

# CERA ANNUAL REPORT 2009





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**Layout**

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

25 June 2010

Your Excellency, Mr. President

We have the honour to submit the 6th 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 31<sup>st</sup> of December 2009, as well as the Report of the Auditors.

The Report and Accounts are submitted to you in accordance with Articles 18(1), 19(3) and 61(3) of the Laws on Regulating the Electricity Market of 2003 to 2008.

Respectfully

**George Shammas**  
Chairman



**Constantinos Eliopoulos**  
Vice-Chairman



**Kypros Kyprianides**  
Member





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# INTRODUCTION

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There is no doubt that the global financial crisis was one of the main characteristics of 2009. It was a crisis that shook the foundations of every society. Organisations, Companies, Government Services and of course the Private Sector had to operate in this negative and oppressive climate.

The Energy sector which falls in the competence of CERA is absolutely interwoven with the progress and the economy of every country. Guided by this fact, CERA tried in the course of 2009, to achieve the best possible management of Energy issues before it, aiming always at the protection of consumers, the security of supply and at ensuring healthy competition through the development of an economically viable and efficient energy market.

Of course, in parallel with the above targets, there are other important goals in CERA's policy on energy issues. The respect and protection of the environment is one of the most important factors which CERA always takes seriously into account in the overall implementation of its policy on Energy Issues.

A dominant position in the implementation of the comprehensive policy followed by CERA is the attainment of Cyprus' energy goal concerning the generation of energy from Renewable Energy Sources (RES). The goal of RES penetration into the electricity market is specific both in quantity and in time. On the basis of Cyprus' commitments towards the European Union by 2020, a percentage of 13% of total energy consumption must come from Renewable Energy Sources.

**This ambitious goal can be achieved only through a well-planned energy policy.**

**The Energy Policy should, inter alia, aim at:**

- The reliable and continuous supply of good quality at a competitive cost to consumers of Energy
- The protection of the environment and particularly the reduction of greenhouse gas emissions in order to tackle climate change to the extent that corresponds to Cyprus' possibilities.

**The adjustments which are necessary for the attainment of the above targets are set in the Basic Regulatory Framework for the Energy Market and the Strategic Planning of CERA.**

**This strategic planning is based on three pivots:**

- (a) Making natural gas available to Cyprus the soonest possible. CERA believes that the penetration of Natural Gas in the Cyprus Energy Market and mainly in electricity generation,
  - Enriches the Energy Mix of the island,
  - Leads gradually to reducing dependence on oil and improves energy security and
  - Is in line with Cyprus' commitments to achieve its environmental targets.
- (b) The promotion and development of RES so that the year **2020** may become a landmark in the implementation of the conventional obligations of Cyprus towards the

European Union, so that **13%** of energy consumed in the fields of Electricity, Transport and Heating/Cooling will be produced from Renewable Energy Sources.

- (c) Ensuring the development of healthy competition through the development of an economically viable and efficient Energy Market.

CERA, of course, recognizes that the gradual development of competition in the energy market of the small and isolated system of Cyprus should be made in a way that will ensure the long-term stability and security of supply, aiming at achieving competitive prices for consumers and at the same time ensuring the viability of licencees on whom the smooth operation of the market depends.

Closing, this brief introduction for 2009, we would like to thank all those who cooperated with us- Individuals, Organized Groups, Government Agencies - and particularly the Ministry of Commerce, Industry and Tourism and the Audit Service of the Republic.

Finally, our special thanks go to the members of the staff of CERA who did their best in the performance of their work.



# MEMBERS OF CERA

---

## **CHAIRMAN**

G. Shamas  
Engineer- Electrical Engineer  
(since 02/02/10)

C. Ioannou  
Electrical Engineer  
(from 21/01/04 until 31/10/09)

## **ACTING PRESIDENT OF CERA**

S. Petrides  
Economist  
(from 01/11/09 until 20/01/10)

## **VICE CHAIRMAN**

C. Eliopoulos  
Engineer- Electrical Engineer  
(since 02/02/10)

S. Petrides  
Economist  
(from 21/01/04 until 31/10/09)

## **MEMBER**

K. Kyprianides  
Electrical Engineer- Mechanical Engineer  
(from 21/01/04 until 20/01/10 and from 02/02/10)

# ANNUAL REPORT FOR 2009

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THE CYPRUS ENERGY REGULATORY AUTHORITY (CERA) was established by virtue of Law N.122(I) /2003 “On Regulating the Electricity Market”, enacted by the House of Representatives on the 25 July 2003.

The term of the first members of CERA ended on 20/01/10. The operation of CERA with its new composition started on 02/02/10. The new members of CERA George Shammass (Chairman), Constantinos Eliopoulos (Vice Chairman) and Kypros Kyprianides (Member) assumed their duties on 2 February 2010, after giving the prescribed affirmation for the faithful execution of their duties to the President of the Republic. The present Annual Report on CERA’s activities covers the year 2009 and is the sixth report issued by the Authority.

By virtue of the provisions of the above law (article 18), CERA submits to the President of the Republic 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(3)].

## THE BASIC MISSION OF CERA IN THE ENERGY MARKET

**The basic mission of CERA, as defined in the provisions of the existing legislation, in the Sectors of Electricity and Natural Gas is:**

- To secure essential and healthy competition in the Electricity and Natural Gas Market.
- 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 promote measures for the Protection of the Environment.
- To ensure that the needs of the consumers of agricultural areas, of the consumers who are in a disadvantageous position and the elderly are satisfied.
- To encourage the efficient generation and use of Electricity.
- To promote the use of Renewable Energy Sources (RES).
- To encourage research and development of production, transmission, distribution and the use of Electricity and Natural Gas.

# THE ESTABLISHMENT OF CERA AND ITS ROLE IN THE ENERGY MARKET

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**The structural changes of the energy markets in the European Union (EU) Member States, aiming at a Single 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 19/12/96 regarding the common regulations for the internal electricity Market in the European Union, created the need for the Republic of Cyprus, for harmonisation purposes with the Directive, to enact Law 122(1)/2003 “On Regulating the Electricity Market”, by virtue of which the Cyprus Energy Regulatory Authority (CERA) was established.

According to the Law “On Regulating the Electricity Market”, which was enacted in 2003 and, in essence, was put into effect on 01/05/04, the generation and supply of electricity ceased to be monopolistic activities of the Electricity Authority of Cyprus (EAC).

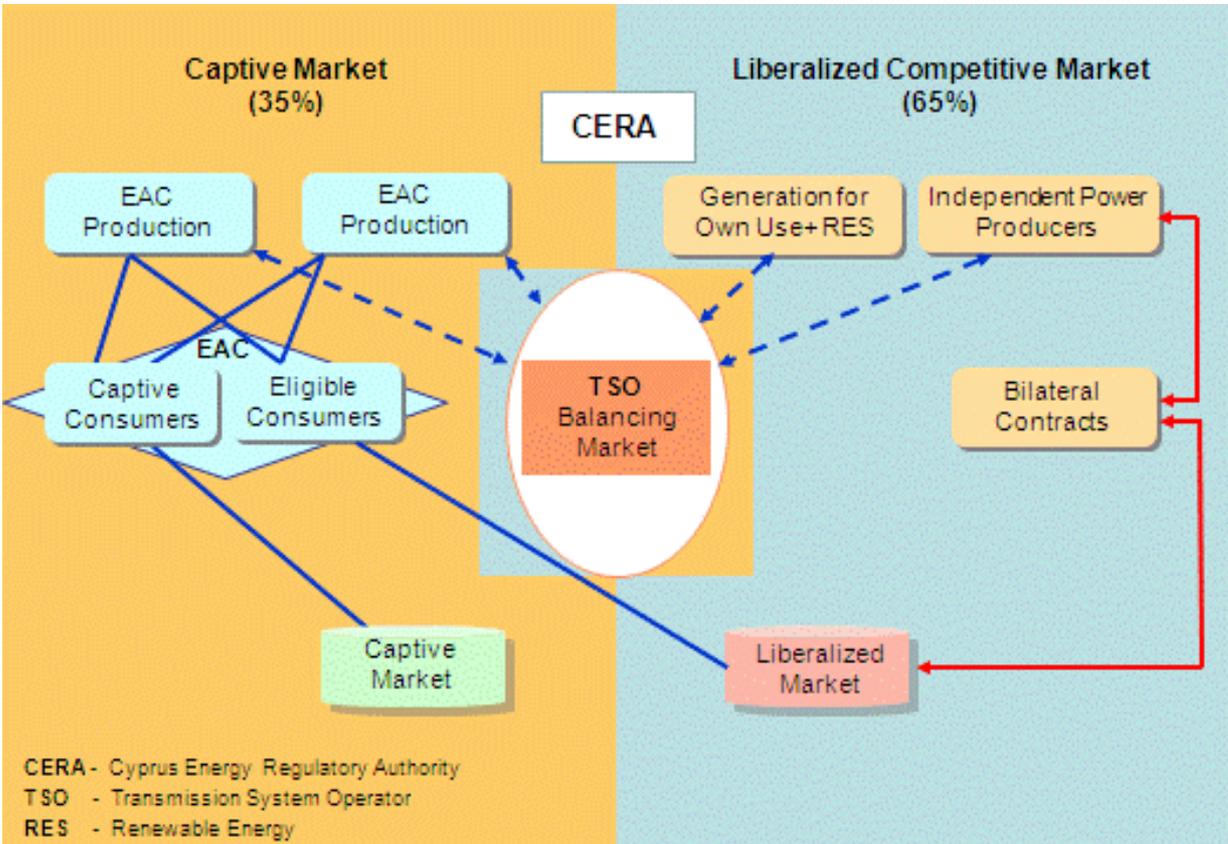
The implementation of the provisions of the relevant legislation began with the assumption of duties by the members of CERA on 04/02/04. CERA is, inter alia, responsible for safeguarding competition in the electricity market, the protection of the consumers’ interests and the promotion and development 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 networks. 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.

The 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 01/05/04, while since 01/01/09 this percentage has risen to about 65%.

In the year under review this percentage represents 19% of the total number of consumers, covering about 65% of total electricity consumption and annual expenditure of the order of €480.000.000.

# OPERATIONAL MODEL OF LIBERALISED ELECTRICITY MARKET



# POWERS AND COMPETENCES OF CERA

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

## 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.
- Ensures the Continuation, Quality, Reliability and Security of Electricity Supply.
- Encourages Research and Development in the field.
- Takes Regulatory Decisions and Decisions in accordance with the provisions of the relevant Laws and Regulations.
- Carries out investigations, either following the submission of a complaint or initiated by CERA ex officio.
- Imposes administrative fines in the event of a breach of any provision of the Law.

## 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.
- Takes appropriate and effective measures for control and transparency, so as to avoid possible misuse of dominant position, and in particular of those misuses to the detriment of consumers.
- Announces the measures that 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.

- Monitors 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.
- Protects the interests of the final consumers.
- Resolves disputes on access to pipes of the upstream network.
- Issues Regulations determining the appropriate measures for the protection of the final consumers, for resolving disputes over access to the pipes of the upstream network, for resolving disputes during negotiations for access to the network.
- Prepares and publishes Technical Rules determining the minimum standards of technical design and operation for the connection to the network installations of liquefied Natural Gas, to storage installations, to other transportation or distribution networks and to direct pipes of Natural Gas.
- Takes Administrative Decisions and Decisions in accordance with the provisions of the relevant Laws and Regulations.
- Carries out investigations, either following the submission of a complaint or initiated by CERA ex officio.
- Imposes administrative fines in the event of a breach of any provision of the Law.

## **OBLIGATIONS OF CERA**

By virtue of the Laws, CERA has the obligations to:

### **Electrical Energy**

- Safeguard essential competition in the Electricity Market, avoiding discrimination both between the Licencees 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.
- Advise the Minister of Commerce, Industry & Tourism on all issues relating to electricity.

## Natural Gas

In accordance with the Law On Regulating the Natural Gas market of 2004-2007, CERA has, inter alia, the duties to:

- Protect the interests of the Natural Gas consumers.
- Take into consideration the needs of the vulnerable consumers, the elderly and consumers with special needs.
- Ensure that all reasonable demands and needs relating to Natural Gas are satisfied.
- Ensure the security, continuation, quality and reliability of Natural Gas supply.
- Take into consideration the Protection of the Environment.
- Encourage the research and development of Transmission – Distribution–Storage and Use of Natural Gas.
- 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.
- 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.
- Advise the Minister of Commerce, Industry & Tourism on all issues relating to Natural Gas.



The CERA members photographed together with the Board and the Management of the EAC during the handing over of the Internal Combustion Engine Units ICE II at Dhekelia

# REGULATORY DECISIONS

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Some of the decisions taken by the Cyprus Energy Regulatory Authority in 2009 are the following:

- **Licence to Supply Electricity to Eligible and Non-eligible consumers by producers from Renewable Energy Sources**

CERA at its meeting no **293/2009** decided that licencees or holders of exemption from Licence for the generation of Electricity from Renewable Energy Sources (RES) **do not need to secure from CERA a Licence or Exemption from the Licence to Supply Electricity, provided that they make available their supply to the EAC in accordance with the Subsidies Plan to Encourage the Use of Renewable Energy Sources and Promote Energy Saving.**

- **Procedure to Amend Licences of Electricity Power Stations - Notification for the Amendment of the Licence.**

CERA at its meeting no **315/2009** decided and determined that a copy of the notification for the Amendment of a Licence should be sent to those holding a Licence to Generate and Produce Electricity and use the same fuel and the same technology.

- **Form of the Environmental Study for Applications for the Generation of Electricity from Renewable Energy Sources.**

CERA at its meeting no **319/2009** decided that the applications to be submitted to CERA for the granting of a Licence or Exemption from a licence for the Construction and Operation of a Generating Station from Renewable Energy Sources (RES) or Installations for the Co-generation of Electricity and Heat, should be accompanied by the following forms of Environmental Studies:

**A. An Environmental Impact Study (EIS) for:**

- Wind generators with a capacity exceeding 1MW(1000KW)
- Photovoltaic systems with a capacity exceeding 100KW,
- Installations for the generation of hydropower,
- Installations for the co-generation of Heat and Electricity,

**B. Preliminary Environmental Impact Study for:**

- Wind generators with a capacity exceeding 30KW and up to 1000KW

**C. All other cases not mentioned above, e.g.:**

- Wind generators with a capacity exceeding 100KW and up to 1MW (1000MW)
- Photovoltaic systems with a capacity exceeding 20KW and up to 100KW
- Installations for the production of electricity from biomass with a capacity exceeding 20KW.
- Installations for the generation of electricity from waves
- Solar Thermal Systems for the generation of electricity
- etc

will be examined by CERA separately and when it is considered necessary, the Authority has the right to ask for the written views of the Environment Service of the Ministry of Agriculture, Natural Resources and the Environment.

It also has the right to request, if necessary, any additional data concerning the environmental parameters in the framework of the Environmental Study for the proper examination of each application separately.

- **Meeting jointly organized by the Cyprus Standards Organisation and the Cyprus Wind Energy Association on “ Green Energy”**

At a meeting of CERA members no **329/2009**, the Authority approved to grant the amount of €1,500 to the Cyprus Wind Energy Association and placed under its auspices the Meeting on “ Green Energy” held at the Holiday Inn Hotel in Nicosia on **10/6/2009**.

- **General Assembly of Mediterranean Energy Regulators in Cyprus on 12-13 November 2009**

CERA at its meeting no **335/2009**, a decision was taken to promote Cyprus in the best possible way, through the organisation of the 8<sup>th</sup> General Assembly of Mediterranean Energy Regulators (MEDREG), which was held with great success on 12-13 November 2009, with the participation of 23 countries.

- **Time limit of CERA licences**

At CERA'S meeting no **340/2009** examined the time limit of the licences it grants by virtue of the Laws on Regulating the Electricity Market 2003-2008 and decided the following:

1. Licences for the Construction of Electricity Generation Stations, irrespective of their type (regardless of whether these concern exemptions from the licence or regular licences for the Construction of Stations for the Generation of Electricity) shall be valid for 5 years.
2. Licences for the Operation and Generation of Electricity exceeding 1MW from conventional fuels will be valid for 30 years.
3. All Licences for the Operation and Generation of Electricity from RES (either exemptions from the licence or regular licences) shall be valid for 30 years.
4. All Licences for Self Production of Electricity (from Conventional Fuels) shall be valid for 20 years.
5. Exemptions from the Licence of Operation and Self Production of Electricity (Conventional Fuel) shall be valid for 12 years.
6. The Licence for Electricity Production to Eligible Consumers shall be valid for 30 years.
7. The Licence for Electricity Production to Non-eligible Consumers shall be valid for as long as there are Non-eligible Consumers.
8. The Licence for any of the competences of the Transmission System Operator (TSO) shall be valid for 20 years.
9. The Licence for any of the competences of the Transmission System Owner shall be valid for 30 years.
10. The Licence of any of the competences of the Transmission System Owner shall be valid for 30 years.

- **Review of the Fuel Charge Index for 2009**

CERA at its meeting no **350/2009** decided that the fuel charge index should remain at 0,0014€cent for every five cent increase or decrease in the basic cost of €85,43/MT.

The Fuel Charge index is provided and imposed through the tariffs charged to consumers by EAC. **It is defined as the change in the price of each measured KWh resulting from the change for every 5 cents change in the basic cost of €85,43 per metric ton of fuel. It is calculated on the basis on the consumption of fuel per KWh sold.**

- **A. Documents and Data which should be furnished in Applications for Securing Exemption Licence for the Construction and Operation of a Generating Station with the Use of Photovoltaic Panels.**

- **B. Granting Exemption Licence for the Operation of a Generating Station with the use of Photovoltaic Panels (PV)**

CERA at its meeting no **356/2009** specified which documents and data should be furnished with applications for an Exemption Licence for the Construction and an Exemption Licence for the Operation of an electricity generating station with the use of Photovoltaic Panels with installed capacity exceeding 20KW and up to 150KW.

In the course of the same meeting, CERA decided to examine first and decide on applications for the granting of an Exemption from a Licence to Construct. Subsequently those who secure the requested Exemption from a Licence to Construct should immediately apply to all the other authorities and Services involved to secure all the other necessary licences and approvals, including the signing of the agreement for the granting of a subsidization by the Management Committee of the Special Fund for RES and Energy Saving. After all other licences and approvals are issued and the agreement for the subsidization with the Management Committee of the Special RES Fund has been signed, the application for the granting of an Exemption from the Licence to Operate will be considered by CERA to be complete. Subsequently, CERA examines, evaluates and decide on the issuing or not of the Exemption from a Licence to Operate.

- **Results of the Examination held on 24 August 2009 pursuant to Regulation 33 of the Cyprus Energy Regulatory Authority (Employment, Promotion and Disciplinary Control) Regulations and in the framework of the requirements of the Schemes of Service for CERA employees.**

CERA at its meeting no **359/2009** decided that all the members of the Authority's staff who sat at the intra-service examinations required by the Law and the Regulations of the " Law on the Regulating the Electricity Market" **have passed the examinations** envisaged by article 33 of Administrative Decision **528/2004** and their Schemes of Service and for this reason, the provisions for the interruption of increments envisaged in Regulation 32 shall not apply.

