

ANNUAL REPORT OF CYPRUS ENERGY REGULATORY AUTHORITY

FOR THE YEAR 2013



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**Εξοχότατο Πρόεδρο
της Κυπριακής Δημοκρατίας
κ. Νίκο Αναστασιάδη**

19 Σεπτεμβρίου 2014

Εξοχότατε κ. Πρόεδρε

Έχουμε την τιμή να σας υποβάλουμε τη 10η Ετήσια Έκθεση και τους Λογαριασμούς της ΡΥΘΜΙΣΤΙΚΗΣ ΑΡΧΗΣ ΕΝΕΡΓΕΙΑΣ ΚΥΠΡΟΥ, που περιλαμβάνει και την Ετήσια Έκθεση του Διαχειριστή Συστήματος Μεταφοράς Κύπρου, για το χρόνο που τελείωσε στις 31 Δεκεμβρίου 2013, καθώς επίσης και την Έκθεση της Ελεγκτικής Υπηρεσίας της Δημοκρατίας.

Η Έκθεση αυτή και οι Λογαριασμοί υποβάλλονται σε σας σύμφωνα με τα Άρθρα 18(1), 19(3), 61(3) και 62(3) των Περί Ρύθμισης της Αγοράς Ηλεκτρισμού Νόμων του 2003-2012.

Με τιμή



Γιώργος Σιαμμάς
Πρόεδρος



Κωνσταντίνος Ηλιόπουλος
Αντιπρόεδρος



Κύπρος Κυπριανίδης
Μέλος

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1. INTRODUCTION

The Cyprus Energy Regulatory Authority was established by Law in 2003 in line with European Union Directives. It is an independent Public Authority with the basic objective of regulating and monitoring the Electricity and Natural Gas Market. An additional aim of the Authority is to ensure a competitive, secure and environmentally sustainable internal energy market with the specific aim of protecting the rights of consumers

At the same time CERA is responsible for advising the Minister of Energy, Commerce, Industry and Tourism on all issues concerning the Energy Market.

The term of the first members of CERA ended on 20/01/2010. The operation of CERA with its new composition began on 02/02/2010. The new Members of CERA are George Shammass (Chairman), Constantinos Eliopoulos (Vice Chairman) and Kypros Kyprianides (Member).

The present Annual Report on CERA's activities covers the year 2013 and is the tenth report issued by the Authority. By virtue of the provisions of the above Law (Section 18), CERA submits to the President of the Republic an Annual Report on its Activities by the end of June each year, and supplies copies of the Report to the Council of Ministers and the House of Representatives.

The Annual Report of the Cyprus Energy Regulatory Authority includes also the Activity Report of the Transmission System Operator (TSO) as provided by the Law N.122 (I) / 2003 (Section 62, subsection (3)).

1.1 Electricity - Competences/Powers/ Obligations of CERA

- Encourages and facilitates genuine competition in the Electricity Market, avoiding adverse discrimination and aiming ultimately at reduced prices.
- Promotes the development of an economically viable and efficient Electricity Market.
- Ensures adequacy in electricity supply for the satisfaction of all reasonable needs and demands for electricity.
- Safeguards the Continuity, Quality, Reliability and Security of electricity supply.
- Encourages the efficient use and generation of Electricity.
- Issues, controls, enforces, amends and recalls Licences or grants Exemptions from a Licence.
- Ensures that Licensees operate efficiently and are in a position to finance the business activities for which the Licence has been issued.
- Determines, publishes and imposes quality standards with which Licensees have to comply.
- Regulates tariffs, charges and other terms and conditions to be applied by Licensees, for any services provided according to the terms of their Licences.
- Promotes the development of regional markets within the Community so that they operate competitively and properly so as to achieve security of supply.
- Promotes the elimination of restrictions in the electricity trade among Member States, including developing appropriate cross-border transmission capacities to meet demand and enhance the integration of national markets.
- Ensures that the Rules governing the operation of electricity networks and the electricity market (Electricity Transmission and Distribution Rules and the Electricity Market Rules) are prepared and approved in accordance with the Law.
- Sets the rules or the procedures under which complaints are examined which relate to services offered by the Licensees including, when it considers it appropriate, the carrying out of investigations and the taking of decisions for such complaints.
- Carries out investigations, either following the submission of a complaint or initiated by CERA ex officio.
- Imposes administrative fines in the event of violation of laws or regulations.
- Promotes the use of Renewable Energy Sources.



