industry and local authorities.

This project is already underway the kick off meeting of 11th January 2007 as well as two scheduled progress meetings have taken place successfully. The project will last for a total of three years, and there are 19 participants from various countries such as Lebanon, Algeria, Egypt, Morocco, Denmark, Portugal, France, Switzerland, Greece and Cyprus, and the 6th Framework Programme (FP6) of the European Union supports it.

The project's web page is: www.distres.eu

"STORIES"-ADDRESSING REGULATIONS ON STORAGE TECHNOLOGIES FOR INCREASING THE PENETRATION OF INTERMITENT ENERGY SOURCES

The main objective of STORIES action is to facilitate RES penetration in islands, through modifications in the legislative and regulatory framework that will adopt energy storage technologies.

The main objectives are to address electrical grid access and stability issues related to the low penetration of RES in islands. To address economic aspects, such as internal and external costs related to conventional power systems in comparison to hybrid RES-energy storage power systems. To engage local key market actors in the implementation of RES electricity installations in remote or outlying regions.

Furthermore, at the execution of the Project to assess policy and legislative issues related to the distributed electricity generation and to examine the effect of adopting a favourable pricing framework for RES electricity installations integrated with storage technologies. Relevant communication and dissemination of the results of the proposed action will be focused to the target groups such as the local authorities, interested

participants of the market, Regulatory Authorities competent governmental Departments and other bodies. Finally, a roadmap will be developed for the adoption of RES-energy storage technologies by policy makers.

The kick off meeting was held on 12th – 13th November 2007,where the Project's objectives were analysed, the main guidelines were set as well as the expected actions to be taken in the immediate future. The Project will last for a total of two years and the participants are ten(10) Partners from various countries such as Spain, Italy, Croatia, England, Portugal, Greece and Cyprus and it is supported by the "Intelligent Energy-Europe Programme" of the European Commission.

The Programme's web page is www.storiesproject.eu

ELECTRICAL LOAD FORECAST USING NEURAL NETWORKS

The aim of this research project is to develop a method that can be used by electricity generating companies for the short-term forecast of load demand. This forecast will aid the electricity company to improve its generation schedule. The final product of the research project will be software that can be used by the end user. This project also aims to initiate cooperation between industry and academia and the further involvement of industry in research projects.

Specifically, the aim of this research project is to use neural networks in a system for the short term forecast of load with a forecast window of 24hours.

This is something that one scarcely sees in international bibliography since most researchers choose the "one-hour ahead" load forecast or with a forecast window of 2-3 hours. This approach simplifies forecasting the load but in practice it is not applicable since it does not allow the control centre enough time to take the necessary correcting actions.

It should be said that the energy network in Cyprus is relatively small and the climate is different to that of the most countries in which similar research was done. Also, Cyprus does not have any heavy industry, which offers stability in the energy demand from a network and therefore forecasting is not as easy. It is not surprising therefore that the present systems do not perform fully the short-term load demand in Cyprus. The aim of the project is to investigate the problem and find the best solution for the conditions in Cyprus, one that will offer the most reliable forecast for load demand over 24hours. The research project is undertaken in close collaboration with CERA and it is expected that it will be completed in August 2009.

The main stages of the project are the development of a system for forecasting load demand using neural networks. The calibration of the system using historical data on electrical load demand (learning data), system trials using actual historical data (control data), the determination of a quantitative margin in the values of the system that will allow the user to evaluate the forecast and the evaluation of the system by the final user.

Given that Cyprus relies almost entirely on conventional sources of energy and the fact that fuel costs are high means that this Research Project is important since the results that will come out of it will lead to a more economical use of resources in addition to increasing the reliability of the electricity company that will use this system.

The research project is expected to be completed in August 2009 and there are three (3) participants from Cyprus and the United States. Specifically Cyprus participates through the University of Cyprus, as co-ordinator, and CERA as the end user. United States participates through the University of Missouri-ROLLA as collaborator.

The project is supported by the Institute for the promotion of Research and Research for Technological Development 2006.

In addition to its involvement as partner in European Programmes CERA participates in these programmes as a member of local Working Groups, as in the case of the following program.

"RERINA" - IMPLEMENTATION OF RES TECHNOLOGIES IN ISLAND RURAL AREAS

The **RERINA** project objective is to address issues related to the development of Sustainable Energy Plans (SEP) for islands and ecologically sensitive areas.

The project will develop the necessary methodology tools such as questionnaires, supply of guidelines, organise workshops for training and raising public awareness and other tools, which are necessary for the effective implementation of an integrated methodological approach capable to support insular communities' stakeholders to develop and implement efficient Sustainable Energy Plan (SEP).

The RERINA project has duration of 24 months. It is supported by the Intelligent Energy - Europe programme of the European Commission.

The full title of the Action is Integration of Renewable Energy Technologies in Rural Insular Areas

The RERINA project includes a study and categorisation of European island areas in conjunction with their potential for utilising and implementing Renewable Energy Sources.

CERA is actively participating as a member of the local team of the Project in order for an integrated methodological approach at the local level first, which will be connected with the wider approach and will contribute to the creation of Sustainable Energy Communities (SECs) in islands and ecologically sensitive areas, in order to intensify the efforts to increase the penetration percentage of RES into the energy mixture and consequently the implementation of several European initiatives and regulatory legislation concerning energy, the environment and sustainable development in Europe. Inter alia, CERA took part as a member of the local team in the One Day Seminar (Local RERINA Info Day) in March 2007.

The Programme's web page is www.rerina.net

	PROJECT TITLE	SUPPORT PROJECT
1.	"EXPLORER"- Online Benchmarking for exploitation of Renewable Energy Sources	INTEREG III B ARCHIMED
2.	" DISTRES" – Promotion and consolidation of all RTD activities for renewable distributed generation technologies in the Mediterranean region	6th Frame Project of the European Union
3.	"STORIES"- On line Benchmarking for exploitation of Renewable Energy Sources	Intelligent Energy- Europe Programme
4.	Electrical Load forecast using Neuronic Networks	Soft wear Package from the Institute for the Promotion of Research and Research for Technological Development.

At the same time within the framework of European Programmes, CERA submitted various other proposals for the period 2007-2008 which are still at the stage of evaluation by the relevant Committees. It is expected that within the first four months of 2008 these evaluations will be completed.

PROGRAMS FUNDED BY THE EUROPEAN UNION

Following an invitation by the Planning Bureau to participate in the Project, "Unallocated Institution Building Facility", funded by the EU under the 2005-2006 Transmission Facility afforded to Cyprus regarding Terminal Assistance for Empowerment of the Administration Capacity of Regulatory Authorities and other bodies, CERA submitted two (2) projects to the Planning Bureau. The projects consist of Technical assistance to CERA for the preparation of Rules and Measures which are provided for in the already harmonized with EU Directives National Legislation, and their preparation is in CERA's competence.

The cost of the projects was estimated not to exceed the sum of C£50.000 (€85.500) each and the summary procedures of Law 12(I)/2006-Puplic Tenders- were complied with.

CERA's projects were submitted to and evaluated by the Planning Bureau and were accepted for funding under the Unallocated Institution Building Facility Scheme by the EU.

The overall objective of both projects is to improve Cyprus' compliance with EU Directive 2003/55/EC concerning the common rules for the internal market in Natural Gas Supply, as well as the compliance of the regulatory framework provided by the Laws of 2004-2006 ''On Regulating the Natural Gas Market'' by the drafting of rules, measures and by defining the applicable measures or principles.

The specific scope of the project under the title **"Rules for the Management and Distribution of Capacity for the Natural Gas System"** is the drafting of Rules for the Management and the Distribution of Capacity in the Natural Gas Supply, the Definition of the applicable by the participants in the Market principles when access to the system is required, the commercial conditions and terms for the system, the methodology of tariffs and charges for access to the system, the drafting and/or approval of congestion of capacity mechanisms in the system of Natural Gas.

The specific scope of the project under the title **"Measures for the security of Natural Gas Supply in Cyprus"** is to determine the specific security events for which responses need to be designed in order to prevent disruption of supply, to define the obligations, which should be placed on different market players for them to be able to maintain the required minimum level of supply and capacity in case of such events, to assess the cost associated with such obligations and how these should be allocated, to prepare a national emergency plan to deal with energy crisis, assigning clear roles to be assumed and measures to be taken at the appropriate time.

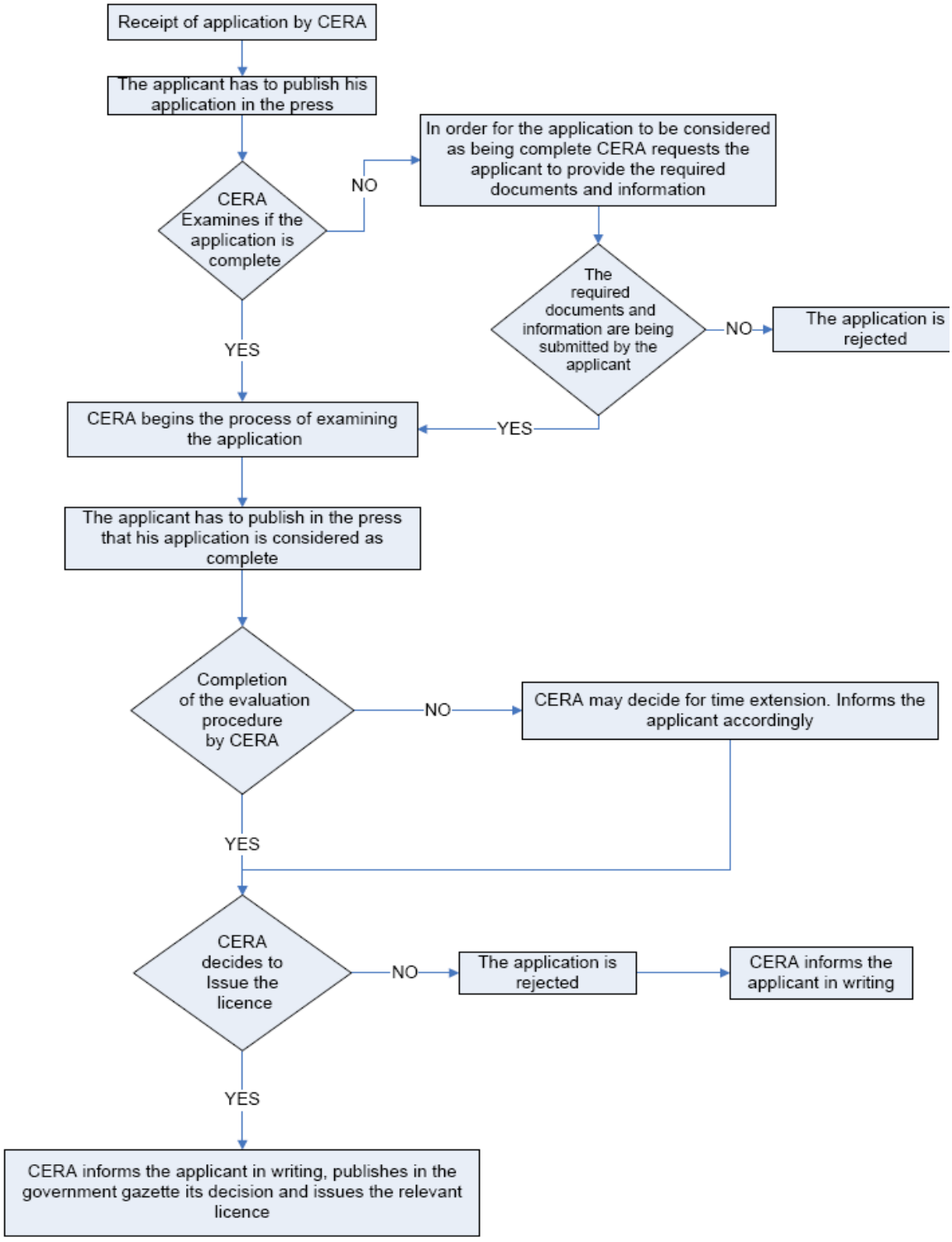
The planning Bureau, as the government department to materialize the Scheme of empowerment of the Administrative Capacity, undertook the role of the Contracting Authority and in November 2007 forwarded the terms of reference of the two projects to a number of Consultants specializing in Natural Gas issues inviting them to submit their tenders. Tenders were submitted in the end of November and the Contract agreements were signed with the successful Tenderers/Consultants, Messrs LDK Consultants, of Greece on the 13th of December 2007.