- **Seminar on "Energy Policy after Peace in Ireland and a Reunified Germany, Lessons for Cyprus" Nicosia 4 November 2009**

CERA at its meeting no. **370/2009** decided to organize together with the Council for Reconstruction and Resettlement a Seminar entitled: "Energy Policy after Peace in Ireland and a Reunified Germany- Lessons for Cyprus".

- **EAC request to increase Tariffs**

CERA members at a meeting on 27/10/09 decided to approve the following gradual increases on the **revenues of the EAC incurred each time** by the basic part of the tariffs<sup>1</sup> on the sale of electricity (with a corresponding distribution on partial tariffs) and tax obligations as they have been formulated:

	<b>APPLICATION DATE</b>	<b>REVENUE INCREASE</b> (on total unit price at current fuel price of €309,78 MT)
1	01/01/10	1,5%
2	01/01/11	1,5%
3	01/01/12	1,5%

For the above calculations the EAC statistical data in respect of the various tariffs were taken into account. More specifically, total revenue from the basic tariffs of €378.729.060 (with basic fuel price of €85,43MT), which were allocated to KWHs= 4.565.176.671 sold. The average price of fuel for the month of August was taken into account as current fuel price. This price was applied at the stage of CERA's decision by the EAC in the monthly bills of September and the bi-monthly bills of October. Adjustments were made with a fuel adjustment index of 0,0014.

On the basis of this decision, the EAC was called upon to formulate its new tariffs which would be in force on the specified dates of application with a rounded fuel price of €200/MT in order to facilitate consumers check the adjusted fuel price.

- **Granting exemptions from the Licence to Construct Electricity Generating Stations with the use of Photovoltaic Panels (PV).**

CERA at its meeting no **379/2009** decided to proceed in accordance with the Laws on Regulating the Electricity Market 2003-2008 and the Relevant Regulations and in accordance with the opinion of CERA's external legal advisor to grant Exemptions from the Licence to Construct an Electricity Generating Station with the use of Photovoltaic Panels (PV), of a Total Installed Capacity of 3,65MW, according to their completeness date.

<sup>1</sup> The basic part of tariffs contains price charges of KWh at a fuel price of €85,43, reduced to €309,78 with 0,0014 fuel charge index, price of maximum demand unit and fixed charge

- **Educational Proposal to CERA by the Florence School of Regulation**

CERA at its meeting no **382/3009**, taking into account the need to train all its Energy Officers on the 3<sup>rd</sup> Energy Package of the EC for the Internal Market and the Package on Renewable Energy Sources requested the Florence School of Regulation to submit to it an initial proposal on the subject.

Judging that the benefits to be derived by CERA energy officers for the more effective performance of their duties will be particularly important, the members of CERA decided to approve the holding of this seminar/training programme.

- **Approval of EAC Tariffs**

CERA at its meeting no 385/2009 concerning the approval of EAC tariffs and following CERA's previous decision no 372/2009 in which the requested increases in EAC tariffs were approved, and having made sure that any changes in tariffs reflect only the approved increases by CERA, decided to approve the new tariffs as they were submitted by the EAC to CERA on 4/12/09.

- **Educational/Informative Audiovisual Material (DVD Rom) for the Campaign to Inform the People on RES and Saving Energy**

CERA in cooperation with the Cyprus Energy Agency decided to create and be a co-publisher of educational/informative audiovisual material (DVD Rom) in the framework of a campaign to inform the public at large on Renewable Energy Sources and Energy Saving. This material will be presented at schools, Communities, Municipalities and organized groups throughout the island. The aim is to present it to 20% of the island's population in a period of three years since its publication. The presentation will be jointly undertaken by CERA and the Cyprus Energy Agency.

For the creation of the above mentioned audiovisual material, CERA will make available an amount of €3.000 (three thousand Euros).



Photovoltaic System

# ADEQUACY IN ELECTRICAL ENERGY SUPPLY

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

In the context of the above responsibilities, CERA takes into account the rate of 20% threshold required as long-term reserve. This means that in addition to the energy demand there should be a figure of 20% reserve available in times of emergency and for covering the needs for the planned maintenance of generation units.

According to the EAC Development Program, which was studied and approved by CERA, the average citizen can feel safe on the question the adequacy of electricity in the coming years.

The table below shows the anticipated maximum load demand and available production and reserve for the coming years up to 2016, in accordance with the studies of CERA and the EAC Development Programme.

MAXIMUM LOAD DEMAND & AVAILABLE PRODUCTION AND STANDBY													
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Development Plan of EAC						+50MW (ICE I) +220MW (CCGT)	+50MW (ICE II)	-60MW Decommissioning of 2 Units at Moni +(150MW (OCGT5)	-60MW Decommissioning of 2 Units at Moni +(70MW (CCGT5)		-60MW Decommissioning of 2 Units at Moni +(220MW (CCGT6)		+220MW CCGT *
Installed Capacity in MW	988	988	988	1.118	1.318	1.388	1438	1528	1538	1 538	1698	1698	1918
Maximum Demand in MW	821	856	907	1.56	1.10	1.03	1.05	1.55	1.195	1.240	1.190	1340	1385
Available Standby	20,3%	15,4%	8,9%	5,9%	30,5%	25,8%	30,1%	32,3%	28,7%	24,0%	31,6%	26,7%	38,48%

ICE: Internal Combustion Engine

CCGT: Combined Cycle Gas Turbine

(\*Inclusion of the new 220MW CCGT unit will depend on the rate of increase of demand)

OCGT: Open Cycle Gas Turbine

# LICENCED CAPACITY AND SUBMITTED APPLICATIONS

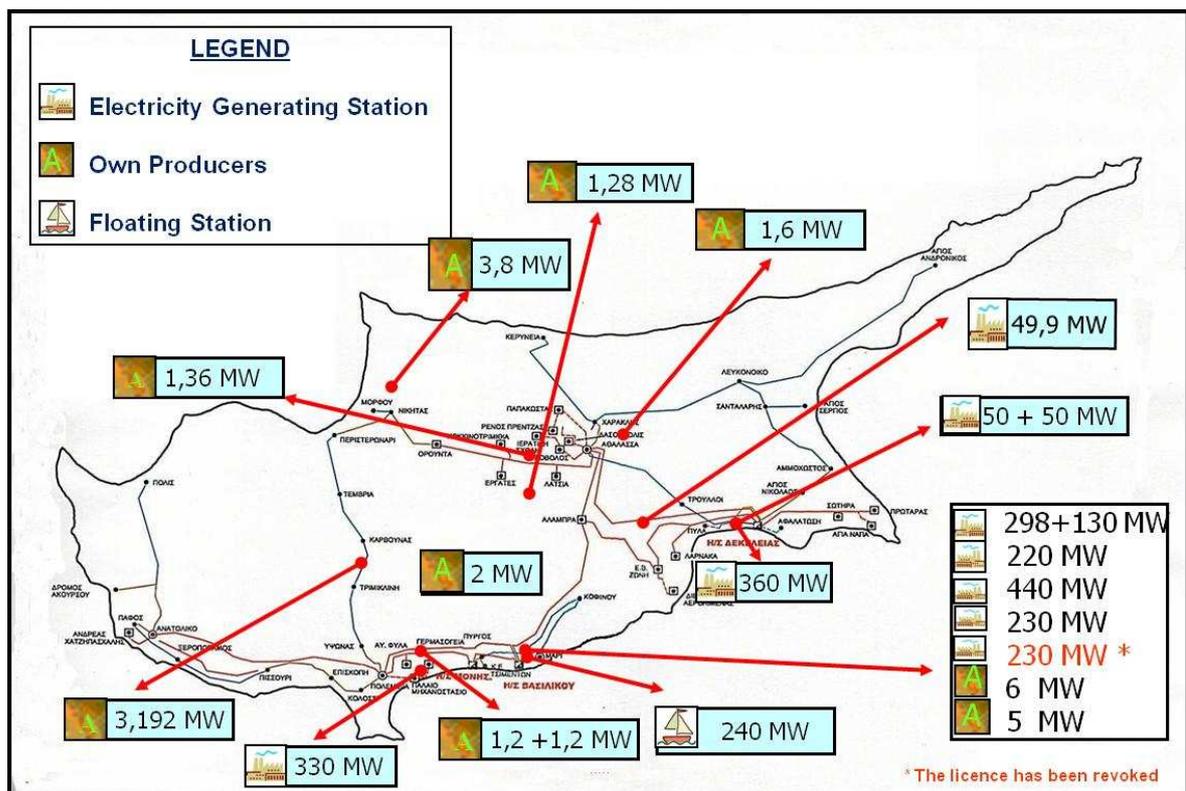
## CONVENTIONAL GENERATING STATIONS

Since the establishment of CERA and until the end of 2009, a total of twenty three (23) licences for the Construction of Conventional Generating Stations were issued.

Of these, by a CERA decision, one (1) such licence of a generating capacity of 230MW has been revoked.

Today Total Capacity Licenced by CERA for Generating Stations is of the order of 2.424,53MW in twenty two (22) licences, of which nine (9) of a capacity of 1.878MW belong to the Electricity Authority of Cyprus (EAC), ten (10) of a capacity of 26,63MW belong to own producers, while the remaining three (3) licences of a capacity of 519,90MW belong to independent producers.

Currently there is no pending application.



Licensed Electricity Generating Units  
Conventional Generating Stations (31/12/09)

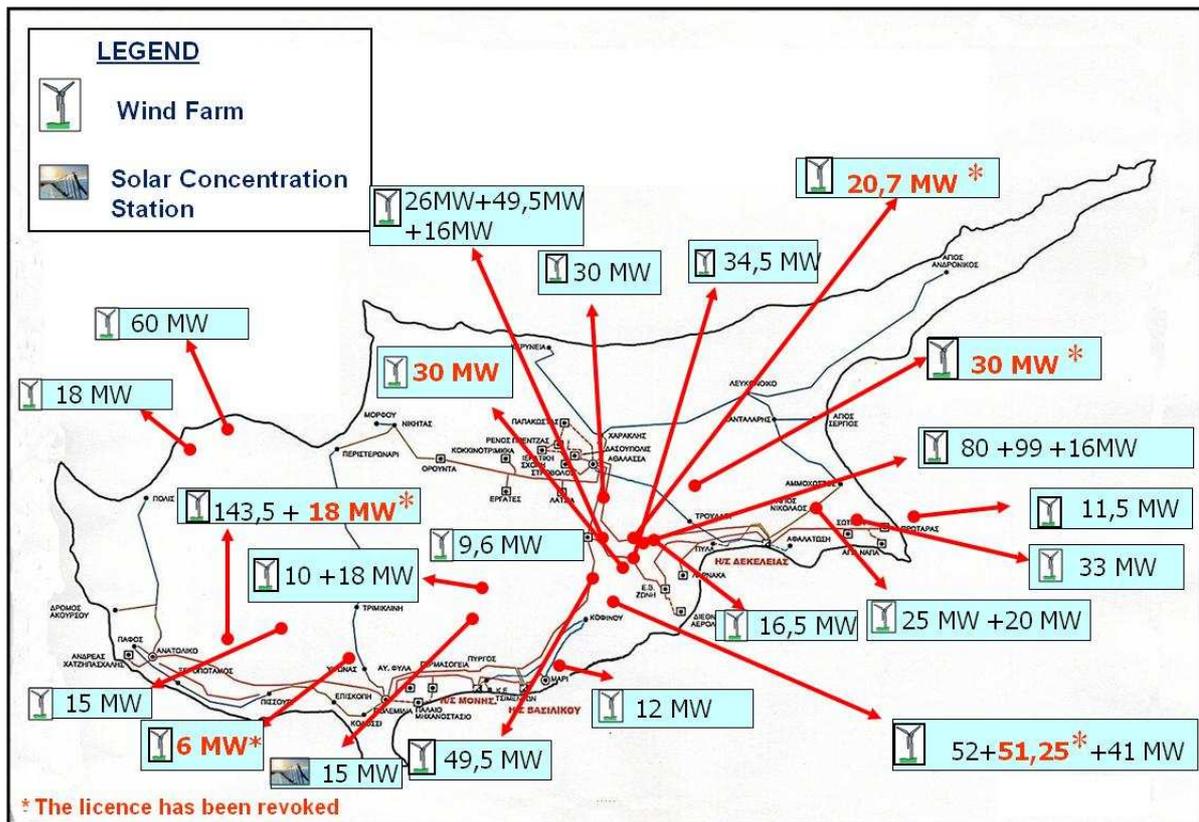
# WIND FARMS

By the end of 2009, a total of forty-nine (49) applications for the Construction of Wind Farms have been submitted to CERA. Thirty (30) licences for the Construction of Electricity Generating Stations (Wind Farms) have been granted.

Of these, by CERA decisions, six (6) licences of a total capacity of 155,95MW (Phase I 67,8MW) have been revoked. Also twelve (12) applications of a capacity of 263,9MW for the Construction of Generating Stations have been rejected.

By the end of 2009, Total Capacity licenced by CERA for implementation in the first phase was 490,72MW and in a second phase, if approved by CERA, an additional capacity of 394,9MW.

Nine (9) applications for the construction of Wind Farms of a total capacity of 193,65MW were under consideration, of which four (4) applications (12,75MW) are for licence exemption.



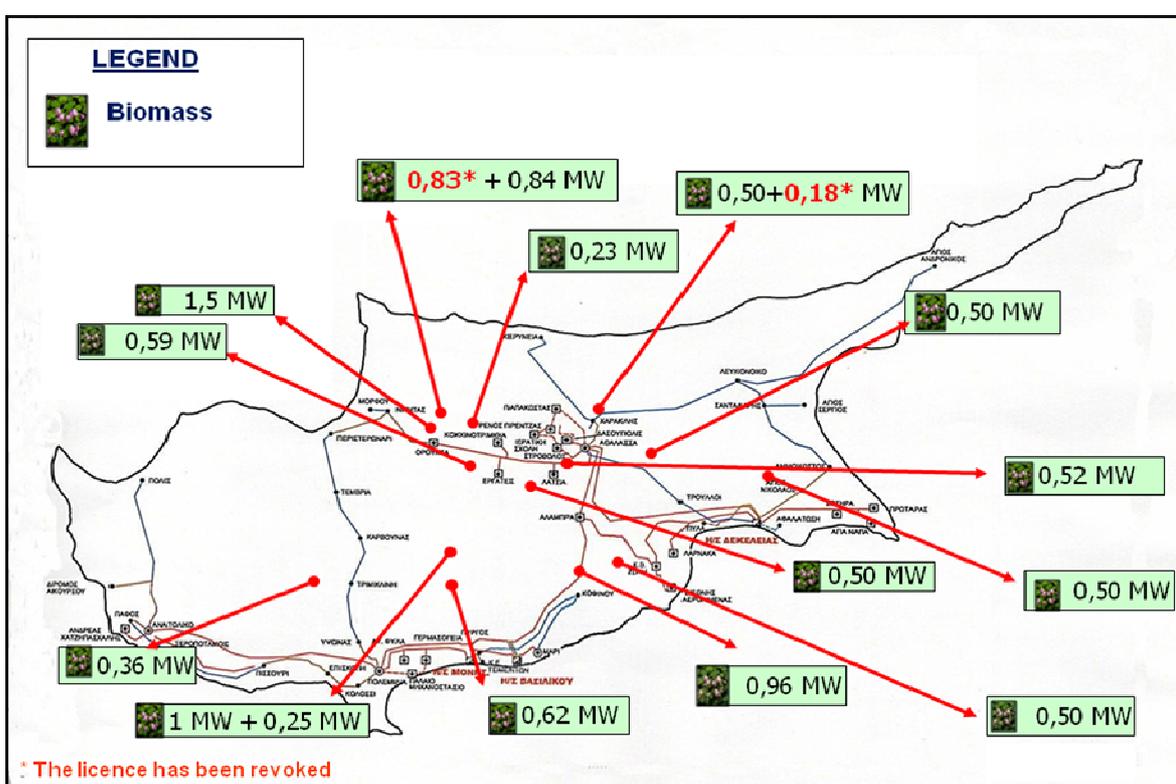
Licensed Units for Electricity Generation  
Wind Farms and Solar Concentration Stations (31/12/09)

## BIOMASS

CERA has issued fifteen (15) licences for the Construction of Generating Stations from Biomass of a total capacity of 9,12MW and is examining another four (4) applications of a total capacity of 7,65MW. In addition to the above, two (2) licences of a total capacity of 1,01MW have been revoked and one 5MW application has been rejected.

Total Installed Capacity with the use of Biomass/Biogass until 30/12/09 was 6167KW generated in 11 Combined Heat and Power Stations. Annual Electricity Generation (January-December 2009) comes approximate to 30.000.000KWh, of which 19.849.639KWh have been injected to the EAC grid.

The first unit with a capacity of 250KW has been connected with the EAC grid on 10/12/07.



Licensed Units for the Generation of Electricity from Biomass (31/12/09)

## PHOTOVOLTAIC SYSTEMS

At the end of 2009, the total number of applications submitted to CERA for the construction of Photovoltaic Systems, with a total capacity of 20,90MW was seventy seven (77).

Of these, forty-one (41) licences were issued, representing a total capacity of 5,195MW, while another thirty-three (33), representing a total capacity of 15,41MW were under consideration by CERA.

On 30/12/09 Total Installed Capacity of Photovoltaic Systems amounted to four hundred sixty-nine (469) Photovoltaic Units with a total capacity of 2,695MW and Annual Generation of Electricity (January-December 2009) of 2.908.511KWh.

The first Photovoltaic Park with a capacity of 4,84KW was connected to the EAC grid on 17/2/05.

## HYDROELECTRIC STATIONS

Two (2) applications with a capacity of 0,33MW were submitted to CERA.