- Encourages Research and Development in the field.
- Prepares and implements long-term planning regarding capacity for generation, transmission and distribution on a long-term basis, in order to meet the demand for electricity in the system and to secure supplies to customers and includes security of supply, energy efficiency / demand-side management and achievement of environmental objectives and targets for energy from renewable sources.

1.2 Natural Gas- Responsibilities / Powers / Obligations of CERA

- Promotes the development of an economically robust and efficient natural gas market.
- Ensures the safety, continuation of supply, quality and efficiency in the supply of natural gas.
- Monitors the issues of the security of supply, and especially the balance of supply/ 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.
- 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.
- Prepares and publishes Technical Rules determining the minimum standards of technical design and operation for the connection to the network of installations of liquefied Natural Gas, to storage installations, to other transportation or distribution networks and to direct pipes of Natural Gas.
- 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.
- Protects the interests of the final consumers.
- Promotes the development of regional markets within the Community so that they operate competitively and properly so as to achieve security of supply.
- Promotes the elimination of restrictions in the natural gas trade among Member States, including developing appropriate cross-border transmission capacities to meet demand and enhance the integration of national markets.
- Ensures as competent authority the implementation of the measures laid down in Regulation 994/2010 of the European Parliament and the Council concerning measures safeguarding security of gas supply.
- Encourages research and development in connection with the transmission, distribution, supply, storage and use of natural gas.
- Resolves disputes on access to pipes of the upstream network, in connection with negotiations for access to the network.
- 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.
- Sets the rules for the management and the distribution of the potential of interconnection, in consultation with the appropriate authorities of the Member States with which there is interconnection.
- Prepares and implements long-term planning regarding the planning of supply and transportation capacity of natural gas undertakings over the long term so as to satisfy the demand of the system for natural gas, achieve the diversification of sources and ensure supply to the customers, including the security of supply, energy efficiency / demand-side management and the achievement of environmental objectives and targets for energy from renewable sources.

2. ORGANISATIONAL STRUCTURE

MEMBERS OF CERA

CHAIRMAN

G. Shammias

Mechanical-Electrical Engineer
(since 02/02/2010)

VICE CHAIRMAN

C. Eliopoulos

Mechanical-Electrical Engineer
(since 02/02/2010)

MEMBER

K. Kyprianides

Electrical-Mechanical Engineer
(from 21/01/2004 until 20/01/2010 and
since 02/02/2010)

ADVISORS

LEGAL ADVISOR

Legal Partners Orphanides, Christofides & Partners L.L.C. were appointed, following tender procedures, as CERA's Legal Advisors as from 17 January 2011.

ACCOUNTANTS

The Nexia Poyiadjis firm was appointed, following tender procedures, as CERA's Accountants as from 19 March 2004.