The contract period of the projects is estimated to be 5 months, expiring in June 2008.

APPLICATIONS FOR SECURING A LICENCE

- ***Issued Licences***
- ***Applications Submitted***

Flowchart process for examination of application towards granting a licence .



DOCUMENTS AND INFORMATION WHICH MUST ACCOMPANY AN APPLICATION FOR A LICENCE FOR A WIND FARM IN ORDER FOR THE APPLICATION TO BE CONSIDERED AS "COMPLETE" PRIMA FACIE

The necessary documents and information which must accompany an application for obtaining a Construction and Operation Licence for an electricity generating Power Plant (Wind Farm) have been set by CERA to be the following:

- **Availability Certificate for the land on which the Wind Farm will be constructed.** Specifically, the applicant must submit to CERA the written preliminary consent of the owner of the land.
- **Lease agreement for land owned by the Government for the purpose of installing wind – gauges.**
- **Technical Study on the wind capacity measurements for the specific area, incorporating supported calculations,** where:

  a) The analytical measurements will be taken by the Applicants themselves through a wind-gauge installed on the proposed land for the Wind Farm for a period of at least 6 months. The measurements will be submitted with all the data logger of the wind gauge at the height of the proposed rotor of the wind turbine or simulated to that height

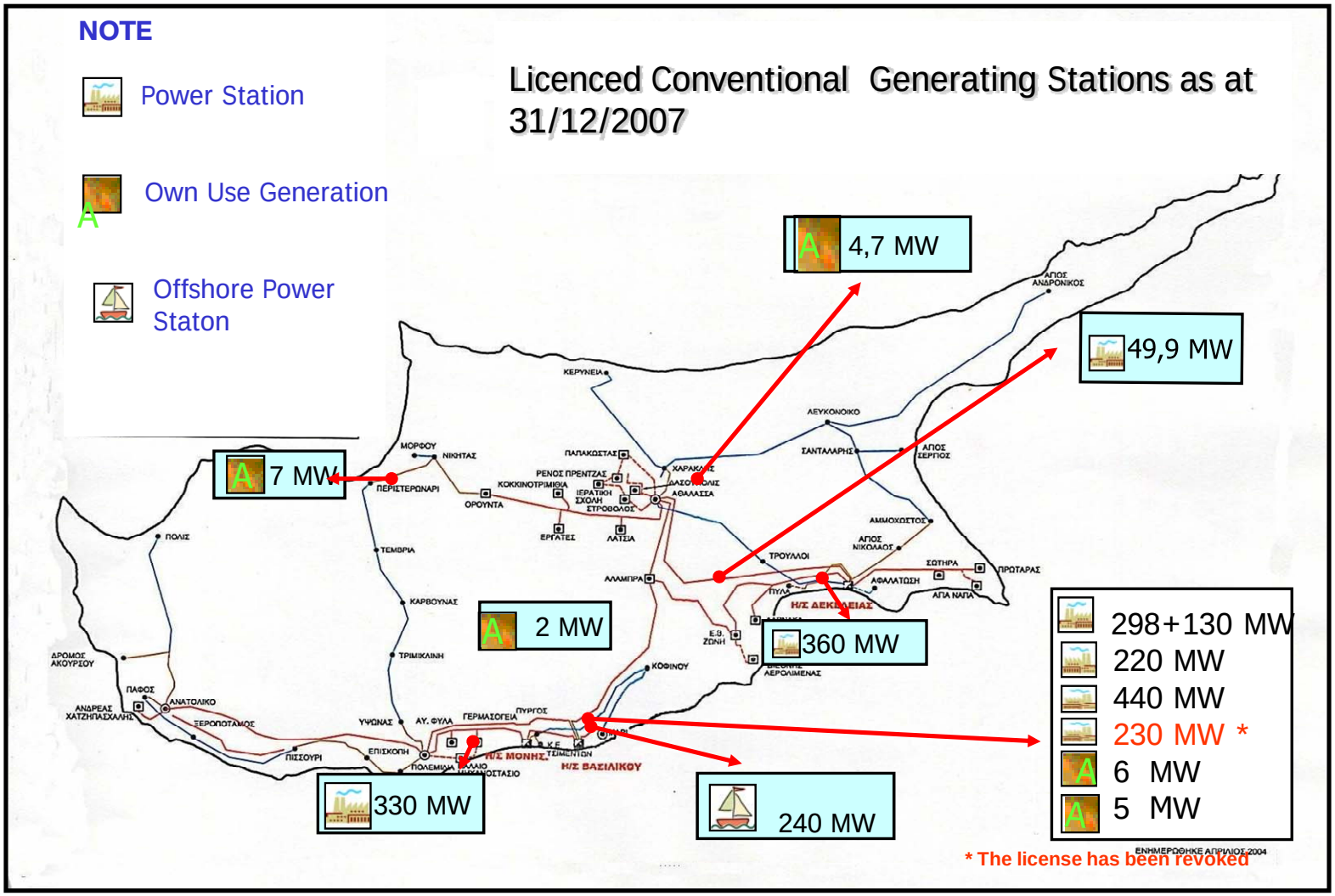
  b) Analytical measurements from the nearest Meteorological station of the State's Meteorological Department for a period of 1 year at least, simulated to the plots of land on which the Wind Farm will be constructed and at the proposed height of the rotor of the wind turbine. The measurements on which the simulation will be based must be confirmed by the Meteorological Department

  c) Analytical measurements from Satellite Wind Maps that have been approved by CERA and cover a period of at least 1 year. These measurements must be confirmed by the publisher of the Map and must be referring to the height of the rotor of the wind turbine

- **Economic study incorporating provisions and income allocated to the main categories with regard to cash inflows and outflows**
- **Environmental Impact Study by an independent Specialist**
- **General layout Plan**
- **Details of Applicant, Partners and Subcontractors**
- **Balance Sheets for the last three financial years, if the Company is not newly incorporated**
- **The programme of the enterprise for the next 5 years**
- **Timetable of Construction**
- **The Company's Articles of Association (Company Registration Number and Certificate of Registration by the Registrar of Companies)**

LICENCE PROCEDURE OF WIND FARMS

1. Submission to CERA of an application for the construction of a generating Electrical Energy Plant by Renewable Energy Sources. Among other documents, the application must be accompanied by a statement by the land owner that the land is available and is not committed for any other use.
2. CERA's instructions to the applicant for him to contact the appropriate District Town Planning Department immediately and submit the application requesting their preliminary views and its the immediate (within 2 days) dispatch by them to the Central Offices of the Town Planning Department. Any delay by the applicant in contacting the appropriate District Town Planning Department will be to his detriment.
3. Dispatch (within 8 days) by the Town Planning Department of the application that was submitted to them for their preliminary views, to all Authorities and Departments stipulated in Directive No. 2 of 2006 of the Minister of Interior, requesting them to submit their preliminary views within 30 days.
4. Assessment by the Town Planning Department of the preliminary views of all Authorities and Departments that responded to the request.
   The Town Planning Department expresses its own preliminary views, and prepares a report incorporating all other views. The report is forwarded to the applicant and to CERA within a prescribed time and certainly not later than 45 days from the date of receipt of the application by the District Town Planning Department. Authorities and Departments not responding within the prescribed time period are deemed not to object to the granting of the Town Planning Licence.
5. Assessment of the application by CERA and decision on whether to grant or not a licence, taking into serious consideration Directive No. 2 of 2006, dated 19th of April 2006, issued by the Minister of Interior, which is relevant to the subject.
6. Commencement by the applicant of all other procedures for obtaining all other licences and approvals required by the Legislation, while CERA is assessing the application.
7. The Licencee, having been granted a Licence by CERA, addresses the Land Owner to obtain the land lease. In the terms of the lease contract, in addition to the normal terms requiring that a Permit is issued from the Town Planning Department, a term is included stipulating that the terms and conditions of the Licence issued by CERA are adhered to.
8. The Licencee, having obtained the Lease contract, applies to the Town Planning Department in order to obtain the relevant Permit. The application must be accompanied by all necessary documents as well as an Environmental Impact Study, in accordance with the Town Planning legislation.
9. The assessment of the application for a Town Planning Permit for the construction of an Electricity Generating Plant by RES is given priority by the Town Planning Department. Necessary prerequisites are the cooperation of the interested applicant, the submission of all documents along with the application and, the applicant's prompt response to any amendments or explanations requested during the investigation/ assessment process of the application.


NOTE
Power Station
Own Use Generation
Offshore Power Staton
Licenced Conventional Generating Stations as at 31/12/2007
4,7 MW
49,9 MW
7 MW
2 MW
360 MW
330 MW
240 MW
298+130 MW
220 MW
440 MW
230 MW *
6 MW
5 MW
* The license has been revoked
ΕΝΗΜΕΡΩΘΗΚΕ ΑΠΡΙΛΙΟΣ 2004

(a) Licenses Issued for the Generation of Electrical Energy – *Conventional Units of Generation*

S/N	Name of Company	Type of License	MW
1	Electricity Authority of Cyprus	Operation of Power Plant at Vasilikos (Existing Units)	298,0
2	Electricity Authority of Cyprus	Operation of Power Plant at Dhekelia (Existing Units)	360,0
3	Electricity Authority of Cyprus	Operation of Power Plant at Moni (Existing Units)	330,0
4	Electricity Authority of Cyprus	Construction and Operation of Power Plant at Vasilikos, Unit 3	130,0
5	Electricity Authority of Cyprus	Construction and Operation of Power Plant at Vasilikos (CCGT) – Unit No. 4	220,0
6	Vassilikos Cement Works Ltd	Operation of Power Plant (Existing Unit – for own use generation)	6,0
7	Vouros Power Industries Ltd	Construction and Operation of Power Plant (ICE – Larnaka Free Industrial Zone)	49,9
8	Electricity Authority of Cyprus	Construction and Operation – Unit No. 5 at Vasilikos (CCGT)	220,0
9	Electricity Authority of Cyprus	Construction and Operation – Unit No. 6 at Vasilikos (CCGT)	220,0

(a) Licenses Issued for the Generation of Electrical Energy – *Conventional Units of Generation*

S/N	Name of Company	Type of License	MW
10	Vassilikos Cement Works Ltd	Construction and Operation (ICE – for own use generation)	5,0
11	Elmeni Quarries Ltd	Construction and Operation – Agios Sozomenos (ICE – for own use generation)	4,7
12	Golar Energy Ltd	Construction and Operation of a Floating Power Plant – Vassilikos (CCGT) – Natural Gas	240,0
13	Latomia Farmakas Ltd	Operation and Generation of Electrical Energy (Existing Unit – for own use generation)	2,00
		TOTAL (100%)	2085,6
		EAC (82%)	1778,0
		OTHERS (18%)	307,6