## SOLAR-THERMAL STATIONS

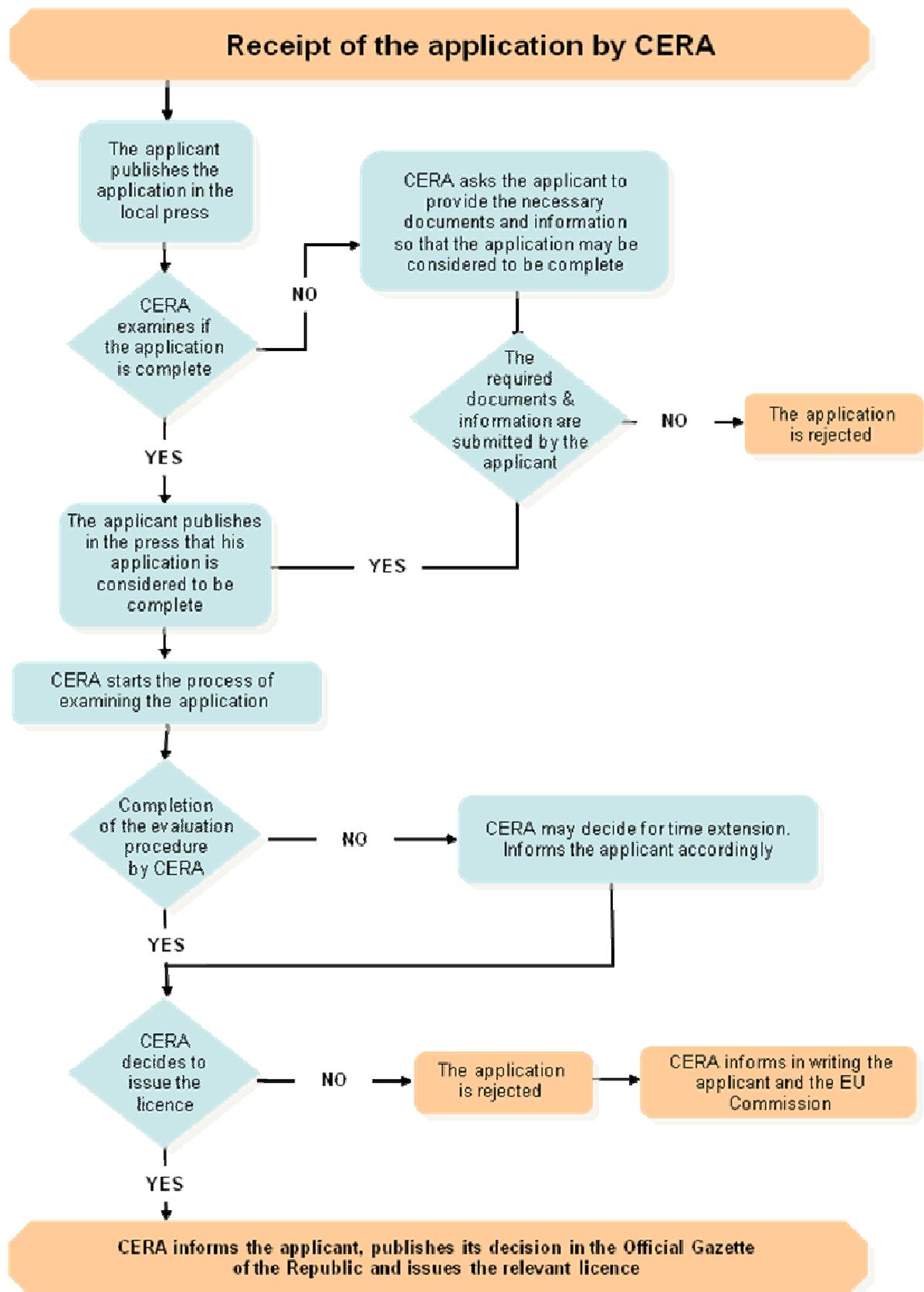
Eight (8) applications, of a total capacity of 225MW have been submitted. One licence, with a total capacity of 15MW has been granted and two (2) licences of a total capacity of 15MW have been rejected. By the end of 2009, five (5) applications, representing a total capacity of 195MW were under study.

All the lists of Applications for Licences as well as Licences issued are posted on CERA's website ([www.cera.org.cy](http://www.cera.org.cy)).



Photo from the handing over of the first licence for the installation of a photovoltaic system having the capacity to generate 94KW which was granted to Zotiades Energy

**FLOWCHART PROCESS FOR EXAMINATION OF AN APPLICATION  
FOR THE GRANTING OF A LICENCE IN ACCORDANCE WITH THE LAWS OF 2003-2008  
ON REGULATING THE ELECTRICITY MARKET**



# PROCEDURE FOR THE EXAMINATION OF APPLICATIONS FOR OBTAINING A LICENCE

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The procedure followed for applications for obtaining a Construction and Operation Licence for an electricity generating Power Plant is the following:

- Submission to CERA of the specific application form as provided by the Laws of 2003-2008 On Regulating the Electricity Market and the relevant Regulations. The application should be accompanied by the appropriate fee and all the necessary supporting documents.
- Within five (5) days of submitting this application, the applicant should publish his application in the daily press for two (2) consecutive days.
- CERA records applications in the Register according to the Regulations in force at the time.
- 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.
- 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.
- 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.
- 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.
- Once the application is considered to be complete, in accordance with the Laws of 2003-2008 On Regulating the Electricity Market and the relevant Regulations on the Granting of Licences and after the expiry of the period for the submission of information by other persons, CERA commences the formal examination of the application.
- 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.

- 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 about its decision and the reasons for the extension.
- When CERA decides to grant a Licence the applicant is informed, CERA publishes its decision within forty-five (45) days in the Official Gazette of the Republic, 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 grant 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 Official Gazette of the Republic.
- 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 article 34 (3) of the Law, granting a Licence, does not absolve the holder of the Licence from his obligation to obtain other approvals or permits (e.g. Town Planning permit, 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 Department of the Ministry of Agriculture.***

## **DOCUMENTS AND INFORMATION WHICH MUST ACCOMPANY AN APPLICATION SO THAT IT MAY BE CONSIDERED AS COMPLETE**

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

- Written consent of the owner of the land on which the plant will be constructed.
- Technical Study incorporating supported calculations
- 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
- Funding Sources of Project
- Balance Sheets for the last three (3) financial years, if the Company is not newly incorporated
- The programme of the enterprise for the next five (5) years
- Timetable of Construction (analysis per month)

- The Company's Articles of Association (Company Registration Number, Certificate of Company's Registration, and Certificates of Shareholders and Directors 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 from 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 instructs the applicant to contact the appropriate District Town Planning Office immediately and submit the application requesting their preliminary views and its 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 thirty (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 the prescribed time and in any case not later than forty five (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 19<sup>th</sup> April 2006, issued to this effect by the Minister of Interior.
6. Commencement by the applicant of all other procedures for obtaining all other permits and approvals required by the Legislation, while CERA is assessing the application.
7. The Licencee, having been granted a Licence by CERA, asks the Land Owner to give him 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.

## THE FIRST WIND FARMS UNDER CONSTRUCTION

The start of the construction of the first Wind Farms in Cyprus is now a reality. CERA always remaining faithful to its goals concerning the promotion of RES and the protection of the environment had proceeded to granting a number of licences for the Construction and Operation of Wind Farms. In this way it made its own contribution to the fulfillment of Cyprus commitments towards the EU to cover 6% of our electricity needs by RES until 2010.

The first Wind Farm expected to be constructed is the Wind Farm at Orites locality, which has been described as one of the biggest such projects in the Eastern Mediterranean, having 82MW installed capacity and consisting of 41 wind turbines of 2,0MW installed capacity each. The construction of the project started in August 2009, following enormous efforts, and is expected to be completed at the end of 2010. Expenditure for the project is expected to amount to 200 million euros. Furthermore, another three (3) Wind Farms are at the final stage of the licence procedure by the remaining services.

With the operation of these Units for the Generation of Electrical Power (Wind Farms) as well as other Units for the Generation of Electricity from RES for which licences have been granted (Biomass, Photovoltaic Parks, Solar-Thermal power station) it is expected that the target set by the EU to cover by 2010 6% of our needs from RES will be largely attained.



Photos from the construction of the first Wind Farm at Orites locality in the area of the villages of Pano Archimandrita, Kouklia and Alektora in the districts of Pafos and Limassol

## SUBMISSION OF AN APPLICATION FOR THE GENERATION OF ELECTRICAL ENERGY FROM RES

- For RES installations of capacity **exceeding 5MW** the applicant should submit an **application for a licence**.
- For RES installations of **up to 5MW** applicants are exempted from securing a licence but they should submit an application for exemption from licence.
- **For Wind Power System installations up to 30KW and Photovoltaic Systems and Biomass Systems of up to 20KW interested parties are exempted from the submission of an Application and from Securing a Licence and Exemption from a licence by CERA.**

# EXEMPTIONS FROM A CONSTRUCTION AND OPERATING LICENCE OF A POWER STATION

## (1) ELECTRICITY GENERATING UNITS FROM CONVENTIONAL FUELS

Upon taking office, it was appreciated by CERA that many power stations (Generators of small capacity, which are stand-by generators, or are permanently in action for own use in hotels, factories, hospitals, etc.) were operating without a licence, illegally.

These cases, which were operating without any terms for their connection to the network system, without security and without any inspections from any competent body of the state, constituted high risk for employees, visitors, tourists and even the owners of these units.

Following CERA's continuous and persistent efforts to inform the public through announcements in its website, the daily press and the Official Gazette of the Republic and through circulars, which were forwarded to all state services and departments concerned and various other organized groups, managed to inform interested parties that for the installation and operation of Generators of greater capacity than 10KW, it is necessary to obtain a Licence or an Exemption from a Licence from CERA and that in accordance with article 103 (1) of the Laws on Regulating the Electricity Market of 2003-2008, the installation and operation of Generators without obtaining a licence or an exception from a licence from CERA is a criminal offence.

Acting in the framework of its competences, CERA investigated all illegal acts that came to its attention. Where it proved to be necessary, CERA sent some cases to the court, or there was compliance with the provisions of the Law, following CERA's intervention.

During the year 2009 the submission of applications for exemptions from a licence continued, as shown by the table below:

NUMBER OF APPLICATIONS		EXEMPTION LICENCES GRANTED BY CERA		NUMBER OF GENERATORS		TOTAL LICENCED CAPACITY KW
2009	TOTAL	2009	TOTAL	2008	TOTAL	
67	294	63	261	69	449	83.399,16

## (2) ELECTRICITY GENERATING UNITS FROM PHOTOVOLTAIC PANELS

### What a Photovoltaic System is

A photovoltaic system consists of one or more photovoltaic modules (panels) together with the necessary apparatuses and arrays for the conversion of the electrical energy generated into a desired form.

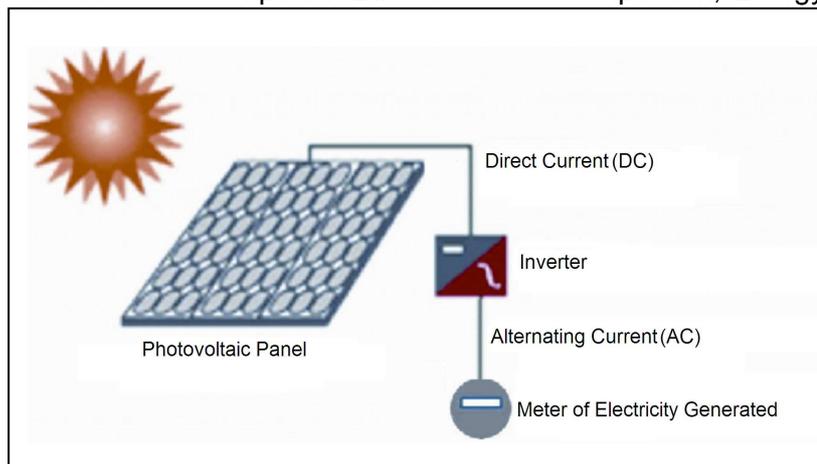
The photovoltaic panels consist of an array of photovoltaic elements connected together, covered by special films and encased in glass in a metal frame usually aluminium, at different values of nominal power, depending on the technology used and the number of panels. Thus a panel of 36 cells may have a nominal power of 70-85MW, while bigger panels may reach 200MW or even more.

Two types of silicon are used in the construction of photovoltaic cells: the amorphous silicon and the crystalline silicon which can be monocrystalline, or polycrystalline. Both the amorphous and the polycrystalline silicon present advantages and disadvantages and for this reason, during the study of the photovoltaic system, an evaluation is made of the specific conditions of the application (direction, duration of sunlight, possible shading etc) so as to chose the right technology.

Electricity produced by a photovoltaic array is direct current (DC) and through the use of special apparatuses- inverters- the current is converted into alternate current AC.

### **The Photovoltaic “Phenomenon” in Cyprus**

In order to attain the targets in respect of which Cyprus committed itself towards the EU, the Ministry of Commerce, Industry and Tourism has prepared a new Grants’ Scheme for the promotion of various electricity generation systems. The Grants’ Scheme was tabled at the Council of Ministers and was approved on 30/12/08. It was then sent to the Commissioner for State Aid Control and afterwards to the competent Directorates of Competition, Energy and Transport of the European Union, where it was approved on 3/7/09. Having secured the necessary approvals, the scheme came into force on 20/7/09. Immediately the public showed interest and applications were submitted to get exemption from a licence and for the construction of stations for the generation of electricity from photovoltaic panels.



In order to inform and help the public at large, the Cyprus Energy Regulatory Authority (CERA) on 3/9/09 issued an information bulletin which was also made available in CERA website. The Information Bulletin gave details about the procedure for an exemption from the obligation of obtaining a licence for the construction of a generating station with the use of photovoltaic panels, as well as about the necessary documents and data which must be included in applications.

Subsequently, the Cyprus Energy Regulatory Authority (CERA), as a means to promote the use of Renewable Energy Sources, exerted continuous and intense efforts towards all competent agencies and services, in order to remove unnecessary obstacles and promote a simpler and easy to use procedure, so as to avoid bureaucratic procedures and so that applications may be processed and completed speedily.

During the year under review, the Cyprus Energy Regulatory Authority issued forty-one (41) exemption licences for the construction of Photovoltaic Farms, which corresponded to a capacity of 5.195,22KW. More specifically, 3.898,815KW involved applications for the construction of a Photovoltaic Farm on the ground and 1.296,405KW involved applications for the installation on the roofs of buildings.

### Procedure for the Licencing of Photovoltaic Panels

The procedure that any person interested in securing a licence for the Construction and Operation of Generating Energy Plant from Photovoltaic Panels is the following:

- Submission of applications to the **Cyprus Energy Regulating Authority (CERA)** to secure Exemption Licence for the Construction and Operation of a Generating Electrical Energy Plant from RES. After securing from CERA the exemption Licence for the Construction of the proposed project, the applicant proceeds with the submission of:
  - An application to the **Town Planning and Housing Department** for a Town Planning permit (if this is required)
  - An application to the **Competent Authorities for a Building Permit**.
  - An application to the **Electricity Authority of Cyprus** for the preparation of the technical and other terms and conditions for the interconnection of the system to the EAC grid and acceptance of the terms by the applicant.
  - Completion and submission of an application to the **Management Committee of the Special RES and Energy Saving Fund (Ministry of Commerce, Industry and Tourism)** for the subsidization of the electricity to be generated.
  - Examination, evaluation and **issuing of decision by CERA** for the exemption from a Licence to Operate the Electricity Generating Station.

CERA has issued an information bulletin on Photovoltaic Systems which was sent to all interested government services and departments and subsequently published in its web-site, to allow access to all applicants interested in securing a Licence for the Construction and Operation of an Electrical Energy Generating Station, specifying the eligibility criteria.

More specifically the information bulletin issued says:

- (a) **CERA will not examine applications** for the Construction and Operation for an Electricity Generating Power Plant with the use of photovoltaic panels **with a total installed capacity of more than 150KW per entity (undertaking). More specifically every undertaking has the right to own a system or systems with maximum installed capacity of 150MW, so as to get a grant/subsidy.** That is an undertaking owning a number of premises/plots of land may install PV systems in all premises/plots, but the maximum installed capacity cannot exceed **150KW** if it is to get a grant/subsidy from the RES Fund.

Eligible are all Legal or Natural persons exercising any activity in the areas under the control of the Republic of Cyprus. In accordance with the community competition law, an undertaking is any legal or natural person, of public or private law, or union of persons, with or without a legal personality, which is engaged in economic activity. That is the meaning of an undertaking is not limited to a company or a natural or legal person exercising economic activity, but may include a group of companies, or various economic units/natural persons acting together as a single economic entity.

- (b) **CERA will not examine applications with total installed capacity exceeding 150KW on the same plot of land or existing building.**  
In any roof of an existing building or in a plot of land a system of total capacity of up to 150KW may be installed, for the system or systems to be entitled to a grant/subsidy. That is in case of existence of more than one owners of the premise, or plot of land on which the system will be installed, it is not possible to install systems of a capacity of **150KW** by each individual owner and be entitled to a subsidy.

- c) In accordance with the provisions **of the approved Grants Scheme for Energy Saving and Support of the Use of Renewable Energy Sources** for the category **Big Commercial Photovoltaic Systems** for Electricity Generation (NMF1), **having a capacity of 21KW up to 150KW for every year of the 2009-2013 period will be approved** by the Management Committee of the Special Fund for the Support of RES and Energy Saving, **applications for systems of a total capacity of up to 2MW. In case the total capacity requested exceeds 2MW the new applications will be referred for approval in the next year.**

#### **Exemption from the Construction Licence**

To secure an exemption from the Construction Licence, the applicant must submit:

1. Specification of the location for the construction (plot of land) which should be accompanied by the written preliminary consent of the owner of land.
2. General layout plan
3. Timetable of Construction (analysis per month)
4. The Company's articles of association (Company Registration Number, Certificate of the Company's Registration and Certificates of Shareholders and Directors)
5. Technical Study, Feasibility Study based on the selling price of electricity power to be generated.
6. Technical characteristics of Photovoltaic panels and trackers, where there is intention to use such a system.
7. Possible Funding Sources of the Project.
8. Environmental Impact Study for:
  - For Photovoltaic Systems with a capacity between 20KW- 100KW there is no need to submit an Environmental Impact Study and where CERA will deem it necessary it will request to have in writing the views of the Department of Environment of the Ministry of Agriculture, Natural Resources and the Environment for any case separately.
  - For Photovoltaic systems of a capacity exceeding 100KW, an Environmental Impact Study must be submitted.

CERA reserves the right, if it deems necessary, to request any additional data concerning the environmental parameters in the framework of the Environmental Study for the proper examination of each application separately.

#### **Exemption from Licence**

CERA first examines, evaluates and decides on applications for an Exemption from a Construction Licence.

Subsequently, all those who were granted the requested Exemption from a Construction Licence, should immediately apply to all the other Authorities and Services involved to secure all the necessary permits and approvals, including the contract for the purchase of electrical energy between the EAC and the beneficiary and the signing of the agreement for a subsidy by the Management Committee of the Special RES and Saving Energy Fund.

**After all other licences and approvals have been issued and the agreement for the subsidization by the RES Fund has been signed, the application for the granting of an Exemption from an Operating Licence will be deemed by CERA to be complete.**

**CERA subsequently will examine, evaluate and decide on the granting or not of the Exemption from an Operating Licence.**

### (3) ELECTRICITY PRODUCTION FROM BIOGAS UNITS

In 2009 another three (3) Units for the Cogeneration of Electricity and useful heat from biogas came into operation. Eleven Units (11) with total installed capacity of 6.167KW were in operation in 2009, of which one was to cover its own electricity needs and making possible surplus available to the grid. The other two units cover only their own electricity needs.

In 2009 production of electricity from the eleven (11) units of Biogas/Biomass in operation comes approximate to 30.000.000KWh (30GWh).