TECHNO-ECONOMIC CONSULTANTS

As from 1st October 2010, Exergia AE firm is CERA's techno-economic Consultant

COMMUNICATION

THE CYPRUS ENERGY REGULATORY AUTHORITY is housed at the

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81-83 Griva Dhigeni Avenue

Jacovides Building

3rd Floor

1080 Nicosia

P.O.Box 24936

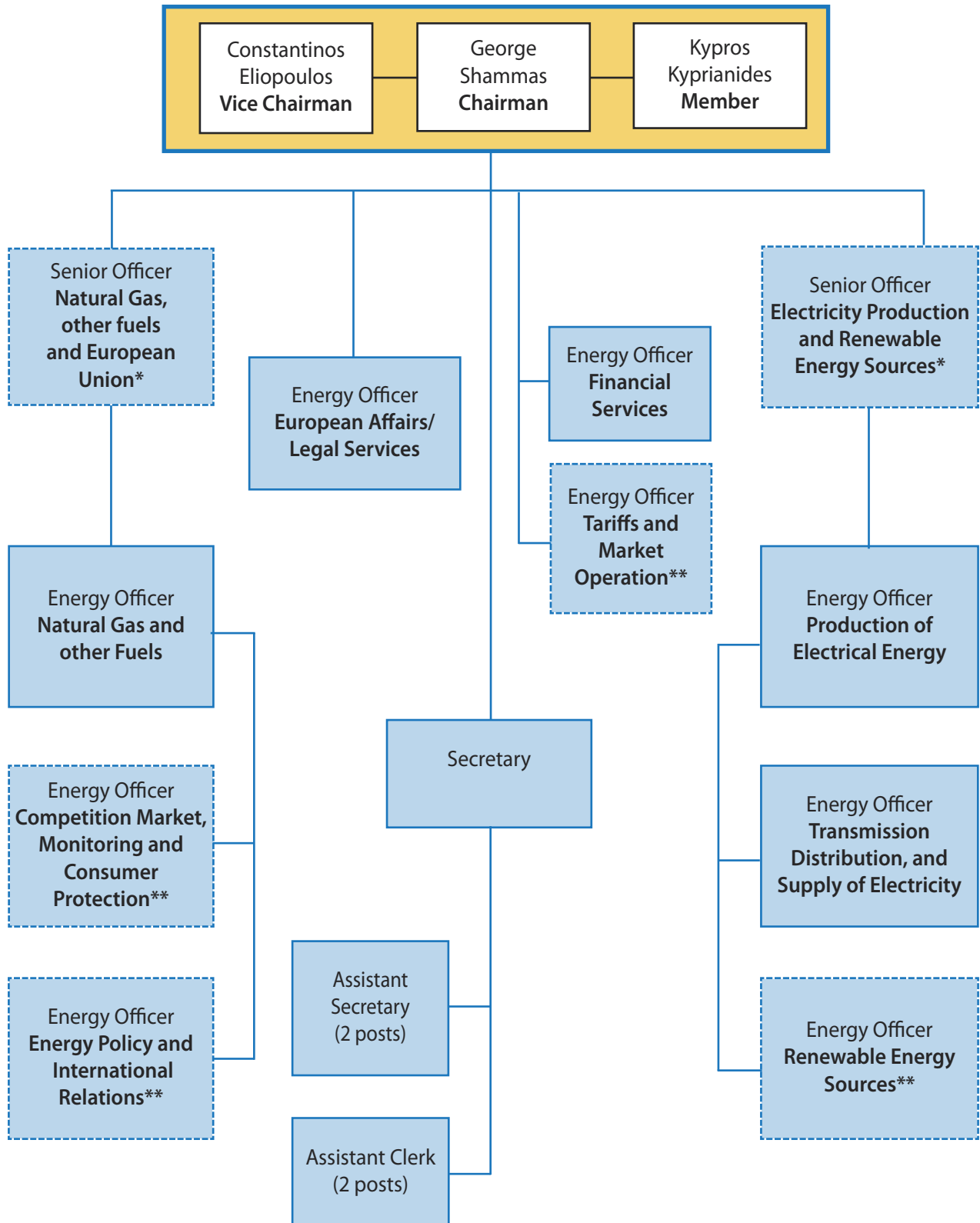
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ORGANISATIONAL CHART



* Promotions have not been implemented

** Vacancies

3. INTRODUCTORY NOTE BY THE CHAIRMAN, THE VICE CHAIRMAN AND THE MEMBER OF CERA

Energy constitutes a crucial sector for every state, as it is directly connected with the economy, which affects the well-being of people, businesses and the environment to a great extent. 2013 was an important year that marked a number of significant milestones at the level of both the European and the national policy, which influenced and is expected to reshape the energy landscape of our country and Europe in general.