ICE : Internal Combustion Engine

CCGT : Combined Cycle Gas Turbine

(b) Licenses Issued for the Generation of Electrical Energy – *Renewable Energy Sources (RES) from WIND & BIOMASS*

S/N	Name of Company	Type of License	MW
1	Ketonis Developments Ltd	Construction and Operation of Wind Farm (Mari - Larnaka Area)	12,0*
2	Aerotricity Ltd	Construction and Operation of Wind Farm (Kambi – Nicosia Area)	10,1*
3	Ketonis Developments Ltd	Construction and Operation of Wind Farm (Klavdia – Tersefanou – Alethriko – Larnaka Area)	34,5*
4	Aeoliki Akti Ltd	Construction and Operation of Wind Farm (Sanida – Limassol Area)	10,0*
5	D. K. Windsupply Ltd	Construction and Operation of Wind Farm ("Orites" Pano Archimandrita, Kouklia and Alektora – Limassol and Paphos Area)	82* (61,5 **)
6	TSP Aeolian Dynamics Ltd	Construction and Operation of Wind Farm (Pyrga, Kalo Chorio, Ay. Anna, Psevdas - Larnaka Area)	30,0* (19,5**)
7	Maseru Ltd	Construction and Operation of Wind Farm (Vavatsinia - Larnaka Area)	12,0* (18,0**)
8	Trebi Trading Ltd	Construction and Operation of Wind Farm (Avdellero - Larnaka Area)	12,0* (18,0**)
9	Vorima Trading Ltd	Construction and Operation of Wind Farm (Stavrovouni - Larnaka Area)	12,0* (18,0**)

(b) Licenses Issued for the Generation of Electrical Energy – *Renewable Energy Sources (RES) from WIND & BIOMASS*

S/N	Name of Company	Type of License	MW
10	Rokas Aeoliki (Cyprus) Ltd	Construction of Wind Farm (Kivisili - Larnaka Area)	11,5* (9,2**)
11	Medwind Ltd	Construction of Wind Farm (Ay. Napa - Famagusta Area)	11,5*
12	Moglia Trading Ltd	Construction and Operation of Wind Farm (Ay. Anna - Larnaka Area)	12,0* (37,5**)
13	Stivo Trading Ltd	Construction and Operation of Wind Farm (Pyrga, Klavdhia, Alethriko - Larnaka Area)	49,5* (49,5**)
14	K. E. Aerodynamics Ltd	Construction and Operation of Wind Farm (Ay. Theodoros - Larnaka Area)	12,3* (38,95**)
15	K. E. Aerodynamics Ltd	Construction and Operation of Wind Farm (Ay. Theodoros, Psematismenos - Larnaka Area)	12,3* (28,7**)
16	Rokas Aeoliki (Cyprus) Ltd	Construction of Wind Farm (Ay. Theodoros, Psematismenos, Maroni, Hirokitia-Larnaka Area)	14* (38**)
17	Rokas Aeoliki (Cyprus) Ltd	Construction of Wind Farm (Klavdhia, Alethriko, Pyrga - Larnaka Area)	50,0* (30**)
18	Rokas (Aeoliki) Cyprus Ltd	Construction of Wind Farm (Klavdhia, Ay. Anna, Koshie - Larnaka Area)	14,0* (12,0**)

(b) Licenses Issued for the Generation of Electrical Energy – *Renewable Energy Sources (RES) from WIND & BIOMASS*

S/N	Name of Company	Type of License	MW
19	WindPower Ltd	Construction of Wind Farm (Paphos Area - "Orites Forest" Limassol and Paphos Area)	14,0* (4,0**)
20	Medwind Ltd	Construction of Wind Farm ("Schinomoutis" Psevdas, Ay. Anna, Pyrga – Larnaka Area)	12,0* (4,0**)
21	Medwind Ltd	Construction of Wind Farm ("Papalia" Pyrga – Larnaka Area)	12,0* (4,0**)
22	Kounna Steliou Bros Enterprises Ltd	Construction of Wind Farm (Aradhippou – Larnaka Area)	15,0* (10,0**)
23	Cypra Ltd	Construction and Operation of Power Station from ***Biomass*** ("Ay. Eliofoti" - Nicosia Area)	1,5*
24	Nicos Armenis & Sons Ltd	Construction and Operation of Power Station from ***Biomass*** ("Monagroulli" – Limassol Area)	0,25*
25	Armenis Farm Ltd	Construction and Operation of Power Station from ***Biomass*** (Monagroulli –Limassol Area)	1,0*
26	Andreou & Costi Farm Ltd	Construction and Operation of Power Station from ***Biomass*** (Xylotimbou – Larnaka Area)	0,50*

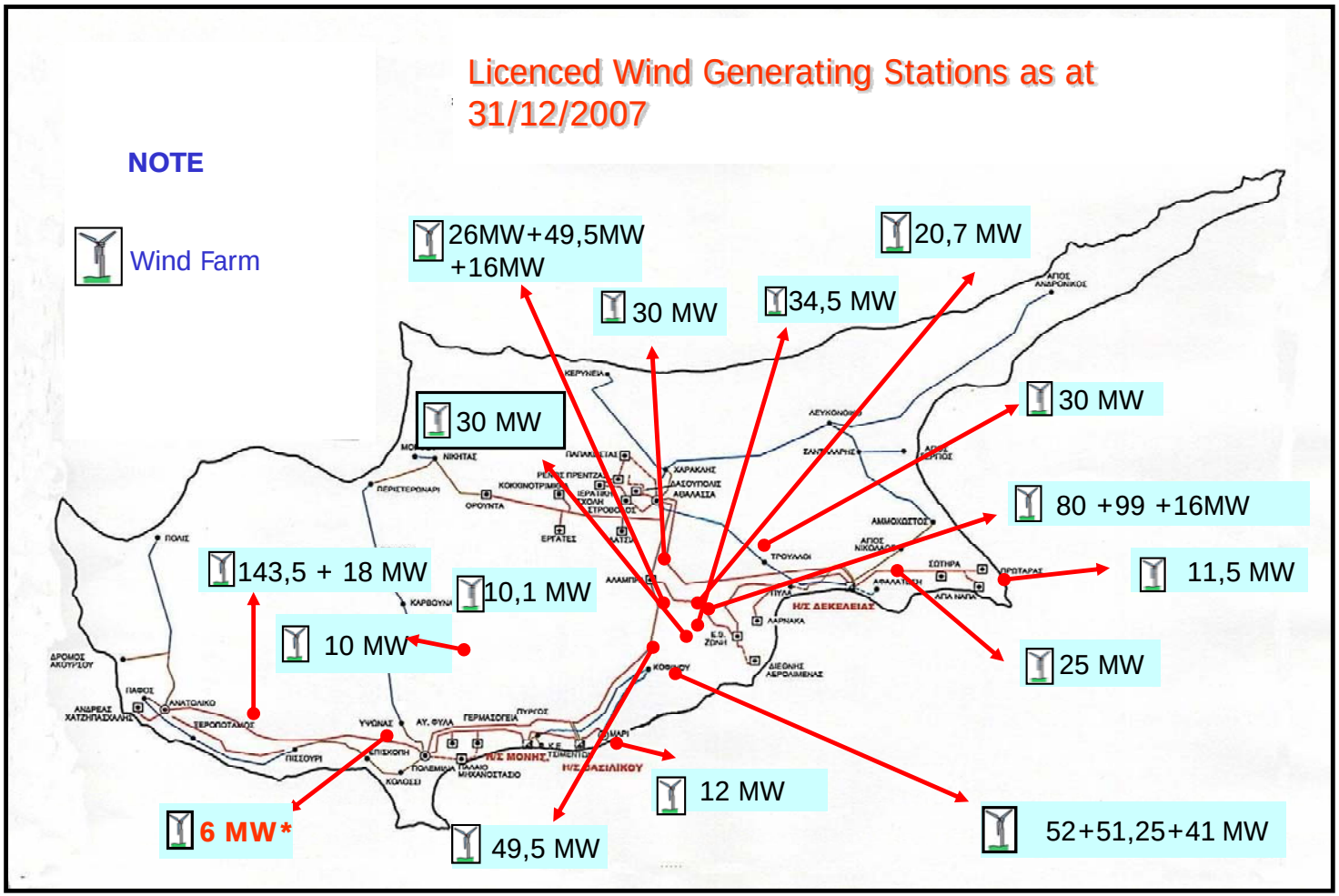
(b) Licenses Issued for the Generation of Electrical Energy – *Renewable Energy Sources (RES) from WIND & BIOMASS*

S/N	Name of Company	Type of License	MW
27	Andreou & Costi Farm Ltd	Construction and Operation of Power Station from ***Biomass*** (Tersephanou – Larnaka Area)	0,50*
28	Animalia Genetics Ltd	Construction and Operation of Power Station from ***Biomass*** (Marki – Nicosia Area)	0,595*
29	G & AF Energy Ltd	Construction and Operation of Power Station from ***Biomass*** (Maroni – Larnaka Area)	0,960*
30	S. P. Lagos Farm Ltd	Construction and Operation of Power Station from ***Biomass*** (Dali – Nicosia Area)	0,5*
31	A. Kailas & Sons Ltd	Construction and Operation of Power Station from ***Biomass*** (Athienou – Larnaka Area)	0,5*
32	Ellas Farm Ltd	Construction and Operation of Power Station from ***Biomass*** (Monagrouli – Limassol Area)	0,18*
33	Sewerage Board of Limassol – Amathus	Construction and Operation of Power Station from ***Biomass*** (Amathus – Limassol Area)	0,622*

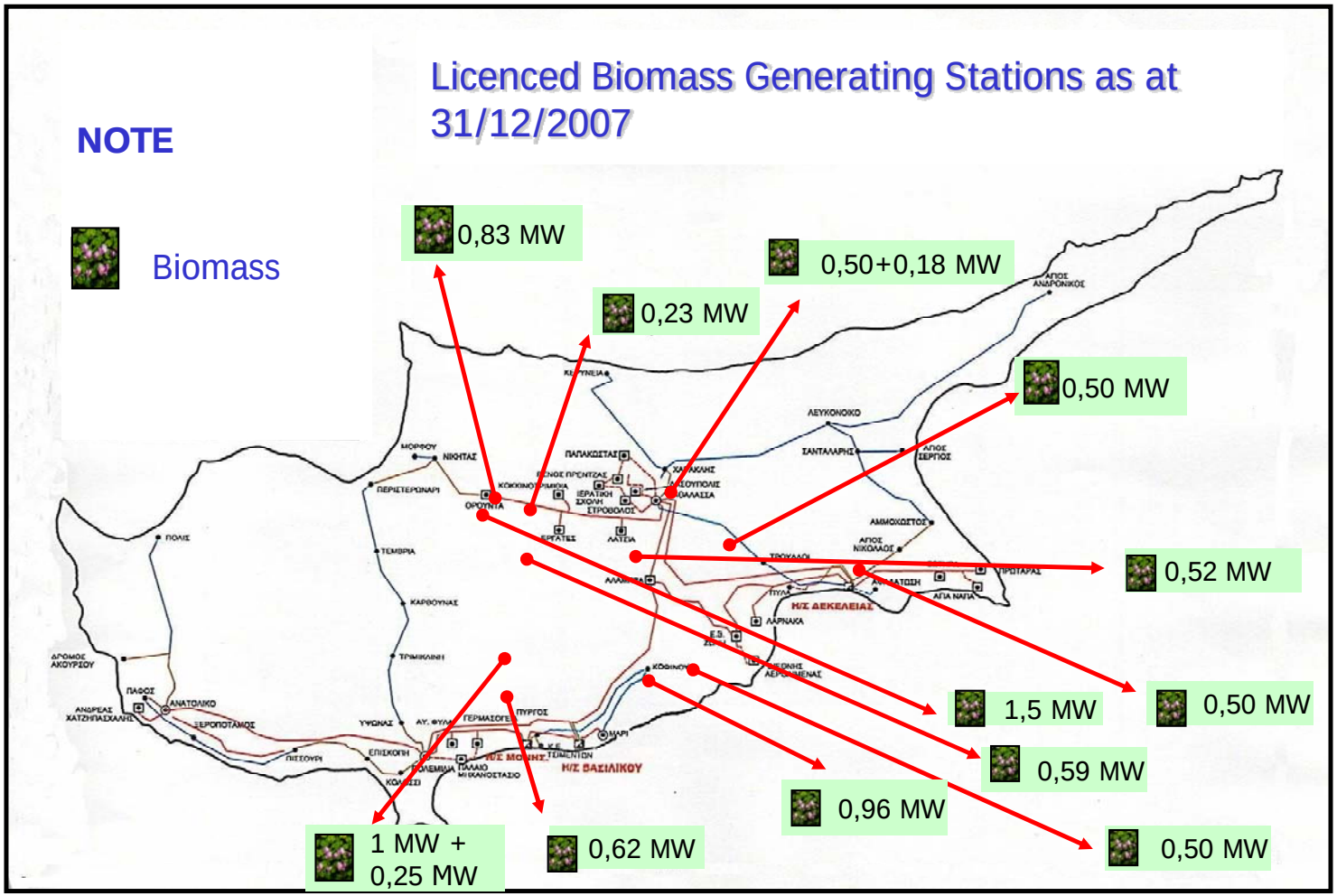
(b) Licenses Issued for the Generation of Electrical Energy – *Renewable Energy Sources (RES) from WIND & BIOMASS*