Biogas is a renewable energy form and consists mainly, 65% -70%, of methane, CH<sub>4</sub>, 30% - 35% carbon dioxide (CO<sub>2</sub>) and minimum amounts of nitrogen, ammonia, hydrogen and hydrogen sulphide. The difference with fossil fuels is that it is a clean form of energy. That is, the overall balance of greenhouse gases produced during combustion of biogas is equivalent to that absorbed during the production, so the atmosphere is not burdened.

The biogas is produced by anaerobic digestion processes of organic waste such as household and municipal waste, industrial effluents, farm waste, manure etc. They are the gases released when the organic part of organic compounds decomposes.

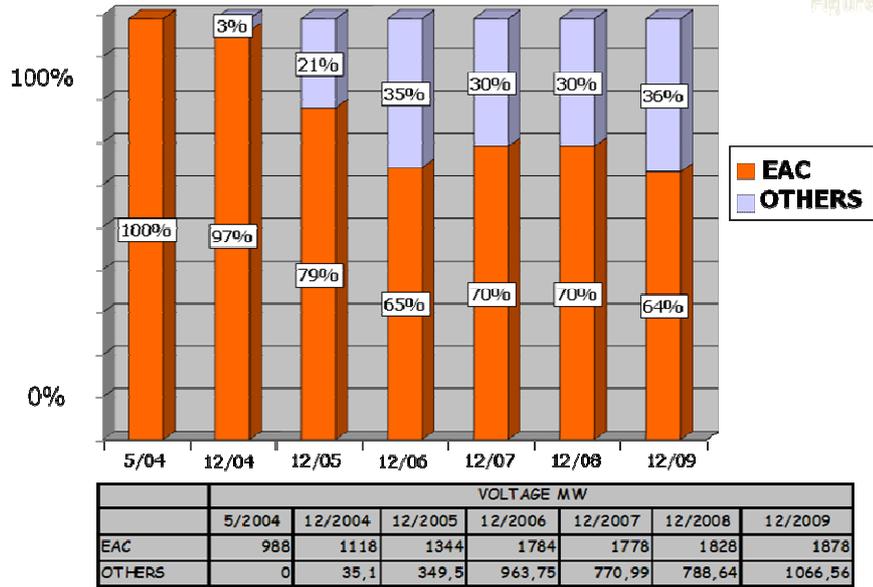
The electricity/heat Cogeneration Units from biomass / biogas licenced by CERA and put into operation for the production of biogas use municipal sewage, animal waste, slaughterhouse and pig-farm waste. The biogas produced burns in Internal Combustion Engines (ICE) and generates electricity from the generator as well as heat. The heat from the engine and exhaust gases is recovered by the heat exchangers and used to heat water to a temperature of 80°C - 85°C, which is then used partly to maintain the temperature of the anaerobic digester to 37°C to 38°C, and partly to cover the needs of the Units in hot water and heating.

The biogas production facilities not only provide the ability to utilize the energy potential of biogas, but also participate in the overall treatment of organic waste. Biogas has interrelated environmental, economic and agricultural benefits. The development and deployment of biogas technology is an alternative with significant advantages, offering environmentally friendly energy and simultaneously solving the problem of waste management.



Raw materials used for the generation of electricity from Biogas

Figure 1



EAC percentages in Total Licenced Capacity in the 01/05/04-31/12/09 period

Total Licenced Capacity on EAC 31/12/09

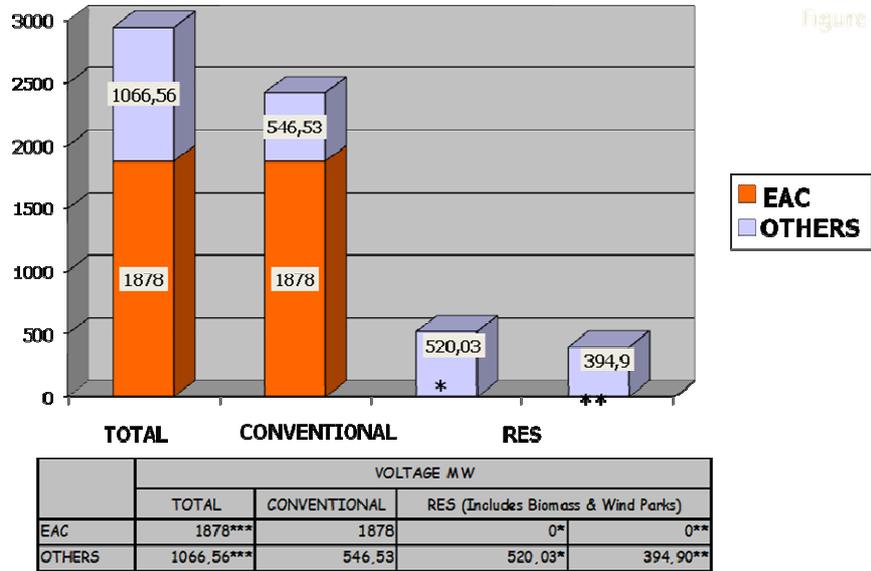


Figure 2

Percentages of electricity Generation from Conventional Units and RES for the period 01/05/04-31/12/09

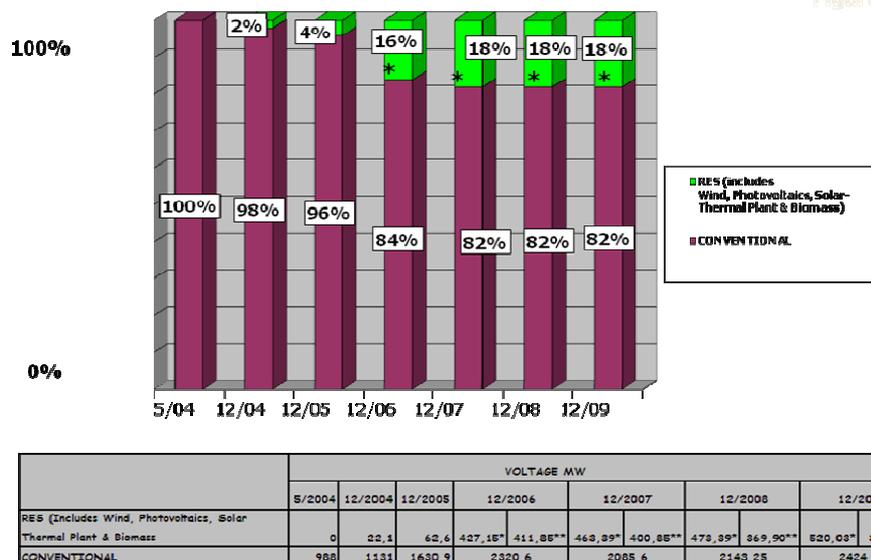
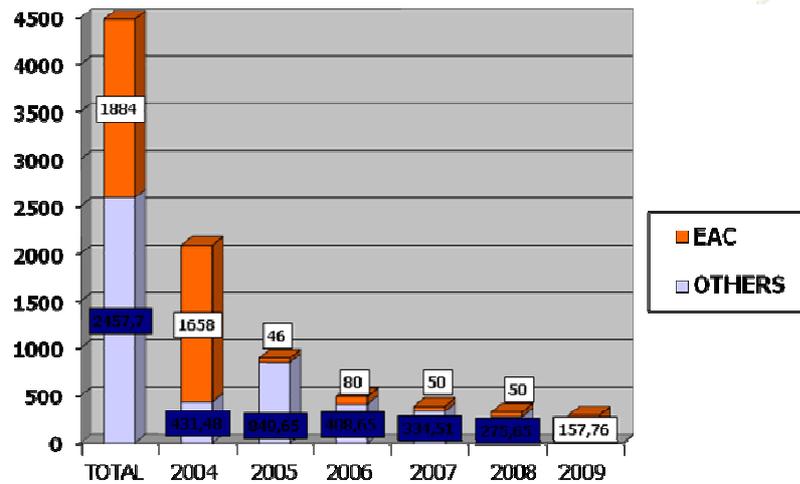


Figure 3

\* For immediate installation  
 \*\* For future installation (when approved by CERA)  
 \*\*\* Includes revocations and Amendments of Licences

Figure 4

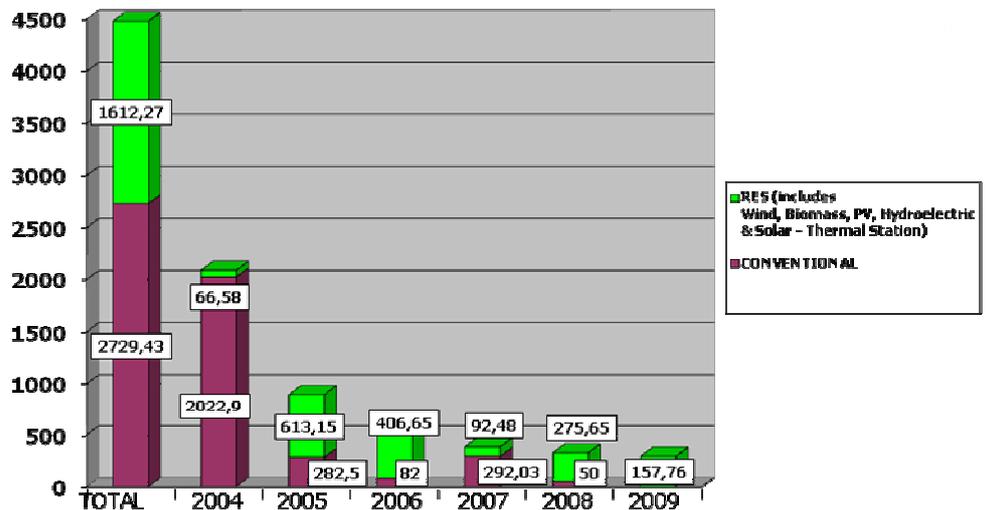
Applications for Electricity Generation submitted by the EAC and Independent Producers in the period 2004-2009



	VOLTAGE MW						
	TOTAL	2004	2005	2006	2007	2008	2009
EAC	1884	1658	46*	80*	50	50	0
OTHERS	2457,7**	431,48	849,65*	408,65*	334,51	275,65	157,76
TOTAL	4341,7**	2089,48	895,65	488,65	384,51	325,65	157,76

\* Includes Amendments of Applications  
 \*\* Includes Rejections of Applications

Applications for Electricity Generation submitted for Conventional Units and RES for the period 2004-2009



	VOLTAGE MW						
	TOTAL	2004	2005	2006	2007	2008	2009
RES (includes Wind, Biomass, PV, Hydroelectric & Solar - Thermal Station)	1612,27**	66,58	613,15*	406,65*	92,48	275,65	157,76
CONVENTIONAL	2729,43**	2022,9	282,5*	82*	292,03	50	0
TOTAL	4341,7**	2089,48	895,65	488,65	384,51	325,65	157,76

# NEW DIRECTIVE ON RES AND NATIONAL MANDATORY TARGETS FOR 2020

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On the basis of the positions of the European Parliament, the Council and the Commission, it is advisable that national mandatory targets be set which are consistent with the **20%** target for the overall share of energy from renewable energy sources and the **10 %** target for energy from renewable sources in transport by 2020. The main purpose of the national mandatory targets is to provide security to investors and encourage the continuous development of technologies generating energy from all forms of renewable energy sources. Postponing the taking of a decision as to whether a target is mandatory, until a future event, is therefore not expedient.

On 23 April 2009, the new Directive on the promotion of the use of RES was finalized and published and on 30 June 2009 came into force. The relevant Decision is the following:

## **DIRECTIVE 2009/28/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC**

Directive **2009/28/EC** establishes a common framework for the promotion of energy from renewable sources. It sets mandatory national targets for the overall share of energy from renewable sources in gross final consumption of energy and for the share of energy from renewable sources in transport. It lays down rules relating to statistical transfers between Member States, joint projects between Member States and with third countries, guarantees of origin, administrative procedures, information and training, and access to the electricity grid for energy from renewable sources. It establishes sustainability criteria for biofuels and bioliquids.

## **COMMISSION DECISION of 30 June 2009 establishing a template for National Renewable Energy Action Plans under Directive 2009/28/EC of the European Parliament and of the Council**

Directive **2009/28/EC** requires each Member State to adopt a national renewable energy action plan. These plans are to set out Member States' national targets for the share of energy from renewable sources consumed in transport, electricity and heating and cooling in 2020, taking into account the effects of other policy measures relating to energy efficiency on final consumption of energy, and adequate measures to be taken to achieve those national overall targets, including cooperation between local, regional and national authorities, planned statistical transfers or joint projects, national policies to develop existing biomass resources and mobilize new biomass resources for different uses, and the measures to be taken to fulfill the requirements of Articles 13 to 19 of Directive **2009/28/EC (2)**. In accordance with Directive **2009/28/EC**, the Commission should adopt by **30 June 2009** a template for the national renewable energy action plans comprising the minimum requirements set out in Annex VI to that Directive,

# OPENING OF THE MARKET (ELECTRICITY) DEROGATIONS SECURED BY THE REPUBLIC OF CYPRUS

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As is well known, the Republic of Cyprus on 28/06/04 applied to the EU Commission for derogation from the provisions of Article 21(1) (b) of Directive 2003/54/EC until 31/12/08 and from the provisions of Article 21(1)(c) of the same Directive until 31/12/13, concerning all non domestic consumers and all customers, respectively, for an extension of the time limit for the opening of the Electricity Market.

The Committee examining the granting of derogations from the specific provisions of Directive 2003/54/EC of the European Parliament and the Council was satisfied by the statement of reasons submitted by the Republic that the granting of the derogation and the efforts for its application will not be to the detriment of the attainment of Directive 2003/54/EC targets.

**For this reason derogation which envisages the following, was granted:**

The opening of the market which will cover all non domestic consumers will apply as from 01/01/09, while for all the remaining consumers as from 01/01/14.

Furthermore, in accordance with the new Directive 2009/72/EC on the common rules for the internal electricity market and the repealing of Directive 2003/54/EC, Cyprus has secured derogation from article 9 on the unbundling of transmission systems and transmission system operators.

At the same time, Member States which can demonstrate, after this Directive has been brought into force, that there are substantial problems for the operation of their small isolated systems, may apply for derogations from the relevant provisions of Chapters IV (Transmission System Operation), VI (Distribution System Operation), VII (Unbundling and Transparency of Accounts) and VIII (Organisation of Access to the System), as well as Chapter III (Generation), in the case of micro isolated systems, as far as refurbishing, upgrading and expanding existing capacity are concerned.



Photovoltaic Park

# CONSUMERS AND PERFORMANCE INDICATORS

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## CERA'S ACTIVITIES ON INFORMING THE CONSUMER

The opening of the energy markets through European legislation, (photo offered to consumers the ability to be more demanding in their (consumers' rights dealings with suppliers of electricity and gas. They can choose (performance indicators a supplier or re-negotiate their contracts.

Electricity and gas supply are utilities, i.e. important in meeting the basic needs of consumers. Therefore, the risks lurking in an uncontrolled market opening should be removed by safeguarding consumer rights through universal service obligations. All consumers, particularly the most vulnerable, have the right to be provided with electricity if connected to the network and gas (where applicable). Under certain conditions, it is possible to apply special tariffs and mechanisms for minimum energy supply. All customers have the right of access to electricity and gas markets without any discrimination.

European Legislation protects consumers from temporary cessation or interruption of supply. It also protects from hazardous procedures that are potentially harmful to their health and it ensures for them a healthy environment combined with a high level of service.

Consumers need to know who supplies their electricity and gas. They are also entitled to know how the electricity supplied to them is generated (the fuel mix). In avoiding dishonest or misleading advertising practices, suppliers must inform their customers on current legislation, codes of conduct, terms and conditions of contract and the applicable tariffs. For this purpose, customer service departments dealing with contractual issues should be established.

For the purpose of submitting complaints, consumers must be provided with transparent, simple and inexpensive procedures. Consumers may also appeal to independent organizations or associations.

Furthermore, CERA, in addition to the mechanisms (through events and seminars) at its disposal for informing the public, in recent years participates in the "Informing the Public Campaigns" conducted at European Level and organized with the initiative of CEER and ERGEG as, for example, the following campaigns:

- Consumer Information Campaign  
([http://ec.europa.eu/energy/energy\\_policy/consumers/index\\_en.htm](http://ec.europa.eu/energy/energy_policy/consumers/index_en.htm))
- "You Choose" Campaign  
([www.agathepower.eu](http://www.agathepower.eu))  

- Individual Consumer Information supplied to Eligible Consumers either electronically or by mail.

It should be noted that, in all cases, printed information material was distributed to the public.

## PERFORMANCE INDICATORS

The CYPRUS ENERGY REGULATORY AUTHORITY, in exercising the powers conferred by articles 90 and 97 of the Laws "On Regulating the Electricity Market" 2003-2008, enacted the Regulations of 2005 "On Regulating the Electricity Market" (Performance Indicators), REG. 571/2005, having obtained the approval of the Council of Ministers and the House of Representatives.

Based on these Regulations, "Performance Indicators" are defined as the indicators for the supply of electricity and include the obligations of the Supplier and Distribution System Owner, consumer rights, performance standards and minimum levels of performance and the fine automatically imposed in case of the Supplier's and / or Distribution System Owner's failure to comply.

At the same time CERA through seminars and various events informs consumers on Performance Indicators (through the distribution of printed material) and on their Rights in general.

In the implementation and enforcement of the above provisions, the amounts paid to consumers as fines by the Electricity Authority of Cyprus as Distribution System Owner and as a Licenced Supplier of electricity for each Performance Indicator are given below. These fines are recorded for the period 01/01/2009 to 31/12/2009. Also, the corresponding results of previous years are shown for comparison purposes.