The energy policy of the European Union and by extension of its the Member States has so far been shaped by a common goal: to ensure the uninterrupted supply of energy products and services to the market at a cost that all consumers, individuals and businesses can afford, while contributing at the same time to the attainment of the broader social and environmental objectives of the Union.

A key feature of the activities of CERA in the past year was a series of important decisions taken by the Authority that will create the foundation and conditions for the operation of the energy market with a focus on security of supply, protection of consumers and ensuring fair competition through the development of an economically viable and efficient energy market.

The award to an international firm of consultants of the tender for study and submission of a recommendation for the restructuring of the market in a way that facilitates the activation of healthy competition and the integration and participation of Renewable Energy Sources in the competitive market was the most important development in the electricity market.

The harmonization of legislation with the European acquis has introduced new provisions which increase the duties and responsibilities and strengthen the powers and functions of National Regulatory Authorities as well as enhance security of supply and competition and strengthen consumer rights.

Activities for the implementation of the operational and accounting unbundling of the activities of the EAC, the creation of a regulated asset value base and the examination of the indicated return on capital employed by the EAC were set in train. CERA believes strongly in the creation of the regulated asset value base, as it is an important element in the calculation of the EAC Allowable Revenues for the purpose of fixing the electricity tariffs. Also, the Operational and Accounting Unbundling of EAC activities is very important as it will allow the implementation of the provisions of the sections of the Regulating the Electricity Market Laws of 2003-2012, and will facilitate the supervisory and monitoring role of CERA.

Moreover, CERA proceeded to carry out studies aiming on the one hand at preparing itself properly so as to be able to fulfill its duties and obligations under the harmonized legislation amending the Natural Gas Law N.219 (I) / 2012 and on other to design the framework of the gas market, covering the gap in defining the basic parameters of the gas market in both the permanent and mature phase, as well as the start-up and growth phase.

In addition to the measures taken for the implementation of European energy policy at the national level, CERA continued and completed during the year under review to manage the energy crisis created due to the explosion at Mari and the destruction of the larger, most modern and efficient Power Station at Vassilikos. CERA, as the competent authority of the State which is responsible for ensuring uninterrupted electricity supply, in 2013 took all the necessary decisions in order to reduce the impact of the disaster. The project for the restoration of the EAC units at Vassilikos was completed in 2013 according to the programme and thus CERA recommended to the Minister to issue an order declaring the end of the energy crisis.

Furthermore, CERA has taken a number of decisions, concerning the diversification of the EAC fuel clause, the removal of the emergency surcharge and the imposition of a decrease on the basic tariffs of the EAC, which resulted in a substantial reduction in the cost of electricity.



The Authority also played an active role in the meetings between the government and the Troika in the context of the obligations arising from the provisions of the Memorandum which concern energy issues.

Based on data and the developments in 2013 in the field of energy and sustainable development, CERA will continue to perform its duties having as its top priority the development of an anthropocentric and smart energy strategy focusing on the consumer. The proper functioning of the Electricity and Natural Gas Markets is of critical importance to the economy and stability of the State as well as the welfare of its citizens. A serious obstacle to the fulfilment of the tasks of CERA at the required level of professional competence is the severe understaffing of the Office of CERA and the freezing of the filling of posts already approved. This issue is being monitored by the Troika team and especially the representatives of the EU.

Finally, special thanks are expressed to the members of staff for the conscientiousness and diligence with which they have coped with the challenges that arose in 2013.



*Handing of the Annual Report of CERA for 2012 to the President of the Republic
Source: Press and Information Office of the Republic of Cyprus*



4. EUROPEAN ENERGY POLICY - REGULATORY ARRANGEMENTS

4.1. European Energy Policy

4.1.1 Directives/Regulations/Decisions/ Documents COM/Documents SEC and SWD

Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009.