S/N	Name of Company	Type of License	MW
34	Ioannis Georgiou Pikeri Ltd	Construction and Operation of Power Station from ***Biomass*** (Kato Moni – Nicosia Area)	0,230*
35	Mintikis & Andreou Biopower Ltd	Construction and Operation of Power Station from ***Biomass*** (Agia Varvara – Nicosia Area)	0,526*
36	C. G. Neophytou Bros Biogas	Construction and Operation of Power Station from ***Biomass*** (Paliometoho – Nicosia Area)	0,834*
		TOTAL (100%)	463,397* (400,85**)
		EAC (0%)	0
		TOTAL (100%)	463,397* (400,85**)

- * Licenses issued with immediate effect.
- ** Possible future extension of Licenses issued.

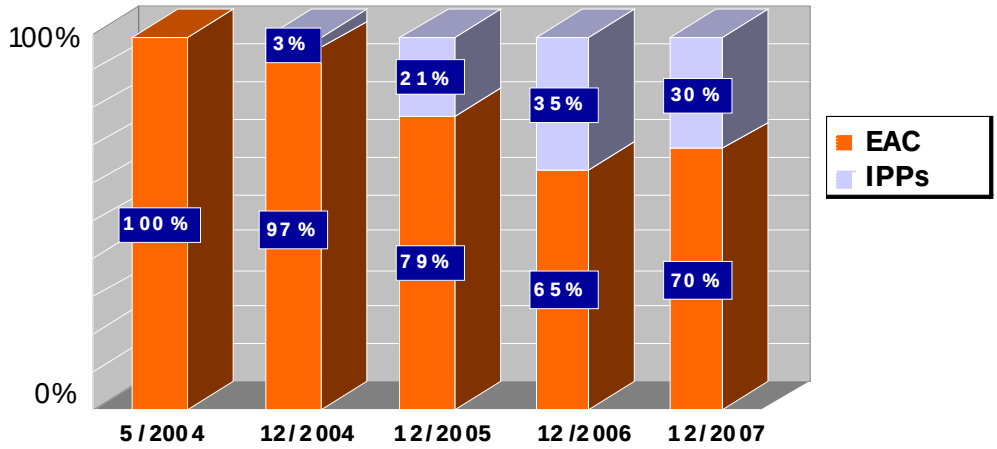


* The license has been revoked


Licenced Biomass Generating Stations as at 31/12/2007
NOTE
Biomass
0,83 MW
0,50+0,18 MW
0,23 MW
0,50 MW
0,52 MW
1,5 MW
0,50 MW
0,59 MW
0,96 MW
0,50 MW
1 MW + 0,25 MW
0,62 MW
Η/Σ ΔΕΚΕΛΕΙΑΣ
Η/Σ ΒΑΣΙΛΙΚΟΥ

Total Licenced % Capacity of EAC & IPPs for the period of 01/05/2004 -31/12/2007

Graph 1

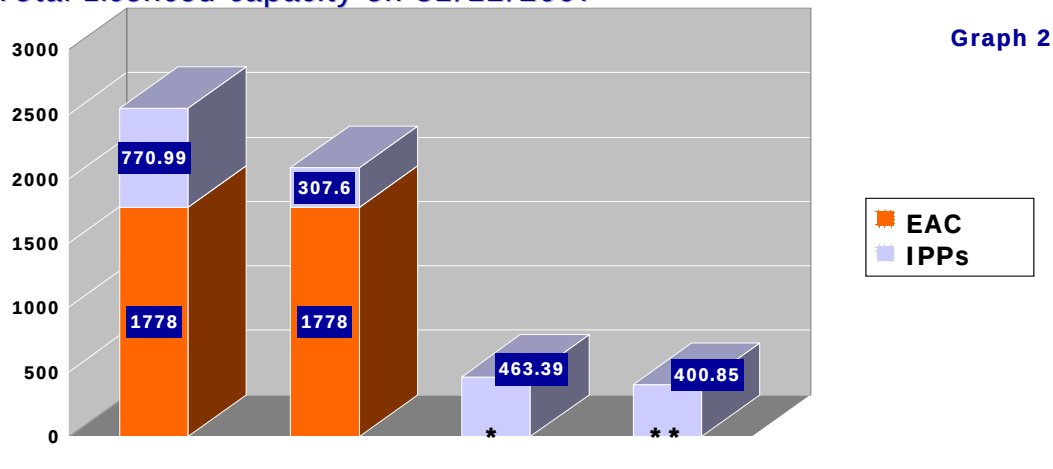


	CAPACITY MW					
	5/2004	12/2004	12/2005	12/2006	12/2007	12/2007
EAC	988	1118	1344	1784	1784	1778 *
IPPs	0	35.1	349.5	963.75	963.75	770,99 *

*Revocation of licences and amendments are included

Total Licenced capacity on 31/12/2007

Graph 2

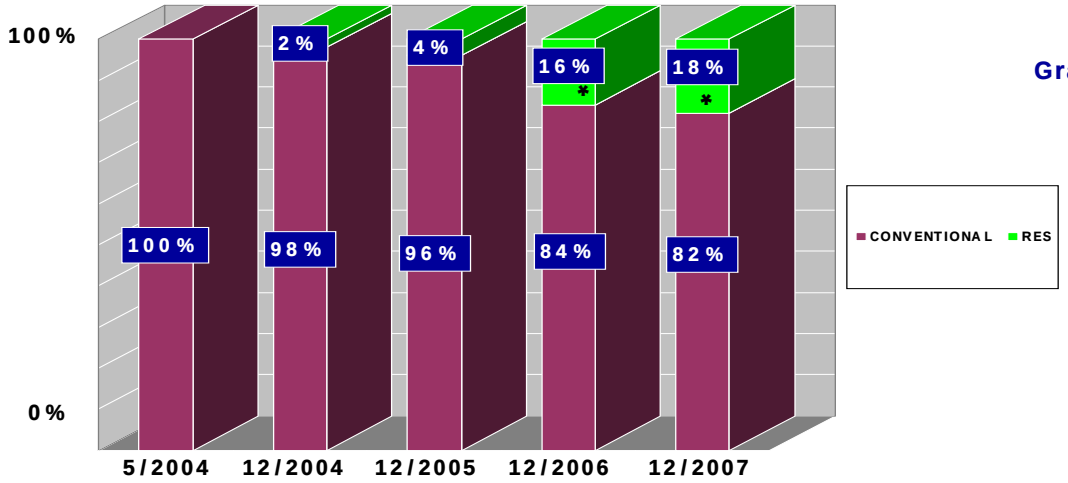


TOTAL CONVENTIONAL RES

	CAPACITY MW			
	TOTAL	CONVENTIONAL	RES (Wind Parks & Biomass Systems)	
EAC	1778***	1778	0*	0**
IPPs	770,99***	307.6	463,39*	400,85**

* Licences issued with immediate effect
** Possible future extension of Licences issued
*** Revocation of Licences and amendments included

Contribution of Capacity of power units by conventional means and RES to the total licenced capacity for the period of 01/05/2004 – 31/12/2007

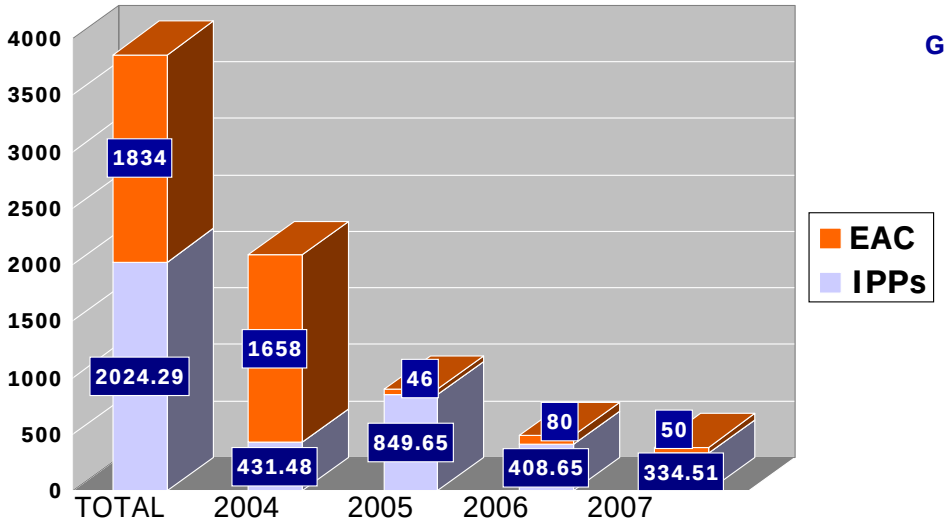


Graph 3

	CAPACITY MW						
	5/2004	12/2004	12/2005	12/2006		12/2007	
RES	0	22.1	62.6	427,15*	411,85**	463,39*	400,85**
CONVENTIONAL	988	1131	1630.9	2320.6		2085.6	

* Licences issued with immediate effect
** Possible future extension of Licences issued

Applications submitted to CERA for Licences for Electricity Generation for period 2004-2007