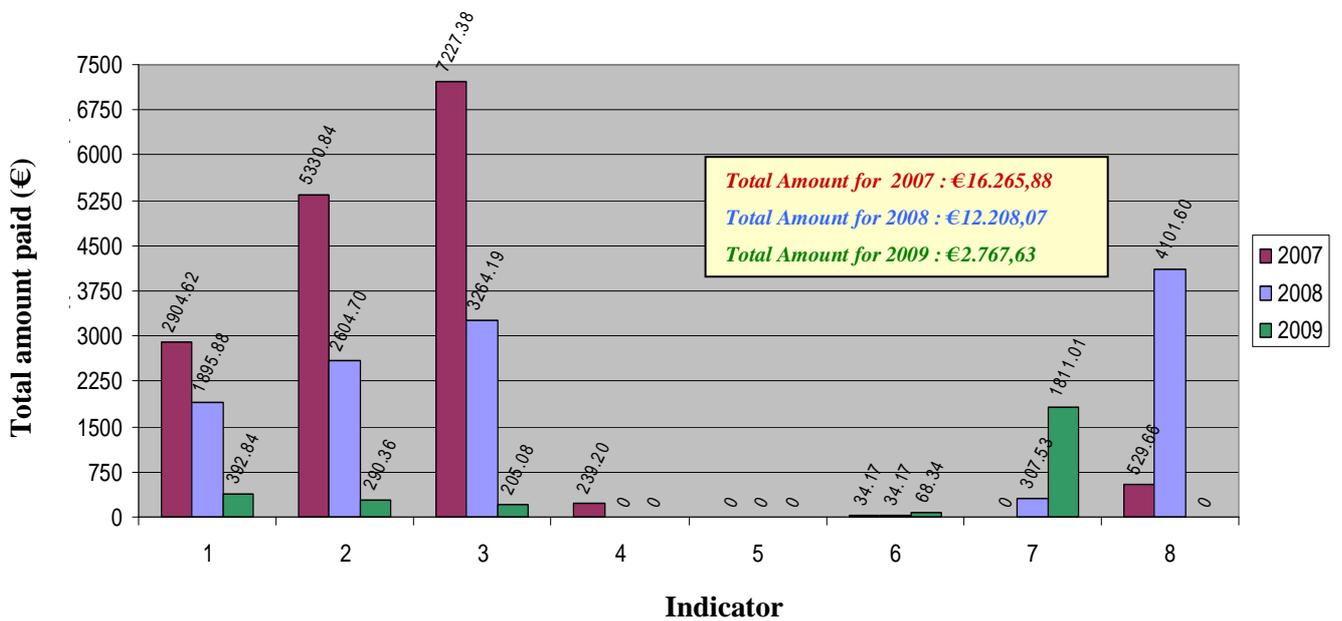
Photo Installation of overhead transformer of the EAC

**TABLE (1):**

**“Comparative figures of total amounts payable by the EAC  
as Distribution System Owner (DSO)  
for the years 2007, 2008 and 2009**

**PERFORMANCE INDICATORS FOR EAC AS  
DISTRIBUTION SYSTEM OWNER (DSO)  
(2007 Vs 2008 Vs 2009)**

**- Fine paid by the EAC to electricity consumers -**

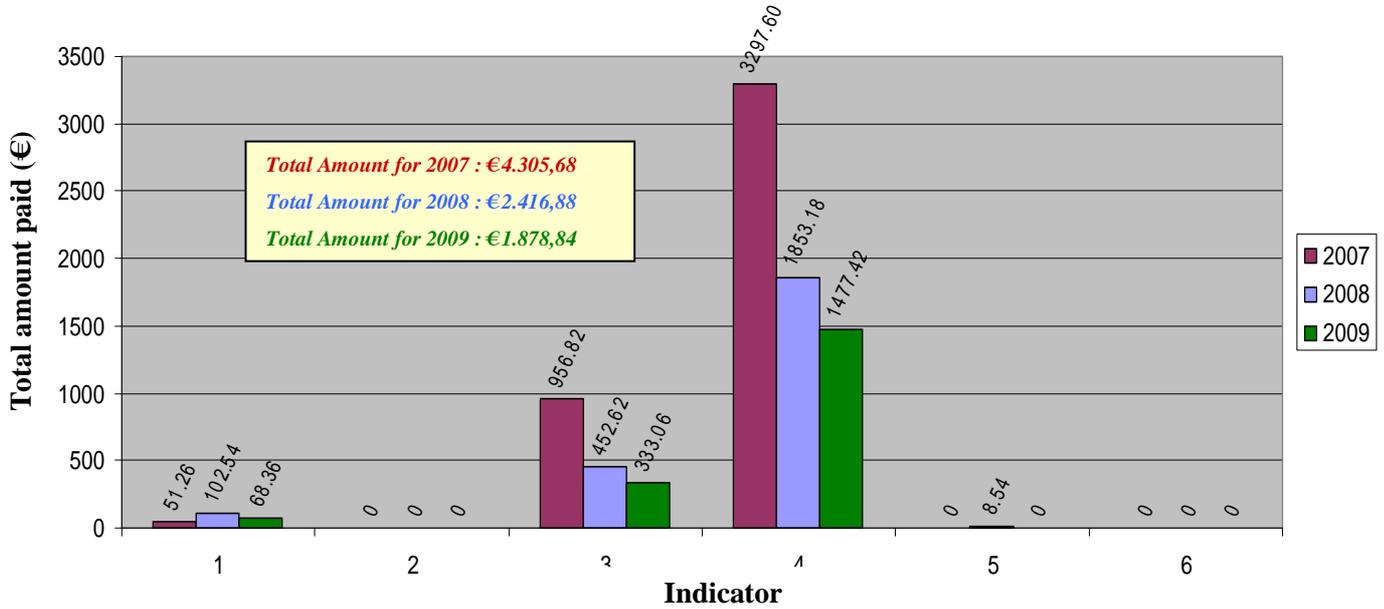


<b>No of Performance Indicator:</b>	<b>Time-limit or response time:</b>
1. Repair of main fuse after failure	4 hours
2. Installation and connection of low voltage meter	3 working days
3. Construction of an overhead service line from existing LV mains	6 working days
4. Estimation of charges for electricity supply	30 working days
5. Notification of planned supply interruption	2 working days
6. Investigation of voltage complain	30 working days
7. Investigation of meter accuracy complaint	30 working days
8. Response to complaints, applications, letters or giving information	20 working days

**TABLE (2):**

**“Comparative figures of total amounts payable by the EAC  
as a Licenced Supplier of Electricity  
for the years 2007, 2008 and 2009”**

**PERFORMANCE INDICATORS FOR EAC AS SUPPLIER  
(2007 Vs 2008 Vs 2009)  
- Fine paid by the EAC to electricity consumers -**



No. of Performance Indicator	Time limit or response time
1. Response to complaints regarding electricity bills	3 working days
2. Arrangement of appointments	2 working days
3. Meter reconnection requested by customer	1 working day
4. Meter disconnection requested by customer	1 working day
5. Reading the meter	2 working days
*6. Response to complaints, applications, letters, or giving information	20 working days
* This Indicator is included in Indicator (8) of EAC as DSO	

From Tables (1) and (2) it is evident that EAC performance in 2009 compared with the previous years, both as Distribution System Owner and as a Supplier, may be considered quite satisfactory, showing a gradual improvement of the Performance Indicators with every passing year.

## NATURAL GAS

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Law 199(I)/2007, amending the Laws of 2004 – 2007 “On Regulating the Natural Gas Market” was enacted and published on 31/12/07 in the Official Gazette of the Republic. 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.

On 18/6/08 the Council of Ministers took the relevant Decision, Decision No 667/08. The relevant extract of the Decision provides the following:

*“For the purpose of expediting the creation of this most important and multifold Project of the Energy Center at Vasiliko, the Council of Ministers decided, inter alia, to*

- *Approve EAC’s participation in the commercial structure of DEFA by 44%. In such a case, the remainder percentage of 56% will be retained by the State, which will have the option to assign part of the percentage (5%) to others at a time and manner of its choice.*
- *Approve the assignment of import and supply of natural gas within the Republic to DEFA and in accordance with the above subparagraph, to empower the Minister of Commerce, Industry and Tourism to take any immediate action necessary for the submission to the Council of Ministers of a proposal concerning the manning of DEFA and its Board of Directors, in order to enable DEFA to exercise the competences assigned to it.*
- *Approve 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”*

On 31 March 2009, the Council of Ministers took Decision no 68.622 which provides that the construction of the natural gas land terminal should be undertaken by a joint venture with the substantial participation of the EAC. At the same time it authorised the Minister of Commerce, Industry and Tourism to assign to the EAC the responsibility for the establishment of the land terminal for the delivery, storage and regasification of liquefied natural gas in the area of the Energy Centre at Vasiliko. In this framework, the Minister was called upon to request the EAC Board to take the necessary action to find, select and appoint a Strategic Partner and/or other investors, with a view to forming a joint venture with the EAC. The Joint Venture shall have the responsibility to develop, finance, operate and run the land terminal.

Furthermore, on 31 March 2009, the Council of Ministers with its decision no 69.623 approved, inter alia, the transfer of 44% of DEFA’s share capital to the EAC, for a price to be decided by the competent ministerial committee on the issue of bringing natural gas to Cyprus and at the same time to postpone taking a decision on the appointment of the President and the other eight members of the Board of DEFA. On 13 October 2009, the Council of Ministers appointed the Board of DEFA.

Open Season 1<sup>st</sup> Step –Request for Expression of Interest to buy regasified LNG

The Cyprus Energy Regulating Authority, in the context of its duties and competences, and in order to ensure the meeting of reasonable demand for natural gas, on 3 September 2009 proceeded to an “Open Season” process. This particular process concerns the Expression

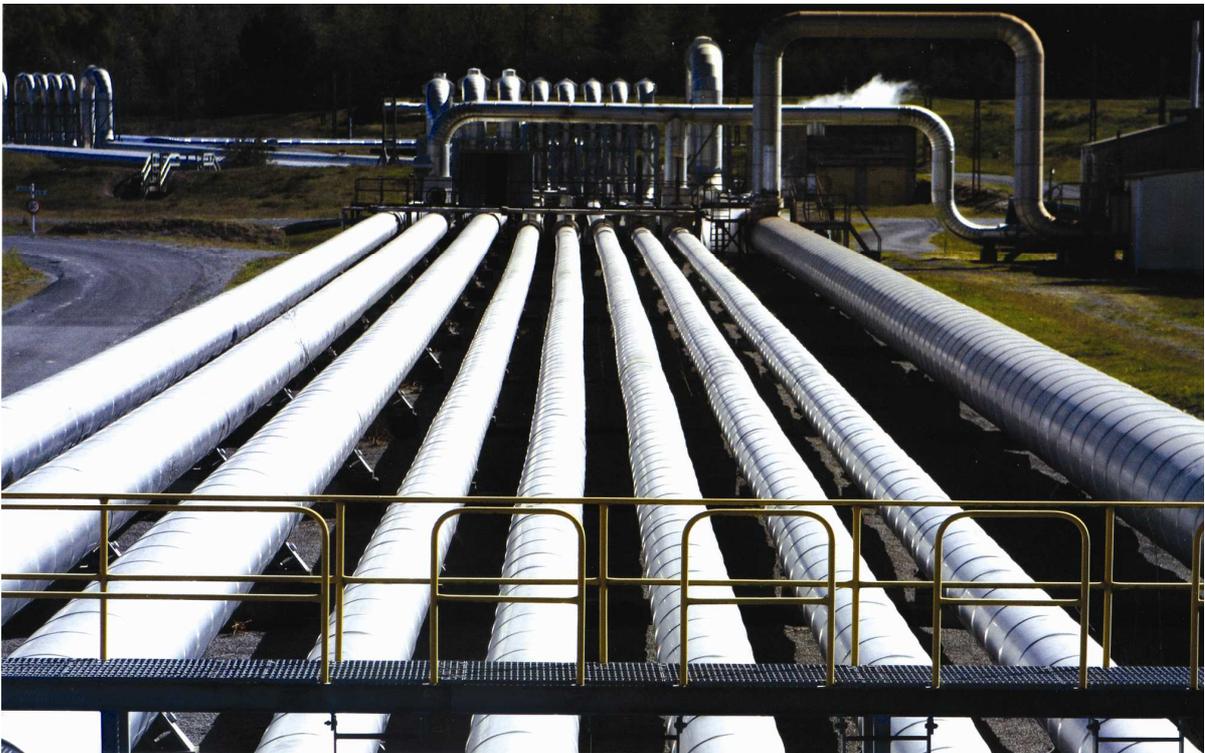
of Interest to buy regasified natural gas by End Users, so to make the necessary estimate of demand and by extension the market capacity. The process ended on 31 December 2009 and three companies in all (EAC, GOLAR ENERGY LTD, VOUIROS POWER INDUSTRIES) expressed interest to buy natural gas for electricity generation.

**Opening of the Market (Natural Gas)  
Derogations secured by the Republic of Cyprus**

In accordance with the new Directive **2009/73/EC** in connection with the common rules for the internal market of natural gas and the repealing of Directive **2003/55/EC**, Cyprus secured derogation from article 9 on the new Directive on the unbundling of transmission systems and transmission systems operators.

Furthermore, Cyprus may deviate from the application of articles 4 (Authorization Procedure), 9 (Unbundling of transmission systems and transmission system operators), 37 (Market opening and reciprocity) or/and 38 (Direct lines). The deviation will end from the moment Cyprus will cease to be regarded as an isolated market.

Also Cyprus may deviate from the application of Articles 4 (Authorization Procedure) and 9 (Unbundling of transmission systems and transmission systems operators), article 13 (Tasks of transmission, storage and/or LNG system operators), paragraphs 1 and 3, articles 14 (Independent system operators), 24 (Designation of distribution system operators), 25 (Tasks of distribution system operators) paragraph 5, 26 (Unbundling of distribution system operators) 31 (Unbundling of accounts), 32 (Third party access), 37 (Market opening and reciprocity) paragraph 1 and/or article 38 (Direct lines). This derogation will end the moment Cyprus will cease to be described as an emerging market.



Natural Gas Installations

## PREPARATION OF LEGISLATIVE MEASURES

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### **Bill on Security of Natural Gas Supply**

This Bill was prepared by CERA and discussed with the Ministry during 2007 and tabled in the House of Representatives for approval. The House postponed debate on this subject until the more general question of Natural Gas supplies to Cyprus is solved. During 2008 CERA, the Ministry and the EAC discussed the provisions of the Bill once again in the light of Law 199 (I) 2007 amending the Laws of 2004-2006 "On Regulating the Natural Gas Market".

During the year under review, the said Bill was discussed anew in the framework of the Third Energy Package and more specifically of the proposed Regulation on the security of natural gas supplies. On the basis of the revised Directive 2004/67/EC, the aforementioned proposed Regulation and also the conclusions of the study by CERA's Consultants, LDK Consultants, all parties involved decided that this Bill should be withdrawn. It was decided that the reactivation of the Study Committee of the said Bill, should continue with the issuing of the new Regulation on measures to ensure the security of Natural Gas supply.

### **Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market**

The Directive on services is a central element of the renewed Lisbon strategy on economic growth and employment.

The aim of the Directive is to eliminate legal and administrative barriers to the development of activities relating to the provision of services through the enactment of general provisions facilitating the exercise of freedom of establishment for service providers and the free movement of services, while maintaining a high quality of services.

Freedom of establishment of service providers and the free movement of services means the right to entry and residence by citizens of one member state to another member state, without adverse discrimination on the basis of nationality, resulting in the equal treatment of citizens and non citizens of the member state and the prohibition of any restrictive provisions for the provision of cross-border services.

The Ministry of Commerce, Industry and Tourism, firstly, and the Planning Bureau, secondly, were assigned the task of coordinating the implementation of this horizontal Framework Directive and of preparing the relevant legislation. To this end, CERA participated in a number of seminars and meetings organized by the Ministry and the Planning Bureau, completed questionnaires and provided any information and clarification requested on its powers and competences, for the purpose of clarifying the fields of legislation which established and governs CERA and which need to be adapted in order to comply with the Directive on Services in the internal market.

By itself, even the existence of the provisions on the authorization of Market factors, in spite of the fact that also natural persons residing in member states and legal persons having their registered office in a member state have the right to submit an application for a licence, was seen as requiring examination of the compatibility of its provisions in general with the provisions of the Directive. The points requiring amendment were identified and the process was set in motion.

# MAXIMUM DEMAND AND LOAD FORECAST

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## MAXIMUM POWER DEMAND AND TOTAL ENERGY GENERATION

The maximum demand for 2009 was recorded on Tuesday the 28 July at 14.15 hours at 1.103MW (1.098MW from EAC and 5MW from independent producers for own use).

The maximum demand for 2009 compared with that of the previous year, which was recorded on 28 August 2008 at 1.010MW, showed an increase by 9,2%. This increase is considered to be within the expected levels of annual increase.

It is noteworthy that the approved by CERA, in cooperation with the TSO, forecast of 1.095MW as maximum demand under normal weather conditions for the year 2009, is considered to be accurate, if one compares it with the recorded actual maximum demand of 1.103MW. In general during 2009 the following important facts were recorded:

The total gross electrical energy generated reached 5.177.643MWh.

EAC contributed with 5.133.330MWh or 99,1%, whilst producers for own use with 44.313MWh or 0,9%.

282.203MWh or 5,5% of the total generated energy was consumed for the internal requirements of the generating stations (of EAC and the independents.)

Total units sent out to the Transmission System from EAC Power Stations, reached the level of 4.853.395MWh.

Recorded energy losses in Transmission System amounted to 61.253MWh or 1,3%.

Total units sent out from the Transmission System to the Distribution System from EAC generation amounted to 4.792.142MWh.

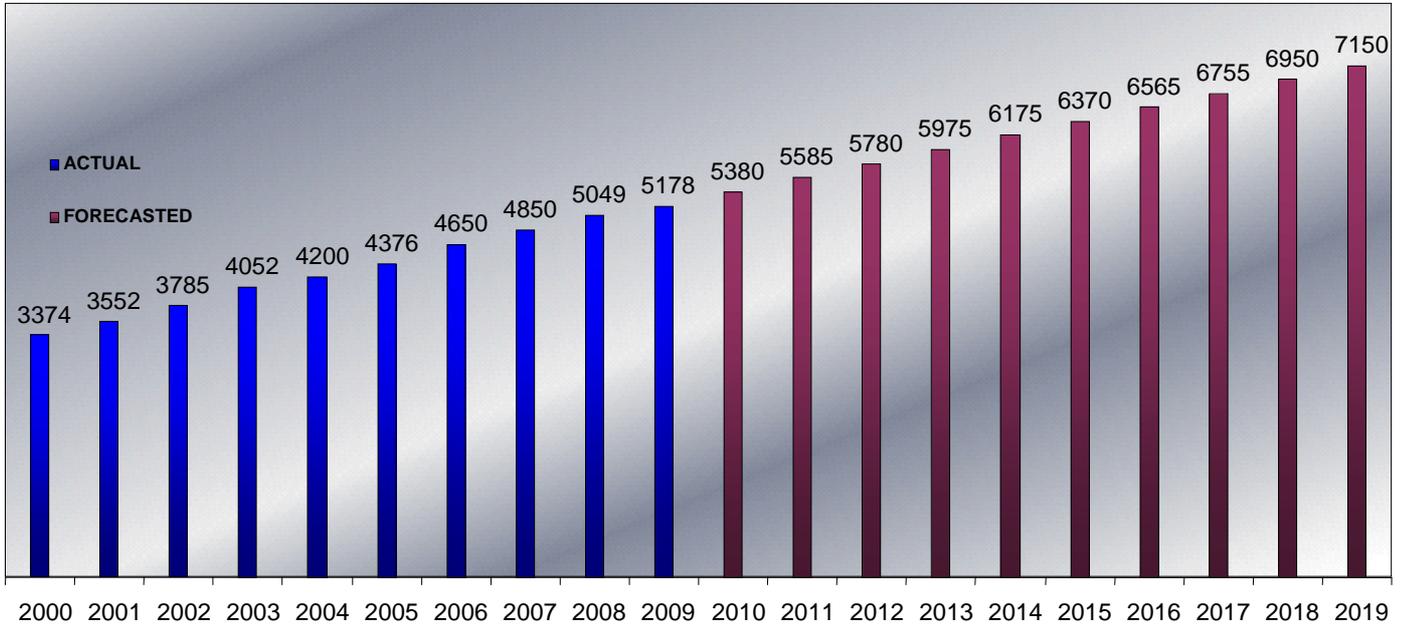
The mean value of annual Load Factor (of EAC and the independents) was 0,536, with that of the EAC at the level of 0,534.