This Regulation lays down guidelines for the timely development and interoperability of priority corridors and areas of trans-European energy infrastructure. More generally, it sets a new framework for the planning of infrastructure and the execution of projects for the period up to 2020 and beyond. It sets nine geographic priority corridors for infrastructure in the sectors of electricity, natural gas and oil, and three priority areas on an EU wide scale for electricity highways, smart grids and carbon dioxide transport projects. At the same time it envisages a transparent procedure without exclusions in defining specific projects of common interest (PCI). The projects described as PCI will benefit from simplified permit granting processes, a better regulatory framework, and – as the case may be – financial support in the framework of the connecting Europe facility.

In particular, this Regulation:

- (a) Envisages the identification of projects of common interest necessary for the implementation of priority corridors and areas falling under the energy infrastructure categories in electricity, gas, oil, and carbon dioxide which are set out in Annex II (energy infrastructure categories);
- (b) Facilitates the timely implementation of projects of common interest by streamlining, coordinating more closely, and accelerating permit granting processes as well as by enhancing public participation;
- (c) Provides rules and guidance for the cross-border allocation of costs and risk-related incentives for projects of common interest;
- (d) Determines the conditions for eligibility of projects of common interest for financial assistance from the Union.

The project proposals which were submitted for inclusion in the first EU list and were evaluated by the regional groups established under Regulation EU no 347/2013 and comprise representatives of member states, national regulatory authorities, Transmission System Operators, as well the Commission, the Agency for the Cooperation of Energy Regulators (the Agency- ACER), and the European Network of Transmission System Operators for Electricity and Natural Gas (ENTSO-E and ENTSO-G).

The projects of regional lists were approved on 13 July 2013 during a meeting at technical level of representatives of the Commission and the corresponding member- states. Following the opinion of the Agency on the projects of the regional lists submitted on 17 July 2013, the decision-taking bodies of the regional groups approved the final regional lists on 24 July 2013. All the proposed projects were approved by the member- states to whose territory the projects relate in accordance with article 172 of the Treaty on the Functioning of the European Union and article 3 paragraph 3 item (a) of EU Regulation 347/2013.

Commission delegated regulation (EU) No 1391/2013 of 14 October 2013, amending Regulation (EU) No 347/2013 of the European Parliament and of the Council on guidelines for trans-European energy infrastructure as regards the Union list of projects of common interest.

Pursuant to article 3(4) of Regulation (EU) No 347/2013, the Union list is to take the form of an annex to the Regulation. Regulation (EU) No. 1391/2013 envisages the addition of the relevant annex.

Regulation (EU) No 1316/ 2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility (CEF), amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010.

The aim of the creation of the Connecting Europe Facility (CEF) established by this Regulation is to accelerate investment in the field of trans-European networks and to leverage funding from both the public and the private sectors, while increasing legal certainty and respecting the principle of technological neutrality.

The CEF would enable the preparation and implementation of projects of common interest in the context of the policy for trans-European networks in the transport, telecommunications and energy sectors. Specifically, CEF supports the implementation of projects of common interest aimed at developing and building new or upgrading existing infrastructure and services in the areas of transport, telecommunications and energy. CEF will give priority to the missing links in the sector of transport. Moreover, CEF will also contribute in supporting projects with European value added and significant societal benefits, which do not receive adequate funding from the market.

According to the Commission, the estimated investment requirement for trans-European networks in the transport, telecommunications and energy sectors for the period up to 2020 is EUR 970 000 000. This Regulation lays down, for the implementation of the CEF for the period 2014 to 2020, a financial envelope of EUR 33 242 259 000 in current prices.

Pursuant to Article 14 of Regulation (EU) No 347/2013, all projects of common interest falling under the categories set out in Annex II.1, 2 and 4 to that Regulation are eligible for Union financial assistance in the form of grants for studies and financial instruments. Grants for works may be used for actions contributing to those projects of common interest that, in accordance with Article 14 of Regulation (EU) No 347/2013, demonstrate particularly significant positive externalities and are not commercially viable, according to the project's business plan and other assessments carried out by, in particular, potential investors, creditors or national regulatory authorities.