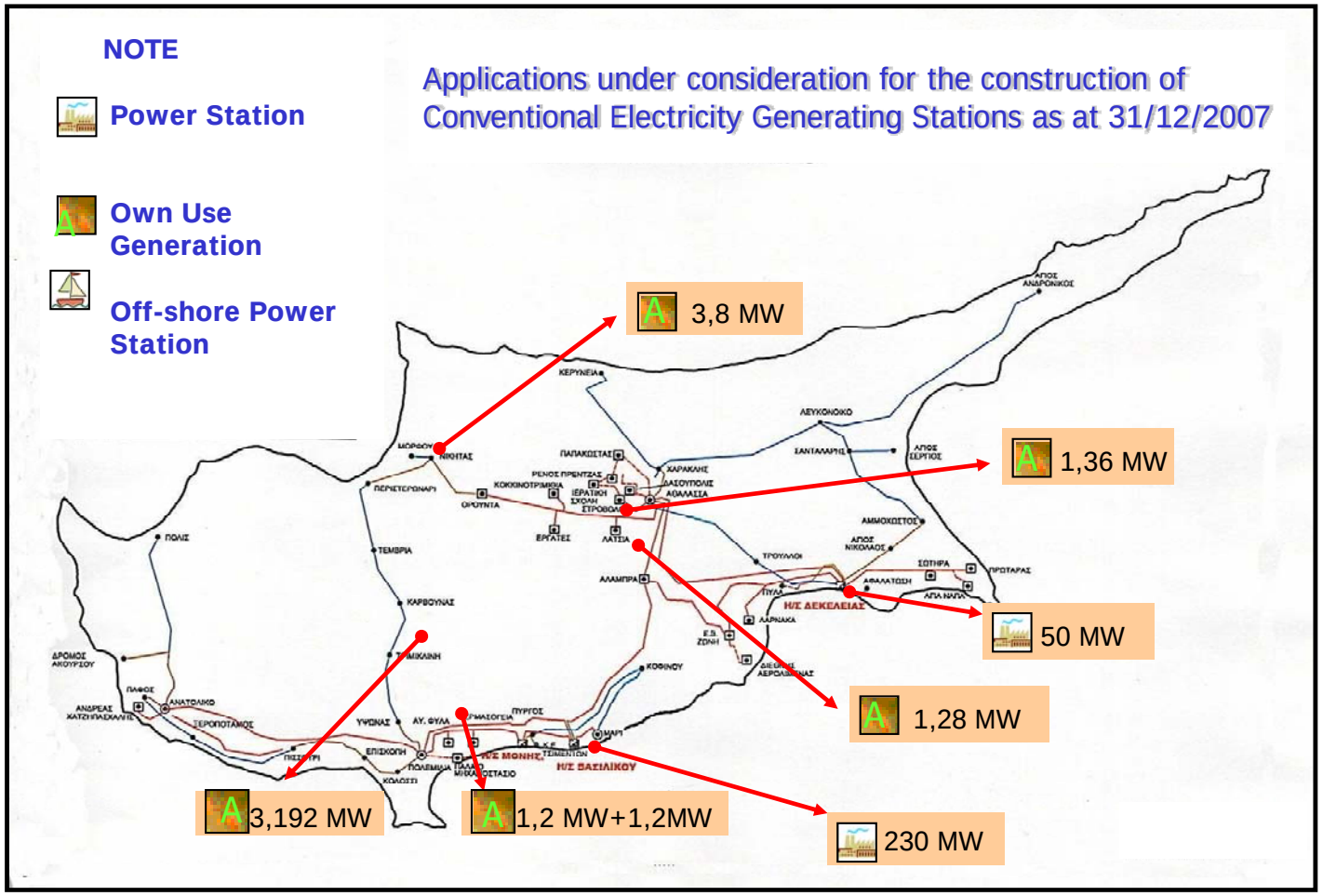
Graph 4

	CAPACITY MW				
	TOTAL	2004	2005	2006	2007
EAC	1834	1658	46*	80*	50
IPPs	2024.29	431.48	849,65*	408,65*	334.51
TOTAL	3858.29	2089.48	895.65	488.65	384.51

*Licences amendments are included

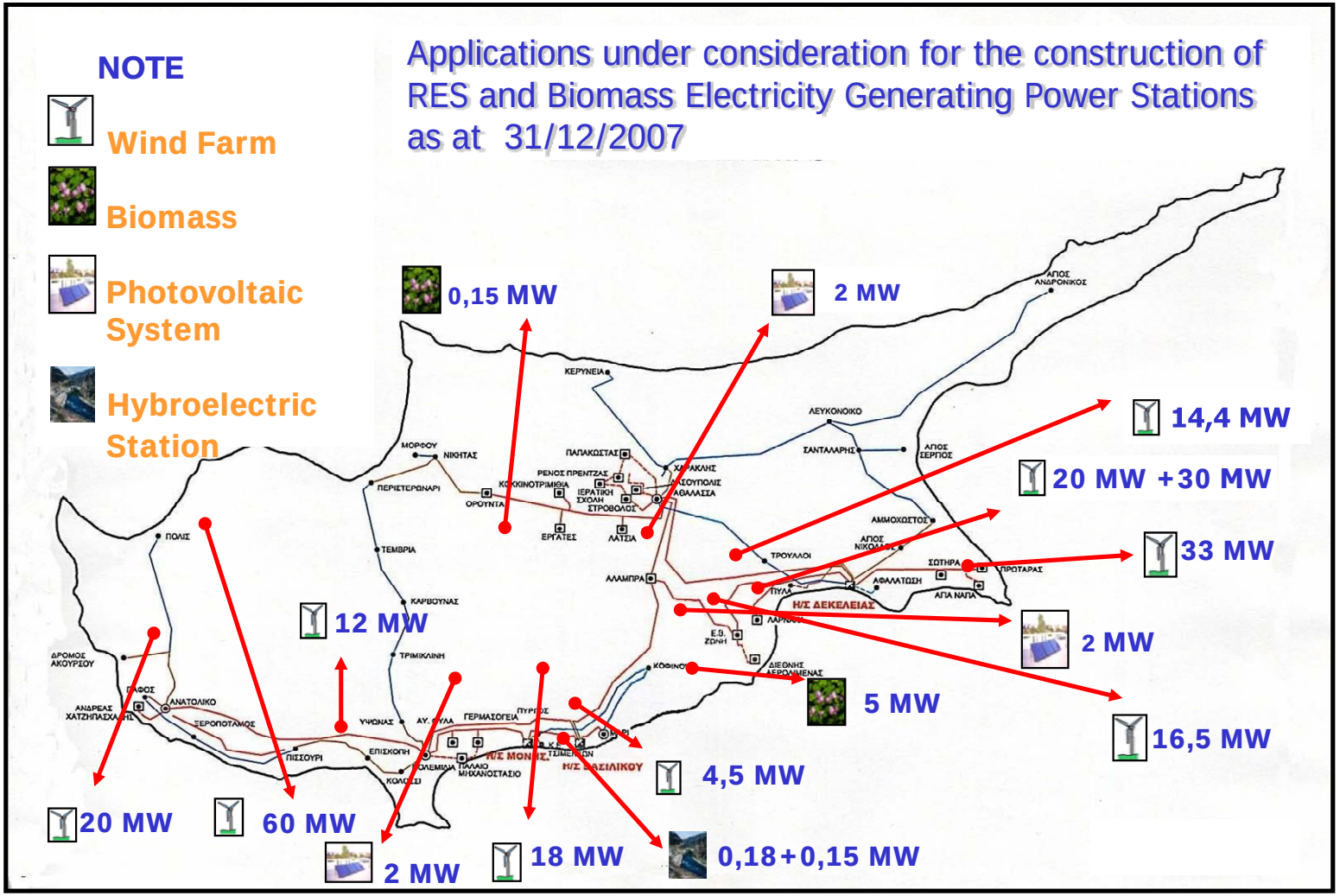
(c) Applications Under Review for New Plant for Generation of Electrical Energy – *Conventional Units of Generation*

S/N	Name of Company	Type of License	MW
1	P.E.C. Powerenergy Cyprus Ltd	Construction and Operation of Power Station (CCGT) Vasiliko Area (Larnaka Area)	230,00
2	Electricity Authority of Cyprus	Construction and Operation of Power Station (ICE) – for own use generation, Dekhelia (Larnaka Area)	50,00
3	Hellenic Copper Mines Ltd	Operation and Generation of Electrical Energy (Existing Unit – for own use generation) Skouriotissa / Linou (Nicosia Area)	3,80
4	M. S. (Skyra) Vassas Ltd	Operation and Generation of Electrical Energy – for own use generation, Vasa Kellakiou (Limassol Area)	3,19
5	Sewerage Board of Limassol-Amathus	Operation and Generation of Electrical Energy – for own use generation (Limassol Area)	1,2
6	Sewerage Board of Limassol-Amathus	Operation and Generation of Electrical Energy – for own use generation (Limassol Area)	1,2
7	Cyprus Telecommunications Authority	Construction and Operation of Power Station (CCGT) (for own use generation) (Nicosia Area)	1,36
8	JCC Payment Systems Ltd	Construction and Operation of Power Station (CCGT) (for own use generation), Nisou (Nicosia Area)	1,28
		TOTAL (100%)	292,03
		EAC (17,31%)	50,00
		OTHERS (82,69%)	242,03


NOTE
Power Station
Own Use Generation
Off-shore Power Station
Applications under consideration for the construction of Conventional Electricity Generating Stations as at 31/12/2007
3,8 MW
1,36 MW
50 MW
1,28 MW
230 MW
1,2 MW+1,2MW
3,192 MW
Η/Σ ΔΕΚΕΛΕΙΑΣ
Η/Σ ΜΟΝΗΣ
Η/Σ ΒΑΣΙΛΙΚΟΥ

(d) Applications Under Review for New Plant for Generation of Electrical Energy – *Renewable Energy Sources (RES) from WIND*

S/N	Name of Company	Type of License	MW
1	MedWind Ltd	Construction of Wind Farm (Agios Amvrosios, Xylokastro - Limassol Area)	12,0
2	MedWind Ltd	Construction of Wind Farm (Sanida - Limassol Area)	18,0
3	MedWind Ltd	Construction of Wind Farm (Kathikas, Ag. Georgios - Paphos Area)	20,0
4	Ketonis Developments Ltd	Construction of Wind Farm (Sotera – Famagusta Area)	33,0
5	Ketonis Developments Ltd	Construction of Wind Farm (Kellia – Larnaka Area)	16,5
6	Aerotriciy Ltd	Construction and Operation of Wind Farm (Lymbia – Nicosia Area)	14,4
7	Ketonis Developments Ltd	Construction of Wind Farm (Aradhippou – Larnaka Area)	30,0
8	Kounna Steliou Bros Enterprises Ltd	Construction of Wind Farm (Aradhippou – Larnaka Area)	20,0
9	TSP Aeolian Mediterranean Ltd	Construction and Operation of Wind Farm (Pomos – Pafos Area)	60,0
10	Touvlopoiia Palekythrou “O Gigas”Ltd	Construction of Wind Farm (“Kalavasos – Larnaka Area)	4,5
		TOTAL (100%)	228,4
		EAC (0%)	0
		OTHERS (100%)	228,4


NOTE
Wind Farm
Biomass
Photovoltaic System
Hybroelectric Station
Applications under consideration for the construction of RES and Biomass Electricity Generating Power Stations as at 31/12/2007
0,15 MW
2 MW
14,4 MW
20 MW +30 MW
33 MW
2 MW
5 MW
16,5 MW
4,5 MW
0,18+0,15 MW
18 MW
2 MW
60 MW
20 MW
12 MW
Η/Σ ΔΕΚΕΛΕΙΑΣ
Η/Σ ΜΟΝΗΣ
Η/Σ ΒΑΣΙΛΙΚΟΥ