The Energy Control Centre recorded in 2009 maximum demand of 1.103MW

**TOTAL ANNUAL GENERATION OF ELECTRICAL ENERGY  
IN (GWh) UNTIL 2019  
(EAC AND OTHERS)**

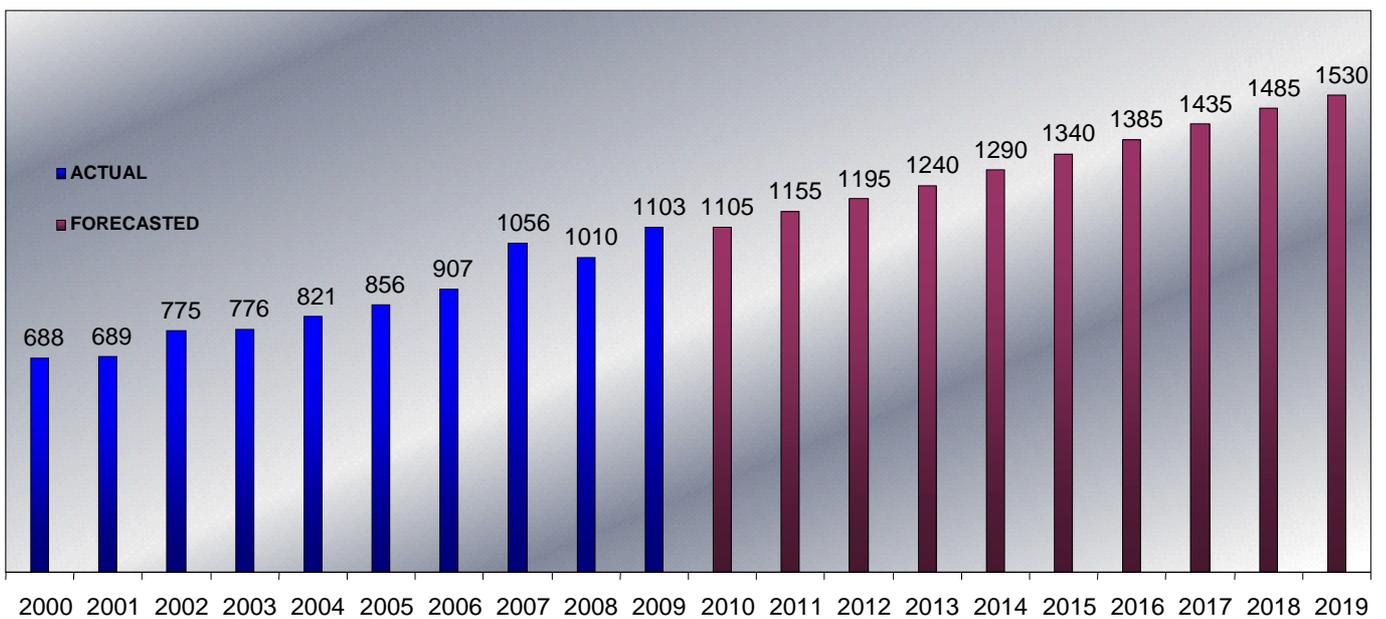
**GRAPH 1**



\* With a variation of  $\pm 1,5\%$  for 2010 up to  $\pm 2,5\%$  for the year of 2019

**ANNUAL MAXIMUM DEMAND IN MW UNTIL THE YEAR 2019  
(EAC & OTHER)**

**GRAPH 2**



\* With a variation of  $\pm 3,0\%$  for 2010 up to  $\pm 5,0\%$  for the year of 2019

# ELECTRICITY TRADING AND SETTLEMENT RULES

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A key priority of CERA was to ensure the preparation and approval of the Electricity Trading and Settlement Rules in accordance with the relevant articles of the legislation in force. CERA investigated and studied thoroughly and for a long time all relevant recommendations prepared by the TSO, as well as collected and considered the opinion of all other stakeholders of the market. CERA arranged several meetings with the TSO for clarifications on various issues of his recommendations and on 23 December 2008 decided to adopt TSO's recommendation of the Electricity Trading and Settlement Rules as formulated and as it appears on Issue 1.0.0. on a trial basis for a three-year period. Subsequently, in accordance with the provisions of the relevant legislation, CERA forwarded the said Issue to the Ministry of Commerce, Industry and Tourism for approval by the Minister.

On 22 January 2009, the Minister of Commerce, Industry and Tourism approved the Electricity Trading and Settlement Rules which came into force.

Attaining the objective set for a unanimous adoption of the Electricity Trading and Settlement Rules is considered to be a substantial step forward for the promotion of fair competition in the electricity market in Cyprus.

The Electricity Trading and Settlement Rules are observed by all licencees or persons to whom exemptions have been granted, pursuant to the relevant legislation to the extent required by the licences or their exemptions.

The Electricity Trading and Settlement Rules are prepared by the TSO and approved by CERA and the Minister of Commerce, Industry and Tourism in order to:

- (a) enable the TSO to fulfill its obligations under the Law
- (b) regulate the means by which participants may trade Energy
- (c) allow the calculation and settlement of payments in respect of Energy and Ancillary Services
- (d) specify the way in which settlement and billing shall be carried out and
- (e) deliver the Trading and Settlement Rules as envisaged in the Law.

The Electricity Trading and Settlement Rules:

- govern the mechanisms, prices, and other terms and conditions that will apply wherever licencees purchase or sell electricity through arrangements operated by the TSO;
- ensure that all licencees who are required to participate in the purchase or sale of electricity through such arrangements, are not subject to undue discrimination;
- foster efficiency, economy and competition in the purchase and sale of electricity through such.

# TRANSMISSION AND DISTRIBUTION RULES

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In accordance with the legislation in force, CERA issues instructions to the Transmission System Operator and the Distribution System Operator to prepare and issue technical rules, which are subject to CERA's approval. The said technical rules refer to the operation of the Transmission System and the Distribution System, correspondingly, and form part of the Transmission and Distribution Rules.

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

The first edition of the Transmission and Distribution Rules, Version 1.1.1, was approved by CERA on 07/10/04 and came into force upon its publication on 15/10/04. Thereafter, the Rules were revised, CERA's approval to the amendments was granted on 09/06/06, and Version 2.0.0-June 2006 of the Transmission and Distribution Rules came into force upon its publication on 19/06/06, and is still in force until to date.

The Transmission and Distribution Rules:

- govern the technical requirements and restrictions applied by licencees whenever they decide to be interconnected with the Transmission System and/or the Distribution System or to use the Transmission System or the Distribution System to transmit electrical energy.
- ensure that the technical terms applied by licencees who wish to be interconnected or to use the Transmission System or the Distribution System do not constitute an unjustified discrimination for the licencees.
- promote the efficiency, credibility and economy in the use and development of the Transmission and the Distribution System.

The Transmission and Distribution Rules are divided into two major parts.

## **PART I – The Transmission System Rules**

The Transmission System Rules set out the operating procedures and principles governing TSO's relationship with all the Users of the Transmission System, be they Generators, Suppliers, the DSO or Transmission System connected consumers.

The Transmission System Rules determine the exact procedures to be followed for the operation of the Cyprus Electricity System through which the control and regulation of the System is achieved on a long, medium and short term basis within conditions of system security and reliability and with the minimum possible cost incurred.

## **PART II - The Distribution System Rules**

The Distribution System Rules define the technical aspects of the working relationship between the Distribution System Operator and all Users of the Distribution System, to ensure an efficient, co-ordinated and economical system for electricity Distribution.

In the framework of the continuous improvement in the operation and implementation of the Transmission and Distribution Rules, consultations are held from time to time with representatives of the following stakeholders, who make up the Advisory Committee on the Rules of Transmission and Distribution, pursuant to the legislation.

- The Transmission System Operator Director is the Chairman of the Advisory Committee on the Transmission and Distribution Rules.
- The Transmission System Owner.
- The Distribution System Owner.
- The EAC generation.
- The Generators and / or Suppliers other than the EAC.
- The Tradeunions of workers in the electricity sector.
- The Eligible Consumers.
- The Non-eligible Consumers.
- CERA, or the Office of CERA.
- The Ministry of Commerce, Industry & Tourism.
- The Electromechanical Services Department of the Ministry of Communications and Works.

The Advisory Committee on the Transmission and Distribution Rules met twice (2) in **2009**, and discussed and studied in depth specific issues. In the context of the continuous improvement of the Rules, it is possible that in the course of the current year these Rules may be further amended and harmonized with new EU Directives.

It must be noted that any proposed amendment of the Transmission and Distribution Rules is submitted by the Chairman of the Advisory Committee to CERA, together with the comments of the other members. No amendment comes into force unless it is approved and published by CERA.



Distribution network

# THIRD ENERGY PACKAGE OF THE EU

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## 3<sup>rd</sup> ENERGY PACKAGE FOR THE INTERNAL MARKET

The European Commission launched its proposals for the 3<sup>rd</sup> Energy Package which includes the Directives on the Liberalization of the Energy Market on **19/9/07**. The Package consists of five proposed Directives having as their primary purpose the completion of the European internal market of electricity and gas as well as enhancing its operation and competitiveness. The main measure provided in the proposals is the effective separation of ownership of supply and production activities from the activities of network exploitation in vertically integrated undertakings of electrical energy and natural gas and the strengthening of the powers of National Regulatory Authorities. On 13 July 2009 the relevant Directives, Rules and Decisions were finalized and published, as can be seen below:

### **DIRECTIVE 2009/72/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC**

Directive **2009/72/EC** establishes common rules for the generation, transmission, distribution and supply of electricity, together with consumer protection provisions, with a view to improving and integrating competitive electricity markets in the Community. It lays down the rules relating to the organisation and functioning of the electricity sector, open access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations and the operation of systems. It also lays down universal service obligations and the rights of electricity consumers and clarifies competition requirements.

### **DIRECTIVE 2009/73/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC**

Directive **2009/73/EC** establishes common rules for the transmission, distribution, supply and storage of natural gas. It lays down the rules relating to the organisation and functioning of the natural gas sector, access to the market, the criteria and procedures applicable to the granting of authorisations for transmission, distribution, supply and storage of natural gas and the operation of networks.

The rules established by this Directive for natural gas, including LNG, shall also apply in a non-discriminatory way to biogas and gas from biomass or other types of gas in so far as such gases can technically and safely be injected into, and transported through, the natural gas system.

### **REGULATION (EC) No 713/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators.**

Regulation No **713/2009** establishes an Agency for the Cooperation of Energy Regulators (the Agency). The purpose of the Agency shall be to assist the regulatory authorities referred to in Article **35** of Directive **2009/72/EC** of the European Parliament and the Council of 13 July 2009, in connection with the common rules for the internal market in electricity.

The Agency may, upon a request of the European Parliament, the Council or the Commission, or on its own initiative, provide an opinion or a recommendation to the European Parliament, the Council and the Commission on any of the issues relating to the purpose for which it has been established.

**REGULATION (EC) No 714/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003**

Regulation **714/2009** aims at:

- (a) setting fair rules for cross-border exchanges in electricity, thus enhancing competition within the internal market in electricity, taking into account the particular characteristics of national and regional markets. This will involve the establishment of a compensation mechanism for cross-border flows of electricity and the setting of harmonised principles on cross-border transmission charges and the allocation of available capacities of interconnections between national transmission systems;
- (b) facilitating the emergence of a well-functioning and transparent wholesale market with a high level of security of supply in electricity. The Regulation provides for mechanisms to harmonise the rules for cross-border exchanges in electricity.

**REGULATION (EC) No 715/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005**

Regulation No **715/2009** aims at:

- (a) setting non-discriminatory rules for access conditions to natural gas transmission systems taking into account the special characteristics of national and regional markets with a view to ensuring the proper functioning of the internal market in gas;
- (b) setting non-discriminatory rules for access conditions to LNG facilities and storage facilities taking into account the special characteristics of national and regional markets; and
- (c) facilitating the emergence of a well-functioning and transparent wholesale market with a high level of security of supply in gas and providing mechanisms to harmonise the network access rules for cross-border exchanges in gas.

# ESTABLISHED EUROPEAN BODIES FOR ENERGY ISSUES

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## COUNCIL OF EUROPEAN ENERGY REGULATORS



The Council of European Energy Regulators (CEER) 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.

### TABLE OF MEMBER STATES OF THE COUNCIL

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

The web page of CEER is:  
[www.energy-regulators.eu](http://www.energy-regulators.eu)

## EUROPEAN REGULATORS GROUP FOR ELECTRICITY AND GAS



The ERREG (European Regulators Group for Electricity and Gas) 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 25 EU Member States. The European Commission is represented at a high level at the meetings of the ERREG and it also provides the Secretariat to the ERREG.

The ERREG was established on **1/11/03** by 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 (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.

The web page of ERGEG is:  
[www.energy-regulators.eu](http://www.energy-regulators.eu)

## ENERGY COMMUNITY REGULATORY BOARD (ECRB)



The Energy Community Regulatory Board was established on the **1/07/06** 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 of the European Union and participate in the discussions of these Bodies/ Fora.

The board consists of the following countries:

### TABLE OF STATES MEMBERS OF THE BOARD

1 Austria	7 Italy	13 Hungary
2 Albania	8 Kosovo	14 Romania
3 Bosnia- Herzegovina	9 Cyprus	15 Slovakia
4 Bulgaria	10 Croatia	16 Slovenia
5 France	11 FYROM	17 Serbia
6 Greece	12 Montenegro	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 **17/11/06** to four applicant countries.

1 Moldova	3 Turkey
2 Norway	4 Ukraine

The Chairman of CERA represents Cyprus.

The web page of ECRB is:  
[www.ecrb.eu](http://www.ecrb.eu)

## WORLD ENERGY REGULATORY NETWORK (IERN)



The International Energy Network Setup (IERN) is a web platform aimed at facilitating information exchange and analysis of market rules for electricity and natural gas for the benefit of regulators, and other interested users.

The website is IERN:  
[www.iern.org](http://www.iern.org)

## MEDREG



The Mediterranean Working Group on Electrical and Gas MEDREG was established in May **2006** as a Working Group and is currently a non-profit organization under Italian Law that was published in Rome in November **2007**. Non-Profit Organization MEDREG is supported by the European Union.

The Energy Regulators from the following countries participate in MEDREG : Albania, Algeria, Egypt, Bosnia-Herzegovina, France, Greece, Italy, Spain, Israel, Jordan, Croatia, Cyprus, Malta, Montenegro, Morocco, Palestine, Portugal, Slovenia, Tunisia and Turkey.

The main purpose of MEDREG is to promote a stable and harmonized regulatory framework in the Euro-Mediterranean Energy Market, leading to the provision of maximum benefits to energy consumers in both regions, respectively. This requires continuous cooperation and information exchange between Members MEDREG creating in this way the basis for further discussion and elaboration of different regulatory frameworks.

The MEDREG group is supported by the Italian Government , the Rome Euro-Mediterranean Energy Platform REMEP, the European Union and the Council of European Energy Regulators (Council of European Energy Regulators CEER).

For more information about MEDREG visit this website:  
[www.remep.org/medreg/about-medreg](http://www.remep.org/medreg/about-medreg)

## LOCAL AND INTERNATIONAL ACTIVITIES

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### **1<sup>ST</sup> MEDREG EIB TF COMMITTEE MEETING ON TOR 12 JANUARY 2009**

On 12 January **2009** the first meeting of the MEDREG Working Group- a European Investment Bank (EIB) project - was held with great success in the offices of CERA. The meeting was chaired by the President of the Cyprus Energy Regulatory Authority Costas Ioannou and was attended by representatives of Egypt, Jordan, Italy, Spain and France, who according to a relevant decision from the Working Group of this EIB Project. Of course, any other members of MEDREG wish to join the Working Group at a later stage can do so.

During the meeting, CERA Energy Officer Maria-Eleni Delenta made an analytical presentation of the content and the reasoning behind the draft terms and conditions of the Competition on “Provision of Consultancy Services for a Study on the Regulatory Regime which should govern International Investment in Energy Infrastructure among the Mediterranean countries”, for which financing will be sought from the European Investment Bank. All members discussed and made comments on this draft and a decision was taken to send a new draft which will include their comments. Furthermore it was decided that at the end of each phase of the project a Final Report would be prepared, which should be approved by the General Meeting of MEDREG before any other decision is taken.

After the Draft of the Terms of the Competition is finalized, it will be discussed with the European Investment Bank (EIB) which will finance the Competition in the first phase and subsequently will examine the financing of the envisaged infrastructure works in the framework of the consultancy services.

### **8<sup>th</sup> GENERAL ASSEMBLY OF MEDREG ENERGY REGULATORS ON ELECTRICITY AND NATURAL GAS**

On 13 November, **2009** the Cyprus Energy Regulatory Authority hosted at the Nicosia Hilton the 8<sup>th</sup> General Assembly of the Association of Mediterranean Energy Regulators for Electricity and Gas (MEDREG). In all 20 National Regulatory Authorities from 20 different countries (Albania, Algeria, Bosnia-Herzegovina, Croatia, Cyprus, Egypt, France, Greece, Israel, Italy, Jordan, Malta, Montenegro, Morocco, the Palestinian Authority, Portugal, Slovenia, Spain, Tunis and Turkey) are participating in the Association with the aim of promoting a stable regulatory framework for the energy market in Europe and the Mediterranean, having always in mind the protection of the interests of consumers.

Addresses to the meeting were made by MEDREG Chairman Alessadro Ortis, the Acting President of CERA Stelios Petrides, the Minister of Commerce, Industry and Tourism, Antonis Paschalides, the EU representative Marie-Christine Jalabert and the Representative of the Parliamentary Assembly of the Mediterranean Tassos Mitsopoulos.

In all representatives of 16 National Regulatory Authorities attended the Assembly and focused on the following:

1. Approval of the three-year MEDREG Action Plan 2010-2012 with a view to strengthening the regulatory framework in order to promote a stable and harmonized Euro-Mediterranean energy market, for the maximum benefit of energy consumers. More specifically the Action Plan for the next three years focuses on issues relating to the protection of the interests of consumers.

2. Issues of cross-border infrastructure, pointing out the need for regional harmonization and upgrading of the Mediterranean electricity market.
3. Issues relating to the introduction of successful mechanisms for the promotion of Renewable Energy Sources and Co-generation as well as Saving Energy in countries outside the EU.
4. Issues of multi-criteria analysis in the field of Natural Gas as well as transparency issues.



A snapshot of the 8<sup>th</sup> Annual Meeting of MEDREG in Cyprus

## **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 others, 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.