4.1.2 Projects of common interest

The creation of modern infrastructure with adequate interconnections and reliable networks is of crucial importance for an integrated energy market where consumers will enjoy a better service at the best price. The European Commission announced on 14/10/13 about 250 infrastructure projects of crucial importance for the energy sector. These are "projects of common interest" in respect of which accelerated licensing procedures and more favourable arrangements as well as access to the 'Connecting Europe' financial mechanism are envisaged, in the context of which EUR 5.85 billion have been earmarked for trans-European energy infrastructure for the 2014-20 period. This will allow a faster implementation of projects and will attract investors. When completed, these projects will help Member States complete their energy markets and diversify the sources of energy they use, while some Member States will be able to come out of their energy isolation. The projects will also lead to greater use of renewable energy sources and, consequently, a reduction in of CO2 emissions.

The Union list includes 140 projects in the sector of transportation and storage of electricity, approximately 100 projects in the sector of transportation and storage of natural gas and liquefied natural gas, as well as various projects in the oil and 'smart grids' sectors. These projects will benefit from favorable arrangements:



- Accelerated planning and permit granting processes (a mandatory maximum period of three and a half years).
- A single competent national authority will act as a one-stop shop for licensing procedures.
- Lower administrative costs for project managers and the authorities thanks to streamlined procedures for environmental impact assessment, while maintaining the requirements of EU legislation.
- Greater transparency and public participation.
- Increased visibility and attractiveness for investors by improving the regulatory framework, so that the costs will be allocated to countries that derive the greatest benefits from the integrated project.
- Potential funding from the "Connecting Europe" mechanism, which will contribute significantly to the mobilization of the necessary private and public resources. Funding could be launched as early as 2014.

For inclusion in the list, a project should yield significant benefits for at least two Member States, should contribute to market integration and enhance competition, improve security of energy supply and reduce CO₂ emissions.

The European Commission will closely monitor the licensing and the implementation of the projects. Finally, the list of projects will be updated every two years, so that projects which address new needs may be added and outdated projects be deleted.

Cyprus has managed to include a total of three projects the EU list of projects of common interest, one in the field of electricity and two in the natural gas sector. CERA expressed in writing to the European Commission its positive opinion in principle on the three projects of common interest, provided that studies will show that the projects are technically feasible and economically viable.

More specifically, in the electricity sector the project with acronym "EuroAsia Interconnector" was approved to be included in the list. The EuroAsia Interconnector was proposed for the electricity interconnection between Israel, Cyprus and Greece. It was approved by the European Commission and was included in first EU list as a Cluster consisting of three distinct projects: Israel-Cyprus, Cyprus- Crete and Crete- Attica. The project consists of a DC submarine cable (HVDC) 600 kV with a total capacity of 2000 MW, and the required electrical equipment, i.e. power plants to convert the electrical current from DC to alternating current (AC) and vice versa, and for its to transmission from and to the countries concerned. The total length of the submarine cable is estimated at around 820 nautical miles/ about 1518 km (329 miles between Cyprus and Israel, 879 km between Cyprus and Crete, and 310 km between Crete and Attica). It is estimated that the laying of the cable on the seabed in some places between Cyprus and Israel will exceed the 2000 meters and 2500 meters between Cyprus and Greece. Pursuant to the provisions of Regulation, implementing bodies for the Projects of Common Interest are being determined. The Implementing Body of this project is set to be ΔEH- Quantum Energy.

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

At the same time, in the gas sector the following projects of common interest have been included in the Union list:

A. Eastern Mediterranean Pipeline

The Eastern Mediterranean Pipeline project concerns an undersea gas pipeline linking the offshore gas deposits in the Levantine Basin (Cyprus, Israel) with the region of Southeast Europe (Bulgaria) and/ or Italy via Greece. This project

aims initially to transport natural gas from the Levantine basin to mainland Greece via Crete. The proposed pipeline will have a capacity of the order of 24.5 MCM / day. Subsequently, through the Greek gas transmission network, it will be connected with either the gas transmission network in Italy and / or the gas transmission network in Bulgaria. It is one of the two projects comprising a cluster of gas infrastructure and related equipment for the transport of new sources of gas from offshore fields in the Eastern Mediterranean. This project is considered to be complementary to the project which is known as «Mediterranean Gas Storage».