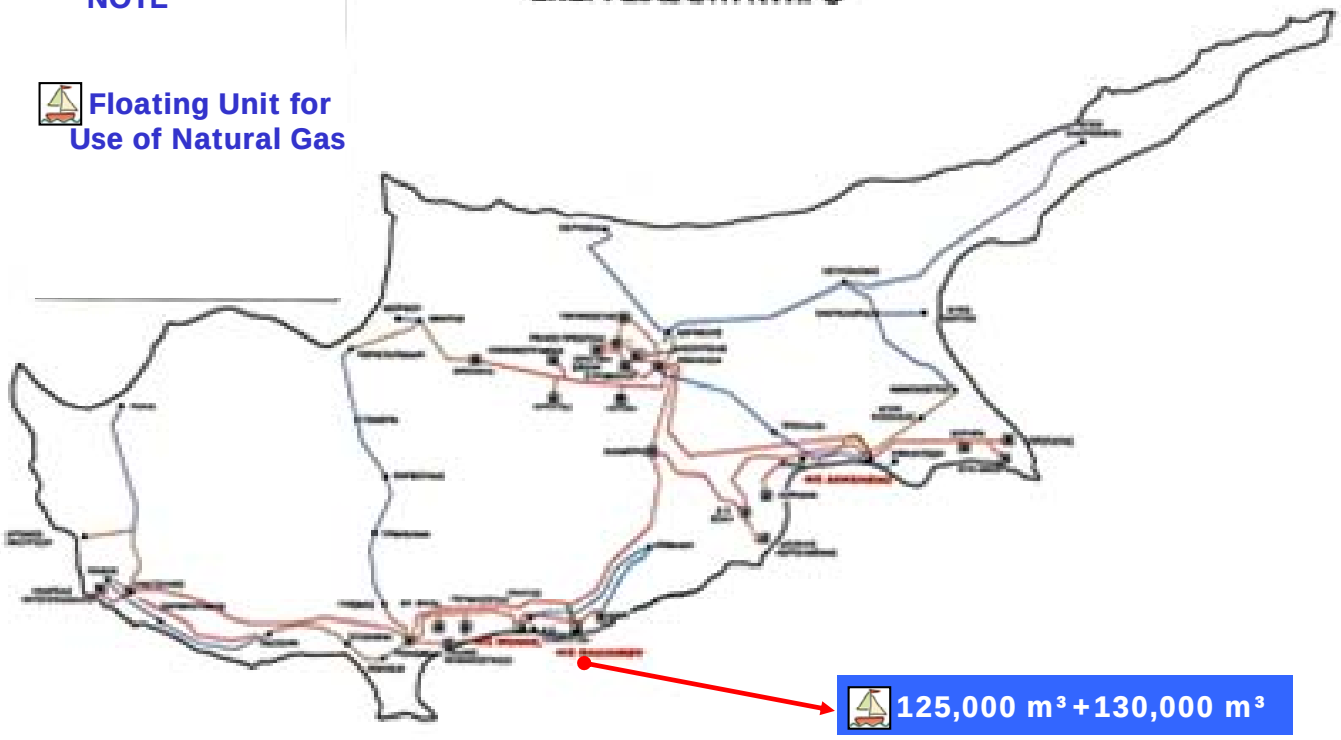
(e) Applications Under Review for New Plant for Generation of Electrical Energy – *Renewable Energy Sources (RES) from BIOMASS, PHOTOVOLTAIC & Hydroelectric Systems*

S/N	Name of Company	Type of License	MW
1	Vouros Power Industries Ltd	Construction and Operation of Electrical Power Station from ***Biomass*** (Kofinou – Larnaka Area)	5
2	Sigan Management Ltd	Construction of Electrical Power Station from ***Photovoltaic*** (Menogia – Larnaka Area)	2
3	Galatariotis Telecommunications Ltd	Construction of Electrical Power Station from ***Photovoltaic*** (Geri – Nicosia Area)	2
4	Limassol Water Board Authorities	Construction of Electrical Power Station from ***Hydroelectric System*** (Mesa Gitonia – Limassol Area)	0,150
5	Limassol Water Board Authorities	Construction of Electrical Power Station from ***Hydroelectric System*** (Kapsalos – Limassol Area)	0,180
6	M. Antoniades Farm Ltd	Construction and Operation of Electrical Power Station from ***Biomass*** (Meniko – Nicosia Area)	0,150
7	Atheristes Estates Ltd	Construction of Electrical Power Station from ***Photovoltaic*** (Pareklissia – Limassol Area)	2
		TOTAL (100%)	12,980
		EAC (0%)	0
		OTHERS (100%)	12,980

Applications under consideration for the construction of installations of Natural Gas Import as at 31/12/2007

NOTE

Floating Unit for Use of Natural Gas



NATURAL GAS LICENCES

Applications Under Review for Natural Gas

S/N	Name of Company	Type of License	Capacity of Storage Tanks $m^3 \times 10^3$	Annual Capability of Supply Gasified and Depressurised Natural Gas under Usual Conditions ISO $m^3 \times 10^6$
1	Golar Energy Ltd	Construction, Operation and Exploitation of Installations of Import/ Storage/ Gasification facilities of Natural Gas for own use - Floating Unit, Vasilikos Sea Area (Larnaka Area)	125	260
2	Vasilikos LNG Ltd	Construction, Operation and Exploitation of Installations of Import/ Storage/ Gasification facilities of Natural Gas for own use and Supply Natural Gas to Wholesale Customers, Supply of Natural Gas to Eligible Consumers and Supply of Natural Gas to Non-Eligible Consumers - Floating Unit, Vasilikos Sea Area (Larnaka Area)	130	3,000
		TOTAL (100%)	255	3,260
		EAC (0%)	0	0
		OTHERS (100%)	255	3,260

29/8/2008

APPLICATIONS REJECTED

GENERATION OF ELECTRICAL ENERGY – UNITS BY CONVENTIONAL FUELS RENEWABLE ENERGY SOURCES

S/N	NAME OF COMPANY	TYPE OF LICENSE	MW
1.	Hellenic Copper Mines Ltd	Construction and Operation of Electrical Power Station at Skouriotissa, Linou (Nicosia Area), Conventional Units	3.8
2.	Hellenic Copper Mines Ltd	Construction, Operation and Production of Electrical Power Station at Vasilikos (Larnaka Area), Conventional Units	60.0
3.	Vouros Power Industries Ltd	Construction of Wind Farm-Alexigros,(Larnaca Area)	12.0
4.	Vouros Power Industries Ltd	Construction of Wind Farm-Tsada (Paphos Area)	12.0
5.	MedWind Ltd	Construction of Wind Farm at Pyrga, Appidaki (Larnaca District)	12.0
6.	MedWind Ltd	Construction of Wind Farm- Asgata (Limassol Area)	20.0
7.	M. P..Aerosupply	Construction and Operation Wind Farm at the area of the villages Vavla, Ora, Chirokitia, Kato Dri and Kalavasos (Larnaca Area)	20.5

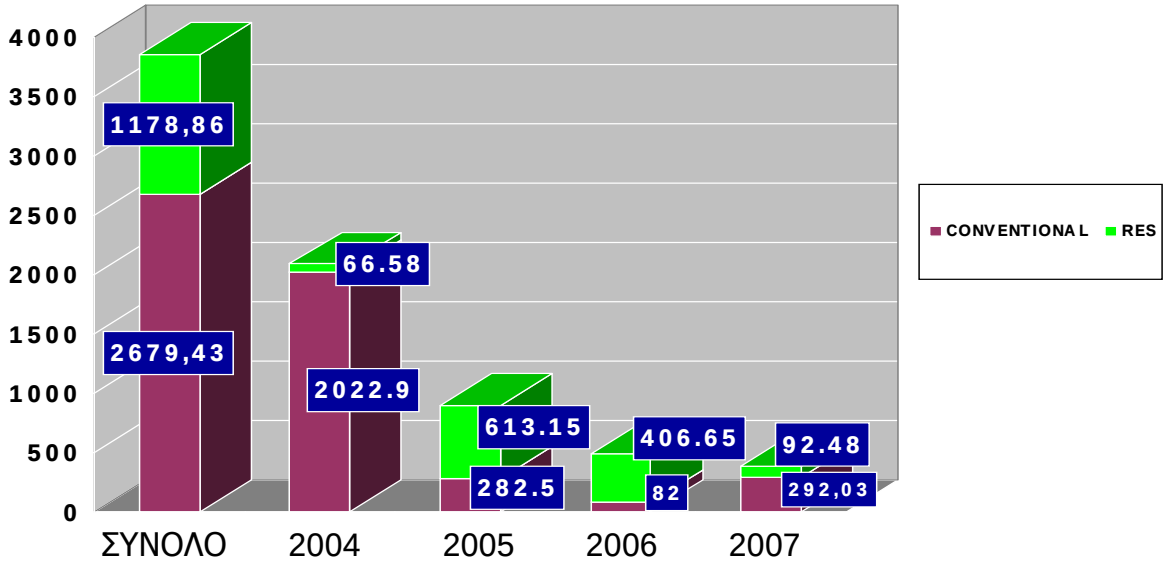
LICENCES REVOKED

GENERATION OF ELECTRICAL ENERGY- UNITS BY CONVENTIONAL FUELS RENEWABLE ENERGY SOURCES

S/N	NAME OF COMPANY	TYPE OF LICENSE	MW
1.	Unenes Ltd	Construction and Operation of Electrical Power Station (Vasilikos Area)	230
2.	EAC	Construction, Operation and Production of Wind Farm “Kourris” (Limassol Area)	6

Applications submitted to CERA for Licences for Electricity Generation for period 2004-2007

Graph 5



	CAPACITY MW				
	ΣΥΝΟΛΟ	2004	2005	2006	2007
RES	1178.86	66.58	613,15*	406,65*	92.48
CONVENTIONAL	2679.43	2022.9	282,5*	82*	292.03
TOTAL	3858.29	2089.48	895.65	488.65	384.51

*Licences amendments are included

EUROPEAN DIRECTIVES AND LEGISLATIVE REGULATION

EUROPEAN DIRECTIVES, DECISIONS, RECOMMENDATIONS, AND REGULATIONS ON ENERGY ISSUES

A/A	DATE	NUMBER	CATEGORY	TITLE
1.	20/12/1968	68/414/EEC	Directive	On imposing an obligation on Member States of EEC to maintain minimum stocks of crude oil and / or petroleum products.
2.	24/07/1973	73/238/EEC	Directive	On measures to mitigate the effects of difficulties in the supply of crude oil and petroleum products.
3.	06/10/1975	75/2677/EEC	Regulation	Concerning the application of Regulation No 3254/74/EEC of the Council of 17th of December 1974 «on the application of Regulation 1055/72/EEC concerning the announcement issued to the committee of importers of hydrocarbons for the petroleum classes 27.10. A, B, CI and CII of the common charges».
4.	15/06/1979	79/639/EEC	Decision	Laying down detailed rules for the implementation of Council Decision 77/706/EEC.
5.	27/10/1981	81/924/EEC	Recommendation	On Electricity tariff structures in the Community.
6.	24/11/1988	88/609/EEC	Directive	On the limitation of emissions of certain pollutants into the air from large combustion plants.
7.	08/11/1988	88/611/EEC	Recommendation	Promote co-operation between Public Utilities and Auto producers
8.	29/06/1990	90/377/EEC	Directive	Concerning a Community procedure to improve the transparency of gas and electricity prices charged to industrial end-users.

A/A	DATE	NUMBER	CATEGORY	TITLE
9.	29/10/1990	90/547/EEC	Directive	On the transit of electricity through transmission grids.
10.	31/05/1991	91/296/EEC	Directive	On the transit of natural gas through grids.
11.	21/05/1992	92/42/EEC	Directive	On efficiency requirements for new hot-water boilers fired with liquid or gaseous fuels.
12.	13/09/1993	93/76/EEC	Directive	To limit carbon dioxide emissions by improving energy efficiency (SAVE)
13.	30/05/1994	94/22/EC	Directive	On the conditions for granting and using authorisations for the search, exploration and production of hydrocarbons.
14.	24/09/1996	96/61/EC	Directive	Concerning integrated pollution prevention and control.
15.	19/12/1996	96/92/EC	Directive	Concerning common rules for the internal market in Electricity.
16.	22/06/1998	98/30/EC	Directive	Concerning common rules for the internal market of natural gas.
17.	13/10/1998	98/70/EC	Directive	Relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EEC.
18.	01/10/1998	98/75/EC	Directive	Updating the list of entities covered by Directive 90/547/EEC on the transit of electricity through transmission grids.
19.	14/12/1998	98/93/EC	Directive	Amending Directive 68/414/EEC, imposing an obligation on Member States of the EEC to maintain minimum stocks of crude oil and /or petroleum products.