To this end CERA encourages international co-operation 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:



## **“DISTRES” – 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 and knowledge developed in the field of renewable energy sources distributed generation (RES-DG) technologies by isolated research activities and to develop specialized 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 has contributed to the understanding of the advantages of the distributed generation technologies by photovoltaic systems in the Mediterranean Countries and to the dissemination of technologies from European research activities. Furthermore, the results from DISTRES will pave the way for pilot systems and products, (photovoltaic systems) meeting different needs and climate conditions under the specific socio-economic conditions of each country. In this way it will contribute to the development of appropriate RES-DG policies in each country, for the purpose of proper and effective development of the photovoltaic systems.

The local character of the project Distress ensures that the technology of the generation systems that will be developed will be financially and socially viable combining low cost and maximum efficiency so that they may be in line with 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 urban areas. This project was completed in 2009 and it lasted for three years with the participation of nineteen (**19**) partners from various countries like Lebanon, Algeria, Egypt, Morocco, Denmark, Portugal, France, Switzerland, Greece and Cyprus and is supported by the EU 6<sup>th</sup> Framework Programme FP6.

The projects website is: [www.distress.eu](http://www.distress.eu)



## **“STORIES”- Addressing regulations for Storage Technologies for increasing the penetration of Intermittent Energy Sources.**

The main objective of the project STORIES is to arrive at specific proposals for the modification of policy and regulatory direction regarding installations of RES in island networks as well as to promote energy storage technologies and to increase RES penetration in islands. The main objectives are to address electrical grid access and stability issues related to the low penetration of RES in islands. Also to study economic parameters, such as internal and external costs related to conventional power systems in comparison to hybrid RES-energy storage power systems. Another aim is through various studies and their results to ensure the involvement of local key market actors in the implementation of RES electricity installations in remote or outlying regions.

The total duration of the Project is 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 EU.

The Programme’s website is [www.storiesproject.eu](http://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 shared between industry and academia and the further involvement of industry in research projects.

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 will allow the user to evaluate the forecast and the evaluation of the system by the end user.

The research project was completed in August 2009 with 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 Programmes of the Research Promotion Foundation.



### **“EA3GRID”- EUROPEAN EFFICIENCY BENCHMARKING PROJECT**

In accordance with the existing regulatory framework, the Transmission System Operators (TSO's) are under the umbrella both of the national and European Regulation. The national Regulatory Authorities are obligated to supervise and regulate the electricity market and at the same time to ensure that any income (from the connection and use charges of the network) reflect the cost of a properly structured, efficient, operational transmission system comparable to other TSO's.

The above mentioned assumption/ declaration drove the members of the Council of European Energy Regulators (CEER) Workstream “Incentive based Regulation and Efficiency Benchmarking” (including CERA) to proceed to undertake a Pan-European Efficiency Benchmarking Study of Electricity TSO's. In particular the German Regulatory Authority, German Bundesnetzagentur (BNetzA) undertook to prepare the Terms of Reference of the Tender and following the procedure of tender submission, the contract was awarded to Consultants firm Tractebel Engineering & Bureau van Dijk. The study deals with the recording, analysis and the comparative juxtaposition of the assets the equity and liabilities, charges revenues etc.

The efficiency analysis for the TSOs is based on a combination of system science, engineering and econometrics. The overall objective of the project has been to deliver static and dynamic cost efficiency estimates that are robust and comprehensible and can be used in a variety of regulatory applications, from informing a comprehensive performance assessment to parameters in structured periodic rate reviews, e.g. setting of X-factors. The analysis is based on submitted data from the operators, including detailed cost and asset data, data for physical outputs and staffing, data for the physical, economic and technical context of the operators, statements of operator specific costs, quality indicators and data related to the use of infrastructure for transport and regional transmission.

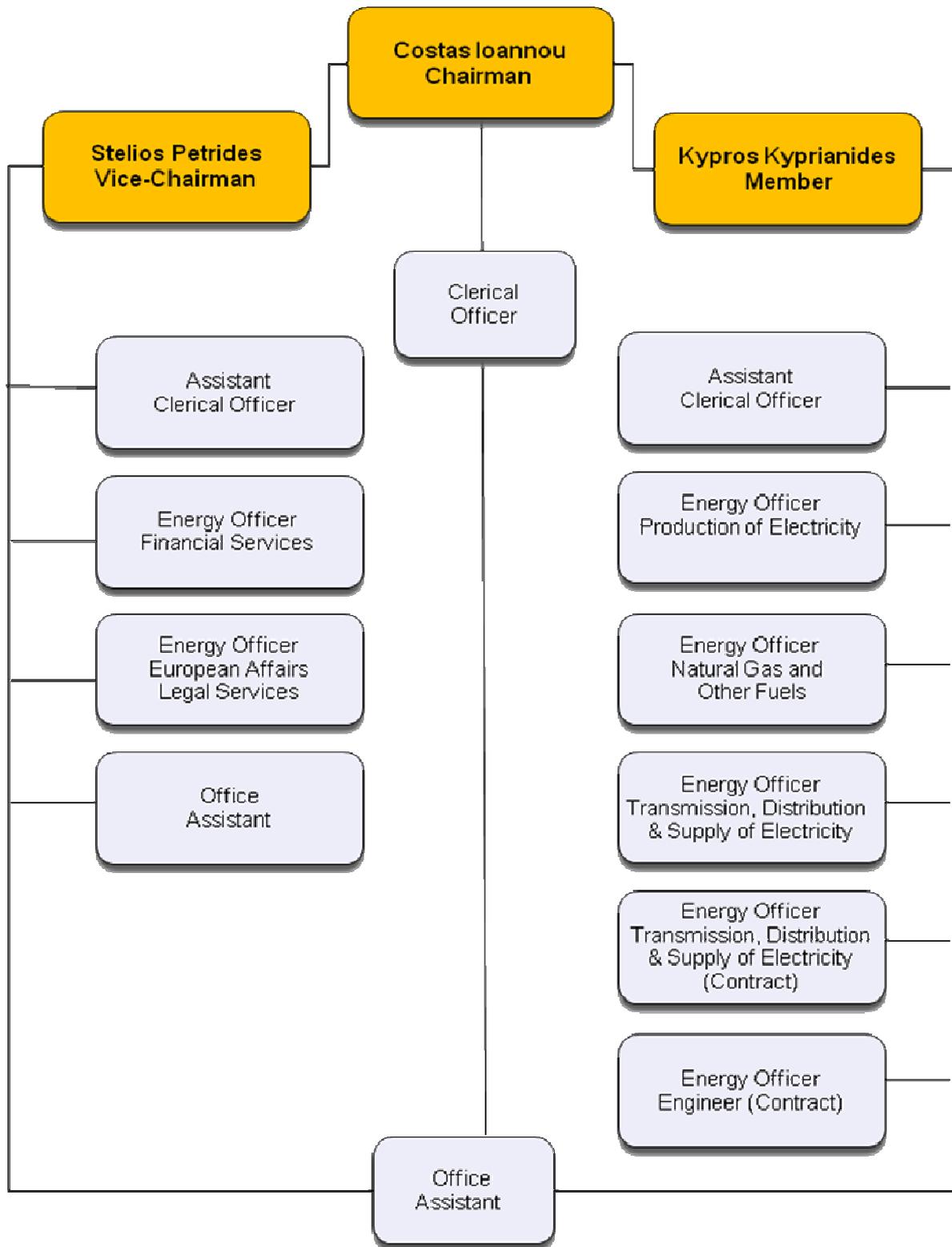
The results of the project were announced in 2009. Nineteen countries (19) participate in the Project through nineteen (19) national regulatory authorities (NRAs) and twenty-two (22) Transmission System Operators (TSOs) from Austria [E-Control], Cyprus [CERA], the Czech Republic [ERU], Denmark [DERA], Finland [EMV], Germany [BNetzA], Hungary [HEO], Iceland [OS], Italy [AEEG], Lithuania [NCC] Luxemburg [ILR] Holland [Dte] , Norway [NVE] Poland [ERO], Portugal [ERSE] Slovenia [AGEN] Spain [CNE] Sweden [EMI] and UK [Ofgem].

At the same time, CERA plans to submit and has already submitted new proposals in the framework of European Programmes for the 2010 period.



Photo of a meeting between CERA and a delegation of the Regulatory Authority and the Transmission System Operator of Bulgaria

## CERA'S ORGANOGRAM (2009)



## CONSULTANTS

### LEGAL ADVISERS

The Law Office of Mr. Christos Triantafyllides was appointed, following tender procedures, as CERA's Legal Adviser as from the 1<sup>st</sup> of July 2004.

### ACCOUNTANTS

The Accounting Firm Nexia Poyiadjis was appointed, following tender procedures, as CERA's Accountants as from the 19<sup>th</sup> of March 2004.

### TECHNOECONOMIC ADVISERS

LDK Consultants of Technical and Development Projects in cooperation with Deloitte & Touche Ltd, following tender procedures, are the new Technical and Financial Consultants of CERA, as from the 1<sup>st</sup> of August 2007.

## FOR EASY COMMUNICATION WITH CERA

The offices of the CYPRUS REGULATORY ENERGY AUTHORITY are situated at Iacovides Tower in Nicosia.

### **CERA's full address is the following:**

Griva Digheni Avenue 81-83  
Iacovides Tower  
3<sup>rd</sup> Floor, 1080 Nicosia

### **The postal address is:**

P. O. Box 24936  
1305 Nicosia

### **For quick communication:**

Tel +357 22 66 63 63  
Fax +357 22 66 77 63  
Email : [info@cera.org.cy](mailto:info@cera.org.cy)  
Web page : [www.cera.org.cy](http://www.cera.org.cy)

# REPORT AND FINANCIAL STATEMENTS CYPRUS ENERGY REGULATORY AUTHORITY

for the year ended 31 December 2009



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## MEMBERS OF THE AUTHORITY AND OTHER OFFICERS

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**Members**

George Shammas	Chairman ( <i>appointed on 02/02/2010</i> )
Costas Ioannou	Chairman (left on 01/11/2009)
Constantinos Eliopoulos	Vice-Chairman ( <i>appointed on 02/02/2010</i> )
Stelios Petrides	Vice-Chairman ( <i>left on 20/01/2010</i> )
Kypros Kyprianides	Member ( <i>left on 20/01/2010 and was reappointed on 02/02/2010</i> )

**Auditors:** Auditor General of the Republic of Cyprus  
6 Deligeorgi  
1406 Nicosia

**Legal Advisers:** Christos M. Triantafyllides  
Lawyer  
27 Evagorou Avenue  
Irene Building, 3rd Floor, Office 35  
Nicosia - Cyprus

**Financial Advisers:** NEXIA POYIADJIS  
Chartered Accountants  
2 Sophouli Street  
Chanteclair Building, 8th Floor  
P.O.Box 21814  
1513 Nicosia, Cyprus

**Office Address:** 81-83 Griva Digeni Avenue  
Iakovides Building, 3rd Floor  
1080 Nicosia  
P.O.Box 24936  
1305 Nicosia, Cyprus

# AUDIT SERVICE OF THE REPUBLIC

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

I have audited the attached Financial Statements of the Cyprus Energy Regulatory Authority which consist of the Statement of Financial Position as at 31<sup>st</sup> December 2009, the Income Statement, the Statement of Changes in Equity and the Cash Flow Statement for the financial year ended at this date as well as a summary of important accounting policies and other explanatory notes.

### *CERA's Responsibility for the Financial Statements*

CERA is responsible for the preparation of financial statements which give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Laws On Regulating the Electricity Market. 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 accounting ethics and that I plan 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 accounting evidence for amounts and other announcements included in the Financial Statements. The procedures selected are at 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 entity, which give a true and fair picture 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 policies 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, the financial statements give a true and fair view of the financial position of the Cyprus Energy Regulatory Authority on 31<sup>st</sup> December 2009 and its financial performance and cash flows for the year ended on this date in accordance with the International Financial Reporting Standards adopted by the EU and the provisions of the Laws Regulating the Electricity Market.



Andreas Kourtellis, FCA,  
for the Auditor General  
of the Republic

Nicosia, 15 June 2010

# REPORT OF THE MEMBERS OF THE AUTHORITY

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The Members of the Cyprus Energy Regulatory Authority (CERA) present their report together with the audited financial statements of CERA for the year ended 31 December 2009.

## **Principal activity**

The establishment of CERA arises from the obligations of Cyprus towards the European Union. CERA's basic mission is the supervision of the operation of the Energy Market (Electricity and Natural Gas) in a new and liberalised environment with no monopolies. On 2 February 2010 the Members of CERA gave their prescribed affirmation to the President of the Republic of Cyprus for the faithful execution of their duties according to the provisions of the Law 122(I) of 2003.

## **Results**

CERA's results for the year are set out on page 71. 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 the Authority as at 31 December 2009 and at the date of this report are shown on page 67. Not all of them were Members of CERA throughout the year ended 31 December 2009. Costas Ioannou left the post of President on 1 November 2009 and Stelios Petrides took over as Acting President of CERA on 1 November 2009 and stayed on this post until the day he left on 20 January 2010. Kypros Kyprianides was a member of CERA throughout the year ended 31 December 2009.

The new members of CERA, George Shammas – Chairman, Constantinos Eliopoulos-Vice Chairman and Kypros Kyprianides- Member were appointed on 2 February 2010.

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

By order of the Members of CERA,



George Shammas  
Chairman

Nicosia, Cyprus 31 May 2010

**INCOME STATEMENT**  
Year ended 31 December 2009

	Note	2009 €	2008 €
<b>Revenue</b>	4	<b>1.814.733</b>	1.738.914
Other Income	5	<b>168.475</b>	141.227
Administration expenses		<b>(1.189.517)</b>	(1.052.696)
Other expenses	6	<u><b>(2.105)</b></u>	<u>(577)</u>
<b>Operating Surplus</b>	7	<b>791.568</b>	826.918
Finance Costs	10	<u><b>(571)</b></u>	<u>(1.168)</u>
<b>Surplus before tax</b>		<b>790.997</b>	825.750
Tax	11	<u><b>(16.837)</b></u>	<u>(32.253)</u>
<b>Net Surplus for the year</b>		<u><b>774.160</b></u>	<u>793.497</u>
<b>Other income</b>			
<b>Other total income for the year</b>		<u>-</u>	<u>-</u>
<b>Income for the year</b>		<u><b>774.160</b></u>	<u>793.497</u>

Notes on pages 73 to 85 are an integral part of these consolidated financial statements

**STATEMENT OF FINANCIAL POSITION**  
**31 December 2009**

	Note	2009 €	2008 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	59.223	74.627
Intangible assets	13	833	-
		<u>60.056</u>	<u>74.627</u>
<b>Current Assets</b>			
Fees and other receivables	14	66.786	67.737
Tax receivable	18	20.720	-
Cash at bank and in hand	15	5.331.958	4.268.372
		<u>5.419.464</u>	<u>4.336.109</u>
<b>Total assets</b>		<u><b>5.479.520</b></u>	<u><b>4.410.736</b></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained surplus		5.020.797	4.246.637
<b>Total Reserves</b>		<u><b>5.020.797</b></u>	<u><b>4.246.637</b></u>
<b>Non-current liabilities</b>			
Trade and other payables	17	149.381	-
		<u>149.381</u>	<u>-</u>
<b>Current Liabilities</b>			
Trade and other payables	16	309.342	154.258
Current tax liabilities	18	-	9.841
		<u>309.342</u>	<u>164.099</u>
<b>Total liabilities</b>		<u><b>458.723</b></u>	<u><b>164.099</b></u>
<b>Total reserves and liabilities</b>		<u><b>5.479.520</b></u>	<u><b>4.410.736</b></u>

On 31 May 2010 the Members of the CYPRUS ENERGY REGULATORY AUTHORITY authorized these financial statements for issue.



George Shammas  
Chairman



Constantinos Eliopoulos  
Vice-Chairman



Kypros Kyprianides  
Member

Notes on pages 73 to 85 are an integral part of these consolidated financial statements

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	<b>Retained Surplus €</b>
<b>Balance- 1 January 2008</b>	<b>3.453.140</b>
Net surplus for the financial year	<u>793.497</u>
<b>Balance 31 December 2008/ 1 January 2009</b>	<b>4.246.637</b>
Net surplus for the year	<u>774.160</u>
<b>Balance 31 December 2009</b>	<b><u>5.020.797</u></b>

Companies which do not distribute 70% of their profit after tax, as specified in the Special Contribution for Defence Law, within two years from the end of the tax year in which the profits were made, shall be deemed that they have distributed this amount as dividend. A 15% special contribution shall be payable on deemed dividend distribution applicable to shareholders (individuals and companies) who at the end of the two years from the end of the tax year in which the profits were made are residents of Cyprus. Deemed distribution is reduced with payments of actual dividends, which have already been paid during the two years following the year in which the profits relate to.

Notes on pages 73 to 85 are an integral part of these consolidated financial statements

## CASH FLOW STATEMENT

Year ended 31 December 2009

	Note	2009 €	2008 €
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Surplus before tax</b>		<b>790.997</b>	825.750
Adjustments for:			
Depreciation of property, plant and equipment	12	<b>18.293</b>	18.729
Loss from the sale of property, plant and equipment		<b>2.030</b>	577
Interest income	5	<b>(168.382)</b>	(141.277)
Interest expense	10	-	280
<b>Cash flow from operations before working capital Changes</b>		<b>642.938</b>	704.059
Decrease/(increase) in fees and other receivables		<b>951</b>	(50.396)
Increase in trade and other payables		<b>302.584</b>	66.890
Increase in deferred income		<b>1.881</b>	-
<b>Cash flows from operations</b>		<b>984.354</b>	720.553
Tax paid		<b>(47.398)</b>	(36.610)
<b>Net cash from operating activities</b>		<b>900.956</b>	683.943
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for the purchase of intangible assets	13	<b>(1.250)</b>	-
Payment for the purchase of property, plant and equipment	12	<b>(4.578)</b>	(13.839)
Revenue from the sale of property, plant and equipment		<b>76</b>	-
Interest received		<b>168.382</b>	141.277
<b>Net cash from investing activities</b>		<b>162.630</b>	127.438
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest paid		-	(280)
<b>Net cash from financing activities</b>		-	(280)
<b>Net increase in cash and cash equivalents</b>		<b>1.063.586</b>	811.101
Cash and cash equivalents:			
At the beginning of the year		<b>4.268.372</b>	3.457.271
At end of the year	15	<b>5.331.958</b>	4.268.372

Notes on pages 73 to 85 are an integral part of these consolidated financial statements

# NOTES TO FINANCIAL STATEMENTS

## Year ended 31 December 2009

### 1. Incorporation and principal activities

#### Country of incorporation

The CYPRUS ENERGY REGULATORY AUTHORITY (CERA) was incorporated in Cyprus on 21 January 2004 as a public law legal entity, according to Law 122(I)/2003. On the same date and under the same law the Office of CERA was incorporated, which operates as a separate legal entity. The CERA supervises and controls the Office of CERA. Its registered office is at 81-83 Griva Digeni Avenue, Iakovides Building, 3rd Floor, P.O.Box 24936 , 1355 Nicosia, Cyprus.