A/A	DATE	NUMBER	CATEGORY	TITLE
20.	23/09/1997	98/181/EC	Decision	On the conclusion by the European Communities of the Energy Charter Treaty and Energy Charter Protocol on Energy efficiency and related environmental aspects.
21.	26/04/1999	99/32/EC	Directive	Relating to a reduction in the sulphur content of certain liquid fuels and amending Directive 93/12/EEC.
22.	22/04/1999	1999/280/EC	Decision	Regarding a Community procedure for information and consultation on crude oil supply cost and the consumer prices of petroleum products.
23.	26/07/1999	1999/566/EC	Decision	Implementing Council Decision 1999/280/EC regarding a Community procedure for information and consultation on crude oil supply costs and the consumer prices of petroleum products.
24.	27/09/2001	2001/77/EC	Directive	On the promotion of electricity produced from Renewable Energy Sources in the internal electricity market.
25.	23/10/2001	2001/80/EC	Directive	On the limitation of emissions of certain pollutants into the air from large combustion plants.
26.	22/03/2002	2002/31/EC	Directive	Implementing Council Directive 7295 with regard to energy labeling of household air conditioners.

A/A	DATE	NUMBER	CATEGORY	TITLE
27.	16/12/2002	2002/91/EC	Directive	On the energy performance of buildings.
28.	08/05/2003	2003/30/EC	Directive	On the promotion of the use of biofuels or other renewable fuels for transport.
29.	26/05/03	2003/35/EC	Directive	Providing for public participation in respect of the drawing up of certain plans and programmes relating to the environment and amending with regard to public participation and access to justice Council Directives 85/337/EEC and 96/61/EC.
30.	26/06/2003	2003/54/EC	Directive	Concerning common rules for the internal market in electricity and repealing. Directive 96/92/EC.
31.	26/06/2003	2003/55/EC	Directive	Concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC.
32.	13/10/2003	2003/87/EC	Directive	Establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC.
33.	07/10/2003	2003/92/EC	Directive	As regards the rules of the place of supply of gas and electricity.
34.	27/10/2003	2003/96/EC	Directive	Restructuring the Community framework for the taxation of energy products and electricity.

A/A	DATE	NUMBER	CATEGORY	TITLE
35.	11/11/2003	2003/796/EC	Decision	On establishing the European Regulators Group for Electricity and Gas.
36.	26/06/2003	1228/2003/EC	Regulation	On conditions for access to the network for cross-border exchanges in electricity.
37.	06/09/2006	1364/2006/EC	Decision	Laying down guidelines for Trans European Energy Networks and repealing Decision 96/391/EC and Decision 1229/2003/EC
38.	11/02/2004	2004/8/EC	Directive	On the promotion of cogeneration based on a useful heat demand in the internal energy market and amending Directive 92/42/EEC.
39.	26/04/2004	2004/67/EC	Directive	Concerning measures to safeguard security of natural gas supply.
40.	29/01/2004	2004/156/EC	Decision	Establishing guidelines for the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC.
41.	28/09/2005	1775/2005/EC	Regulation	On conditions for access to the natural gas transmission networks.
42.	18/01/2006	2005/89/EC	Directive	On measures to safeguard security of electricity supply and infrastructure investment
43.	05/04/2006	2006/32/EC	Directive	On energy and use efficiency and energy services and repealing Council Directive 93/76/EEC.

STATUTORY AND OTHER REGULATION

The following Laws and Regulations have been enacted and are in force:

LAWS

ELECTRICITY

THE LAWS OF 2003 - 2006 ON REGULATING THE ELECTRICITY MARKET

NO.	TITLE OF LAW	NUMBER OF LAW	NUMBER OF GAZETTE	DATE OF PUBLICATION
1.	The Law of 2003 On Regulating the Electricity Market	L.122(I)/2003	3742	25/07/03
2.	The Law of 2004 On Regulating the Electricity Market– AMENDMENT	L.239(I)/2004	3918	05/11/04
3.	The Law of 2005 On Regulating the Electricity Market– AMENDMENT	L.143(I)/2005	4057	09/12/05
4.	The Law of 2006 On Regulating the Electricity Market - AMENDMENT	L.173(I)/2005	4105	29/12/06

NATURAL GAS

THE LAWS OF 2004 – 2006 ON REGULATING THE NATURAL GAS MARKET

1.	The Law of 2004 On Regulating the Natural Gas Market	L.183(I)/2004	3852	30/04/04
2.	The Law of 2006 On Regulating the Natural Gas Market - AMENDMENT	L.103(I)/2006	4088	21/07/06
3.	The Law of 2007 On Regulating the Natural Gas Market – AMENDMENT	L. 199(I)/2007	4154	31/12/07

THE LAWS OF 2003-2006 ON THE PROMOTION OF ELECTRICITY PRODUCED FROM RENEWABLE ENERGY SOURCES THE LAW OF 2006 ON THE PROMOTION OF COGENERATION AND OTHER LAWS

RENEWABLE ENERGY SOURCES

NO.	TITLE OF LAW	NUMBER OF LAW	NUMBER OF GAZETTE	DATE OF PUBLICATION
1.	The Law of 2003 On the Promotion and	L.33(I)/2003	3706	18/04/03

	Encouragement of the Use of Renewable Energy Sources (RES) and Energy Conservation			
2.	The Law of 2004 On the Promotion and Encouragement of the Use of Renewable Energy Sources (RES) and Energy Conservation - AMENDMENT	L.234A(I)/2004	3915A	02/11/04
3.	The Law of 2005 On the Promotion and Encouragement of the Use of Renewable Energy Sources (RES) and Energy Conservation - AMENDMENT	L.139(I)/2005	4055	02/12/05
4.	The Law of 2006 On the Promotion and Encouragement of the Use of Renewable Energy Sources (RES) and Energy Conservation- AMENDMENT	L.162(I)/2006	4103	22/12/06
COGENERATION				
1.	The Law of 2006 On the Promotion of Cogeneration of Electricity and Heat	L.174(I)/2006	4105	29/12/06
OTHER LAWS				
1.	The Law of 2004 On the Implementation of European Regulations relevant to the Energy Sector.	L.278(I)/2004	3940	31/12/04

REGULATIONS

REGULATIONS ISSUED BY VIRTUE OF THE PROVISIONS OF THE LAWS OF 2003 – 2006 ON REGULATING THE ELECTRICITY MARKET

ELECTRICITY

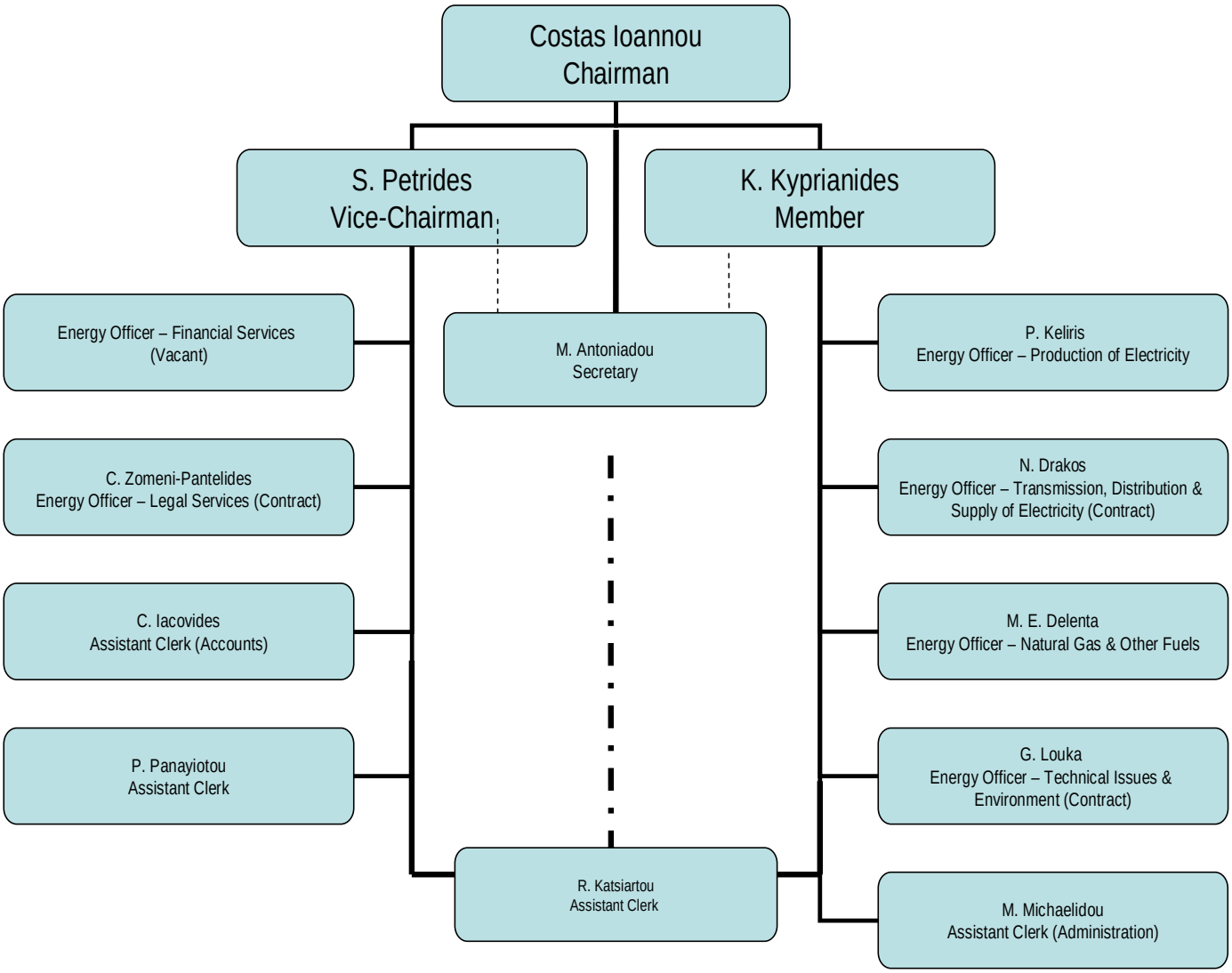
NO.	TITLE	NUMBER OF REGULATION	NUMBER OF GAZETTE	DATE OF PUBLICATION
1.	The Regulations of 2004 On Regulating the Electricity Market (INVESTIGATIONS PROCEDURE)	Reg.465/2004	3851	30/04/04
2.	The Regulations of 2004 On Regulating the Electricity (LICENCE REGISTER)	Reg.466/2004	3851	30/04/04
3.	The Regulations of 2004 On Regulating the Electricity Market (LICENCE FEES)	Reg.467/2004	3851	30/04/04
4.	The Regulations of 2004 On Regulating the Electricity Market (ADMINISTRATIVE FINES)	Reg.468/2004	3851	30/04/04
5.	The Regulations of 2004 On Regulating the Electricity Market (ELECTRICITY TARIFFS)	Reg.472/2004	3851	30/04/04
6.	The CERA STAFF Regulations of 2004 (APPOINTMENT, PROMOTION, SERVICE AND DISCIPLINARY CODE)	Reg.528/2004	3853	30/04/04
7.	The Regulations of 2004 On Regulating the Electricity Market (ISSUE OF LICENCES)	Reg.538/2004	3853	30/04/04
8.	The Regulations of 2005 On Regulating the Electricity Market (PROCEDURE FOR SUBMITTING COMPLAINTS)	Reg.570/2005	4058	16/12/05