#### Principal activity

The establishment of CERA arises from the obligations of Cyprus towards 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 4 February 2010 the members gave their prescribed affirmation to the President of the Republic of Cyprus for the faithful execution of their duties according to the provisions of Law 122(I) of 2003.

### 2. Accounting policies

The principal accounting policies followed in the preparation of these financial statements are mentioned below. These policies have been consistently applied in all the years presented in these financial statements, unless it is otherwise expressly stated.

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Law on Regulating the Electricity Market. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying CERA's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

## **2. Accounting policies (continued)**

### **Adoption of new and revised IFRSs**

During the current year CERA adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2009. This adoption did not have a material effect on the accounting policies of the CERA, with the following exception:

International Accounting Standard (IAS) 1(Revised) "Presentation of Financial Statements". The change affected only the presentation of Financial Statements.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The members of CERA expect that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of CERA.

At the date of approval of these financial statements the following accounting standards have been issued by the International Financial Reporting Standards Board, but have not yet come into force:

#### **(i) Adopted by the European Union**

##### **New standards**

- IFRS 3 (Revised): "Business Combinations (effective for annual periods beginning on or after 1 July 2009)
- IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after the 1 July 2009)
- IFRS 1: (Revised) "First-time adoption of IFRSs (effective for annual periods beginning on or after the 1 January 2009).

##### **Amendments**

- Annual Improvements of IFRS (2008) for IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (effective for annual periods beginning on or after 1 July 2009)
- IAS 39 (Amendment) " Financial Instruments: Recognition and Measurement": Eligible Hedged Items" (effective for annual periods beginning on or after the 1 July 2009)
- IFRIC 9 and IAS 39 relating to embedded derivatives (effective for annual periods on or after 30 June 2009)
- Amendments to IAS 32 "Financial Instruments: Presentation: Classification of Rights Issues" (effective for annual periods on or after 1 February 2010).

## **2. Accounting policies (continued)**

### **Adoption of new and revised IFRSs (continued)**

#### **(i) Adopted by the European Union**

##### **New Interpretations**

- International Financial Reporting Interpretations Committee (IFRIC)12 “ Service Concession Arrangements” (effective for annual periods on or after 1 January 2008, EU: 30 March 2009)
- IFRIC 15 “ Agreements for the Construction of Real Estate” (effective for periods on or after 1 January 2009, EU 31 December 2009)
- IFRIC 16 “ Hedges of a Net Investment in a Foreign Operation (effective for periods on or after 1 October 2008, EU 30 June 2009)
- IFRIC 17 “Distributions of Non-cash Assets to Owners” (effective for periods on or after 1 July 2009)
- IFRIC 18 “Transfers of Assets to Customers (effective for periods on or after 1 July 2009)

#### **(ii) Not adopted by the European Union**

##### **New standards**

- IAS 24 (Revised) “Related Party Disclosures” (effective for periods on or after 1 January 2011). This will reduce disclosure requirements with related parties.
- IFRIC 9 “Financial Instruments” (effective for periods on or after 1<sup>st</sup> January 2013)

##### **Amendments**

- Amendment to IFRIC 14 “Minimum Funding Requirements” (effective for periods on or after 1 January 2011)
- Annual Improvements of IFRIC 2009 (effective for periods on or after 1 July 2009 until 1 January 2010)
- Amendments to IFRS 2 - Group cash-settled share-based payment transactions” (effective for periods on or after 1 January 2010)
- Amendments to IFRS 1 “First Time Adopters-Additional Exemptions (effective for periods on or after 1 January 2010)
- Amendments to IFRS 1 “Limited Exemptions from Comparative IFRS 7 Disclosures for First Time Adopters” (effective for periods on or after 1 July 2010)

## **2. Accounting policies (continued)**

### **Adoption of new and revised IFRSs (continued)**

#### **(ii) Not Adopted by the European Union (continued)**

##### **New Interpretations**

- IFRIC 19 “ Extinguishing Financial Liabilities with Equity Instruments” (effective for periods starting on or after 1 July 2010)

CERA members expect that the adoption of these accounting standards or interpretations in future years will not have a significant impact on CERA's financial statements.

##### **Revenue recognition**

Revenue comprises the invoiced amount for the fees concerning the granting of licenses. Income from fees is recognized according to the time period that the relevant permission for grants refers to. Revenues earned by the CERA are recognized on the following bases:

- **Interest income**

Interest income is recognized on a time-proportion basis using the effective interest method.

##### **Finance costs**

Interest expense and other borrowing costs are charged to the total income statement as incurred.

##### **Tax**

The fees received from CERA according to the Law regulating the Electricity Market and the relevant Regulations, as a result of executing its supervisory role, are not considered as income, as it is defined in article 55(1)(a) of the Income Tax Law and are not subject to taxation. This also applies to government grants that CERA has received in order to be able to exercise its supervisory role. Income from interest, rent or any other source, are subject to taxation with the tax rate of 10%, and to defense contribution, after deducting any allowable deduction as provided by the Law.

## 2. Accounting policies (continued)

### Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset of property, plant and equipment to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Computer Hardware	20
Machinery Equipment	10
Motor vehicles	20
Furniture, fixtures and office equipment	10
Books	10

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which it is incurred. The cost of major renovations and other subsequent expenditure is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to CERA. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit from operations.

### Deferred income

Deferred income includes receipts of income relating to a future time period.

### Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by CERA which will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognized as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programmes are recognized as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included in administrative expenses.

## **2. Accounting policies (continued)**

### **Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### **Employees' Benefits**

CERA operates a defined benefit plan which will be funded as in the Public Sector, via the Annual Budget. Benefits will be paid on retirement, death or resignation of an employee. The amount of the benefit will depend on the duration of service and the level of income of the employee.

The present value of obligations and the cost of current service for the defined benefit plan are estimated annually with the projected unit credit method. Any surpluses or deficits that arise from changes in the interest rate by which estimated future cash outflows and other actuarial gains/losses are discounted are directly posted to other total income for the year.

## **3. Financial risk management**

### **Financial risk factors**

CERA is exposed to interest rate risk, credit risk and liquidity risk arising from the financial instruments it holds. The risk management policies employed by CERA to manage these risks are discussed below:

#### **3.1 Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. CERA's income and operating cash flows are substantially independent of changes in market interest rates as the CERA has no significant interest-bearing assets. CERA is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose CERA to cash flow interest rate risk. Borrowings issued at fixed rates expose CERA to fair value interest rate risk. CERA's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

### 3. Financial risk management (continued)

#### 3.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. CERA has no significant concentration of credit risk. CERA has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and CERA has policies to limit the amount of credit exposure to any financial institution.

#### 3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. CERA has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

#### Fair value estimation

The fair values of CERA's financial assets and liabilities approximate their carrying amounts at the Statement of Financial Position date.

### 4. Revenue

	2009	2008
	€	€
Annual fees received	1.697.381	1.578.308
Fees from the rendering of services	96.799	58.449
Revenue from European Programmes	<u>20.553</u>	<u>102.157</u>
	<u><u>1.814.733</u></u>	<u><u>1.738.914</u></u>

### 5. Other income

	2009	2008
	€	€
Interest Income	168.382	141.277
Profit from the sale of property, plant and equipment	<u>75</u>	<u>-</u>
	<u><u>168.457</u></u>	<u><u>141.277</u></u>

### 6. Other expenses

	2009	2008
	€	€
Loss on disposal of property, plant and equipment	<u>2.105</u>	<u>577</u>
	<u><u>2.105</u></u>	<u><u>577</u></u>

## 7. Surplus from operations

	2009 €	2008 €
Operating surplus is stated after charging the following items:		
Depreciation of property, plant and equipment (Note 12)	18.293	18.729
Staff costs (Note 8)	630.656	498.352
Auditor's previous years fee	<u>5.500</u>	<u>-</u>

## 8. Staff costs

	2009 €	2008 €
<b>Salaries of staff and Members</b>	<b>575.501</b>	454.536
Social insurance costs and other funds	<u>55.155</u>	43.816
	<u><b>630.656</b></u>	<u>498.352</u>

## 9. Employee benefits

CERA provides to its staff retirement employee benefits on a lump-sum basis and an annual pension according to a defined benefit retirement plan. It is CERA's policy to conduct an independent actuarial valuation of the obligation for the provision of retirement benefits, every three years.

The most recent actuarial valuation was made as at 31 December 2009 and it was based on the following assumptions:

	Percentage %
Discount rate	5,47
Inflation	2,00
General salary increase	1,00
Total salary increase	3,00 for inflation and general salary increase, plus scale for promotions and increments
Percentage increase in pensions	3,00
Increase of basic insurable earnings	3,50
Mortality table	85 of PA 90

During the year an amount of € 150.944 (2008: € 60968) was charged to the total income statement based on the above actuarial valuation. Amounts charged to the income statement are analysed as follows:

## 9. Employee benefits (continued)

	2009 €	2008 €
Service cost	81.982	56.855
Interest	7.162	4.113
Recognition of service	<u>61.800</u>	-
	<u>150.944</u>	<u>60.968</u>

Movements in provisional reserves for retirement plan obligations as included in other liabilities :

	2009 €	2008 €
On 1 January	143.237	82.269
Provision for the financial year	<u>150.944</u>	<u>60.968</u>
<b>At 31 December</b>	<u>294.181</u>	<u>143.237</u>

The estimated actuarial position as at 31 December 2009 was as follows:

	2009 €	2008 €
Plan obligation value	263.700	143.237
Fund assets at market value	-	-
	<u>263.700</u>	<u>143.237</u>
Deficits recognized at employees' remaining service	-	-
Unrealized valuation profit/(loss)	<u>30.481</u>	-
Provisional reserves for the retirement plan obligation as in the Statement of Financial Position	<u>294.181</u>	<u>143.237</u>

## 10. Finance costs

	2009 €	2008 €
<b>Finance costs</b>		
<b>Interest expense</b>		
Tax interest	-	280
<b>Other finance expenses</b>		
Bank fees	<u>571</u>	888
	<u>571</u>	<u>1.168</u>

## 11. Tax

	2009 €	2008 €
Corporate tax- current year	-	18.125
Defence contribution- current year	<u>16.837</u>	14.128
Charge for the year	<u>16.837</u>	<u>32.253</u>

The corporation tax rate is 10%.

On the basis of the Income Tax Law article 8 (19) as from 1 January 2009, the entire interest income of persons is exempted from Income Tax.

The obligation of persons to pay the Special Defence Contribution, at the rate of 10% on interest income received or credited continues to exist.

## 12. Property, plant and equipment

	Computer Equipment	Machinery & Equipment	Motor Vehicles	Furniture Fixtures & Office Equipment	Books	Total
	€	€	€	€	€	€
<b>Cost</b>						
Balance- 1 January 2008	14.790	42.667	22.844	51.196	2.327	133.824
Additions	2.700	5.561	-	4.290	1.288	13.839
Disposals	-	(721)	-	-	-	(721)
<b>At 31 December 2008/ 1 January 2009</b>	<b>17.490</b>	<b>47.507</b>	<b>22.844</b>	<b>55.486</b>	<b>3.615</b>	<b>146.942</b>
Additions	690	2.413	-	320	1.155	4.578
Disposals	(1.484)	(2.927)	-	-	-	(4.411)
<b>At 31 December 2009</b>	<b>16.696</b>	<b>46.993</b>	<b>22.844</b>	<b>55.806</b>	<b>4.770</b>	<b>147.109</b>
<b>Depreciation</b>						
Balance- 1 January 2008	9.541	11.510	13.707	18.595	337	53.730
Charge for the year	3.498	4.751	4.568	5.549	363	18.729
On disposals	-	(144)	-	-	-	(144)
<b>At 31 December 2008/ 1 January 2009</b>	<b>13.039</b>	<b>16.117</b>	<b>18.275</b>	<b>24.144</b>	<b>740</b>	<b>72.315</b>
Charge for the year	2.550	4.699	4.569	5.581	477	17.876
On Disposals	(1.484)	(821)	-	-	-	(2.305)
<b>At 31 December 2009</b>	<b>14.105</b>	<b>19.995</b>	<b>22.844</b>	<b>29.725</b>	<b>1.217</b>	<b>87.886</b>
<b>Net book amount</b>						
<b>At 31 December 2009</b>	<b>2.591</b>	<b>26.998</b>	<b>-</b>	<b>26.081</b>	<b>3.553</b>	<b>59.223</b>
<b>At 31 December 2008</b>	<b>4.451</b>	<b>31.390</b>	<b>4.569</b>	<b>31.342</b>	<b>2.875</b>	<b>74.627</b>

### 13. Intangible assets

	<b>Computer Software</b>	<b>Total</b>
	€	€
<b>Cost</b>		
Balance- 1 January 2008	<u>7.381</u>	<u>7.381</u>
<b>At 31 December 2008/1 January 2009</b>	<b>7.381</b>	<b>7.381</b>
Additions	<u>1.250</u>	<u>1.250</u>
<b>At 31 December 2009</b>	<b><u>8.631</u></b>	<b><u>8.631</u></b>
<b>Amortisation</b>		
Balance- 1 January 2008	<u>7.381</u>	<u>7.381</u>
<b>At 31 December 2008/1 January 2009</b>	<b>7.381</b>	<b>7.381</b>
Charge for the year	<u>417</u>	<u>417</u>
<b>At 31 December 2009</b>	<b><u>7.789</u></b>	<b><u>7.798</u></b>
<b>Net book amount</b>		
<b>At 31 December 2009</b>	<b><u>833</u></b>	<b><u>833</u></b>

### 14. Fees and other receivables

	<b>2009</b>	<b>2008</b>
	€	€
<b>Fees receivable</b>	<b>5.138</b>	-
<b>Deposits and prepayments</b>	<b>18.980</b>	20.579
<b>Interest receivable</b>	<u><b>42.668</b></u>	<u>47.158</u>
	<u><b>66.786</b></u>	<u>67.737</u>

The fair values of fees receivable and other receivables due within one year approximate to their carrying amounts as presented above.

## 15. Cash and cash equivalents

For the purposes of the cash flow statement cash and cash equivalents include:

	<b>2009</b>	<b>2008</b>
	€	€
Cash at bank and in hand	<b>1.812.206</b>	95.324
Short term bank deposits	<b><u>3.519.752</u></b>	<u>4.173.048</u>
	<b><u>5.331.958</u></b>	<b><u>4.268.372</u></b>

The effective interest rate on short-term bank deposits was 3,70% (2008: 4,50%) and these deposits have an average maturity of 90 days.

## 16. Trade and other payables

	<b>2009</b>	<b>2008</b>
	€	€
Trade payables	<b>4.606</b>	2.217
Pension Fund	<b>294.181</b>	143.237
Provisions	<b>209</b>	-
Accruals	<b><u>10.346</u></b>	<u>8.804</u>
	<b><u>309.342</u></b>	<b><u>154.258</u></b>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

## 17. Trade and other payables

	<b>2009</b>	<b>2008</b>
	€	€
Clients deposits	<b><u>149.381</u></b>	-
	<b><u>149.381</u></b>	-

## 17. Trade and other payables (continued)

Clients deposits have been made for the purpose of securing the dismantling of all the installations of a Wind Farm, including wind generators, and the restoration of the area to its former condition, after the expiry of the Operation Licence. The licensee should, according to the terms set by the Town Planning and Housing Department, deposit at a special account of the competent authority (CERA) the necessary amount to cover the cost of dismantling the Wind Farm. On the basis of the relevant decision taken by CERA, in case the licensee dismantles the wind farm as he is expected to do, then the amount of the deposit and interest earned until the date of dismantling will be returned to the licensee.

## 18. Tax (receivable)/current tax liabilities

	2009 €	2008 €
Corporate tax	(24.778)	5.125
Special Defence Contribution	<u>4.058</u>	<u>4.716</u>
	<u>(20.720)</u>	<u>9.841</u>

## 19. Contingent liabilities

CERA had no contingent liabilities as at 31 December 2009.

## 20. Commitments

CERA had no capital or other commitments as at 31 December 2009.

## 21. Post balance sheet events

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

## DETAILED INCOME STATEMENT

Year ended 31 December 2009

		2009 €	2008 €
<b>Revenue</b>	Page		
Annual fees received		<b>1.697.381</b>	1.578.308
Fees from the rendering of services		<b>96.799</b>	58.449
Revenue from European Programmes		<b>20.553</b>	102.157
Total revenue		<b>1.814.733</b>	1.738.914
<b>Other operating revenue</b>			
<b>Finance income</b>	91	<b>168.382</b>	141.277
Profit from disposal of buildings, plant and equipment		<b>75</b>	-
		<b>1.983.190</b>	1.880.191
<b>Operating expenses</b>			
Administration	90	<b>(1.189.517)</b>	(1.052.696)
		<b>793.673</b>	827.495
<b>Other operating expenses</b>			
Loss on disposal of property, plant and equipment		<b>(2.105)</b>	(577)
<b>Operating surplus</b>		<b>791.568</b>	826.918
Finance costs	91	<b>(571)</b>	(1.168)
<b>Net surplus for the year before tax</b>		<b>790.997</b>	825.750

## OPERATING EXPENSES

Year ended 31 December 2009

	2009	2008
	€	€
<b>Administration</b>		
Members' remuneration	263.094	238.271
Staff salaries	312.407	216.265
Social Insurance etc.	55.155	43.816
Rent	71.197	52.043
Common expenses	1.537	1.848
Presents	4.153	3.506
Electricity	9.086	9.576
Water supply and cleaning	4.615	3.037
Insurance	815	780
Repairs and maintenance	9.626	-
Sundry expenses	456	3.613
Telephone	4.228	4.403
Stationery and printing	23.746	20.244
Subscriptions and contributions	14.226	12.977
Gifts	13.000	3.000
Newspapers and publications	1.300	1.106
Equipment maintenance	1.085	2.233
Staff training	2.099	1.937
Computer software	2.373	4.620
Auditors' fees –previous years	5.500	-
Legal fees	11.238	7.901
Events' expenses	11.777	-
Overseas traveling	38.833	62.552
Inland traveling	195	329
Irrecoverable VAT	10.852	9.248
Entertainment	3.329	3.919
Advisory services fees	15.881	26.712
Transport and postage	374	814
Announcements – publications	9.753	6.249
Sundry allowances and representation expenses	23.237	24.604
Staff medical expenses	18.646	14.118
Services rendered	73.782	93.393
Depreciation	18.293	18.729
Motor vehicle expenses	2.685	1.964
European programme expenses	-	97.921
Staff Pension Fund	150.944	60.968
	<b><u>1.189.517</u></b>	<b><u>1.052.696</u></b>

**FINANCE INCOME / COST**  
Year ended 31 December 2009

	2009 €	2008 €
<b>Finance income</b>		
Bank interest	<u>168.382</u>	141.277
	<u>168.382</u>	<u>141.277</u>
<b>Finance Costs</b>		
<b>Interest expense</b>		
Interest on taxes	-	280
<b>Other finance expenses</b>		
Bank charges	<u>571</u>	888
	<u><u>571</u></u>	<u><u>1.168</u></u>