ELECTRICITY				
NO.	TITLE	NUMBER OF REGULATION	NUMBER OF GAZETTE	DATE OF PUBLICATION
9.	The Regulations of 2005 On Regulating the Electricity Market (PERFORMANCE INDICATORS)	Reg.571/2005	4058	16/12/05
NATURAL GAS				
REGULATIONS ISSUED BY VIRTUE OF THE PROVISIONS OF THE LAWS OF 2004 – 2006 ON REGULATING THE NATURAL GAS MARKET				
1.	The Regulations of 2006 On Regulating the Natural Gas Market (INVESTIGATIONS PROCEDURE)	Reg.297/2006	4122	21/07/06
2.	The Regulations of 2006 On Regulating the Natural Gas Market (ISSUE OF LICENCE)	Reg.298/2006	4122	21/07/06
3.	The Regulations of 2006 On Regulating the Natural Gas Market (FEES)	Reg.299/2006	4122	21/07/06

OTHER REGULATION				
DECREES / DIRECTIVES / DECISIONS				
1.	The **Decree** of 2004 On Consumers Eligible to Select their Supplier	Reg.340/2004	3847	30/04/04
2.	The **Directive** of 2006 stipulating natural gas as the primary source of Energy for sizeable new investments	Reg.115/2006	4088	17/03/06
3.	The **Decision** of 2006 imposing a Public Service Obligation regarding the price of electricity supply to multi-member and low-income families	Reg.200/2006	4098	28/04/06

REGULATORY DECISIONS				
No.	**Title**	**Number of Regulation**	**Number of Gazette**	**Date of Publication**
1.	Declaration of Regulatory Practice and Methodology of Electricity Tariffs	Reg.177/2006	4096	14/04/06
2.	Declaration of Regulatory Practice and Methodology of Electricity Tariffs - AMENDMENT	Reg.404/2006	4142	23/10/06
3.	Declaration of Regulatory Practice and Methodology of Electricity Tariffs - AMENDMENT	Reg.105/2007	4178	02/03/07
4.	Declaration of Regulatory Practice and Methodology of Electricity Tariffs - AMENDMENT	Reg.227/2007	4200	25/05/07
RULES / PROTOCOLS				
1.	The "Electricity Transmission/ Distribution Rules"	APPROVAL 07/10/2004	IN FORCE FROM 15/10/2005	
2.	The "Electricity Transmission/ Distribution Rules" – AMENDMENT	09/06/2006	19/06/2006	
3.	The "Electricity Market Rules"	Approval granted in principle in 2005. Requested simplification work to be carried out and be completed in 2007.		
4.	Transmission and Distribution Protocol	Signed on 17/07/2006		
CHARGES				
⇨	New Charges for Customer Services by EAC	Approved on 01/11/2005 In force from 01/01/2006		
⇨	New EAC Tariff Charges	Approval due in 2008		
⇨	Charges for the Use of the Transmission System	Approval due in 2008		
⇨	Charges for the Use of the Distribution System	Approval due in 2008		
Proposed Laws				
⇨	Proposed Law On the Measures to safeguard Security of Natural Gas Supply.	Submitted to the House of Representatives. Approval pending.		

Cyprus Energy Regulatory Authority (CERA) – Organogram (2007)



FOR EASY COMMUNICATION WITH CERA

The offices of the Cyprus Energy Regulatory Authority are situated at Iacovides Tower in Nicosia.

Its full address is the following:

Griva Digheni Avenue 81-83
Iacovides Tower
3rd Floor, 1080 Nicosia

The postal address is :

P. O. Box 24936
1355 Nicosia

FOR QUICK COMMUNICATION:

Tel +357 22 66 63 63
Fax +357 22 66 77 63
Email : info@cera.org.cy
Web page : www.cera.org.cy

WEB SITE BASIC CHAPTERS

CERA	Issue of Licences
Legislation	List of Licences
Announcements	Connections
Licence Fees	Communication

CONSULTANTS APPOINTED, FOLLOWING TENDER PROCEDURES

LEGAL ADVISERS

The Law Office of Mr. Christos Triantafyllides was appointed as CERA's Legal Adviser as from the 1st of July 2004.

ACCOUNTANTS

The Accounting Firm Nexia Poyiadjis were appointed as CERA's Accountants as from the 19th of March 2004.

TECHNOECONOMIC ADVISERS

The Consultancy Firm Asprofos Public Company from Greece were appointed as CERA's Technical and Financial Consultants as from the 12th of October 2004 until July 2007.

Upon the expiry of the Contract and following new tender procedure, LDK Consultants of Technical and Development Projects in cooperation with Deloitte & Touch Ltd, are the new Technical and Financial Consultants of CERA, as from the 1st of August 2007.

CYPRUS ENERGY REGULATORY AUTHORITY
REPORT AND FINANCIAL STATEMENTS
31 December 2007

MEMBERS OF THE AUTHORITY AND OTHER OFFICERS

Members of the Authority:	Costas Ioannou - Chairman Stelios Petrides - Vice-Chairman Kypros Kyprianides - Member
Independent Auditors:	Auditor General of the Republic of Cyprus 6 Deligeorgi Street 1406 NIcosia
Legal Advisers:	Christos M. Triantafyllides Lawyer 27 Evagorou Avenue Irene Building 3rd Floor, Office 35 P. O. Box 22411 1521 Nicosia Cyprus
Financial Advisers:	NEXIA POYIADJIS CHARTERED ACCOUNTANTS 2 Sophouli Street Chanteclair Building 8th Floor P. O. Box 21814 1513 Nicosia Cyprus
Registered office:	81-83 Griva Digeni Avenue Iakovides Building 3rd Floor P. O. Box 24936 1355 Nicosia Cyprus

Report of the Auditor General of the Republic
To the Cyprus Energy Regulatory Authority

Rough Translation

Quote

Republic of Cyprus

AUDITOR GENERAL
OF THE REPUBLIC
1406 CYPRUS

**REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC
TO THE CYPRUS ENERGY REGULATORY AUTHORITY**

I have audited the Financial Statements on pages 3 to 14, which consist of the Balance Sheet as at 31st December, 2007, the Profit and Loss Account, The Statement of changes to the Reserve, and the cash flow Statement for the year ending on the above date as well as a Summary of the important accounting principles and other explanatory Notes.

Responsibility for the Financial Statements

The preparation of these financial statements and their fair presentation in accordance with the International Standards of Financial Reporting as adopted by the European Union (EU) and the requirements of the Laws On Regulating the Electricity Market, is the responsibility of the Authority. The said responsibility includes: planning, implementation and adherence to internal audit relating to the preparation and fair presentation of the Financial Statements free from substantial mistakes and omissions due either to fraud or mistake, selection and implementation of accounting principles and accounting estimates, which are reasonable under the circumstances.

Responsibility of the Auditor General

My responsibility is to express my opinion on these Financial Statements based on the audit carried out. Auditing was performed in accordance with the International Auditing Standards. These Standards demand that I perform my audit in accordance with indispensable requirements and that I program and exercise my audit in order to obtain reasonable assurances as to whether the Financial Statements do not have substantial mistakes.

Auditing includes the carrying out of procedures for obtaining evidence for amounts and other announcements included in the Financial Statements. The procedures selected are in the discretion of the auditor, and include the risk assessment of substantial mistakes and omissions in the Financial Statements due to either fraud or mistake. When making the said risk assessment, the auditor takes into consideration the internal audit relating to the preparation and fair presentation of the Financial Statements of the financial entity in order to plan the suitable procedures under the circumstances, and

not for the purpose of expressing his opinion on the effectiveness of the internal audit of the financial entity. Auditing also includes an evaluation of the accounting principles used, the important calculations made by the Authority, as well as the evaluation of the overall presentation of the Financial Statements.

I believe that the material I received for audit is adequate and suitable to provide a basis for my auditing opinion.

Opinion

In my opinion, suitable Accounting Books have been kept and the financial statements which agree with these give a true and fair picture of the financial condition of the Cyprus Energy Regulatory Authority on 31st December 2007 and of the surplus and cash flow for the year ended on this date in accordance with the International Standards of Financial Reporting and are consistent with the provisions of the Laws Regulating the Electricity Market.

A. Kourtellis, FCCA
For Auditor General
of the Republic

Nicosia, 28 March 2007

Unquote

REPORT OF THE MEMBERS OF THE AUTHORITY

The Members of the Cyprus Energy Regulatory Authority (CERA) present their report together with the audited financial statements of the CERA for the year ended 31 December 2007.

PRINCIPAL ACTIVITY

The establishment of CERA arises from Cyprus' obligations against the European Union. CERA's basic mission is the supervision of the operation of the Energy Market (Electricity and Natural Gas) in a new liberalized environment with no monopolies. On the 4th of February 2004 the members gave their legalized confirmation to the President of the Republic of Cyprus for the loyal execution of their duties according to the provisions of the Law 122(I) of 2003.

RESULTS AND DIVIDENDS

The CERA's results for the year are set out on the following pages. The Members of the Authority decided to transfer the surplus of income over expenses for the year to reserves.

MEMBERS OF THE AUTHORITY

The members of CERA as at 31st December 2007 and at the date of this report are shown on page 100. All of them were members of CERA throughout the year ended 31st December 2007.

In accordance with the Law 122(I) of 2003 all of CERA's current members have been appointed for 6 years.

By authorization of CERA's Members

Costas Ioannou
Chairman

Nicosia, Cyprus, 14th March 2008

INCOME STATEMENT
Year ended 31 December 2007

	Note	**2007 CY£**	2006 CY£
Revenue	4	**991,384**	925,976
Other income	5	**60,436**	46,123
Administration		**(481,288)**	(538,463)
Other expenses	6	**-**	(737)
Operating surplus	7	**570,532**	432,899
Net finance costs	10	**(1,554)**	(949)
Surplus before tax		**568,978**	431,950
Tax	11	**(26,143)**	(4,612)
Surplus for the year		**542,835**	427,338

BALANCE SHEET
31 December 2007

	Note	**2007 CY£**	2006 CY£
ASSETS			
Non-current assets			
Property, plant and equipment	12	**46,877**	46,707
Intangible assets	13	**-**	707
		46,877	47,414
Current assets			
Duties and other receivables	14	**10,149**	8,872
Cash at bank and in hand	15	**2,023,451**	1,757,167
		2,033,600	1,766,039
Total assets		**2,080,477**	1,813,453
EQUITY AND LIABILITIES			
Equity and reserves			
Retained surpluses		**2,021,033**	1,478,198
		2,021,033	1,478,198
Non-current liabilities			
Borrowings	16	**-**	280,000
		-	280,000
Current liabilities			
Trade and other payables	17	**51,134**	55,255
Current tax liabilities	18	**8,310**	-
		59,444	55,255
Total liabilities		**59,444**	335,255
Total equity and liabilities		**2,080,477**	1,813,453

On 14 March 2008 the Board of Directors of CYPRUS ENERGY REGULATORY AUTHORITY authorised these financial statements for issue.

.....	.....	.....
Costas Ioannou	Stelios Petrides	Kypros Kyprianides
Chairman	Vice-Chairman	Member