The promoter of this project is DEPA SA with the support of the Ministry of Energy, Trade, Industry and Tourism.

B. Mediterranean Gas Storage

The Mediterranean Gas Storage project concerns storage and LNG export installations to be created in Cyprus, to transport natural gas from the Levantine Basin to regasification terminals for liquefied natural gas located in the Mediterranean Sea (i.e. Greece, France, Italy, Spain). The gas can then be transmitted further through the respective national gas transmission systems (using existing or new / upgraded networks / pipelines) from these countries to Central and Southeast Europe. The proposed storage facilities and LNG export facilities for liquefied natural gas will initially consist of a storage tank for liquefied natural gas (a total of three LNG tanks will be constructed gradually) and the associated LNG export facilities, which will be able to export 5 MTPA of LNG (the export capacity is estimated to be gradually expanded to 15 MTPA).

The promoter of this project is the Ministry of Energy, Trade, Industry and Tourism.



Natural Gas Liquefaction Terminal which includes the LNG storage and export installations.

4.2 National Action Plans and Measures

NATIONAL ACTION PLAN FOR RENEWABLE ENERGY BASED ON DIRECTIVE 2009/28/EC

According to Directive 2009/28/EC each member state shall adopt a national action plan on renewable energy. Such plans shall set out member states binding national targets for the share of energy from renewable sources consumed in transport, electricity and heating and cooling in 2020.

During the reporting year, the special technical advisory committee created under the supervision of CERA in 2010 pursuant to the above binding targets of Cyprus in the electricity sector, continued the preparatory work in order to contribute to the preparation of the National Action Plan, which is the responsibility of the Ministry of Energy, Trade, Industry and Tourism.

On the part of the special technical advisory committee steps were taken to revise the National Action Plan by updating the initial Study for the period 2014-2020, of the optimal strategic plan for integrating RES electricity (RES-E) into the existing power system of Cyprus, which had been established in the original study, titled «A strategic plan for the promotion of renewable energy sources in the Cyprus electricity generation system (Cyprus Energy Regulatory Authority, June 2010)», and updated in 2011 with the study titled «A strategic plan for the promotion of renewable energy sources in the Cyprus electricity generation system - Update for PV systems early deployment (Cyprus Energy Regulatory Authority, Sept 2011)».

The review and updating made in the reporting year involved the re-examination and possible refocusing of the RES-E contribution to the power system of Cyprus in relation to the existing approved planning. The main reasons for this update were based on the expected reduction in projected electricity demand in the coming years, as well as on the fact that the capital cost of certain RES-E was substantially reduced, with the result that the reduced cost of electricity generation from RES has a positive effect on the financial data for the promotion of RES-E.

CERA, based on the above and with a view to fulfilling Cyprus commitments to the EU, asked the special technical advisory committee to study, among others, the assumptions regarding the updating of the Study, invited all stakeholders to express their views and set timelines for updating the study, taking into account the new data that have emerged.

The update of the study was deemed necessary in order to review the National Action Plan. It should be emphasized that since the previous update of the Study (2011) up to the year under review, major changes have occurred, including, the following:

- The reduced demand for electricity which affects, inter alia, the penetration of RES-E.
- A sharp decline in the cost of Photovoltaic Systems.
- The economic crisis which affects negatively the financing of RES-E projects. On the other hand, it may lead to a reduction in the price of electricity.

It is expected that the revised National Action Plan will be prepared in 2014 by the Ministry of Energy, Trade, Industry and Tourism.

4.3 Laws and Regulations

LAW ON THE PROMOTION AND ENCOURAGEMENT OF THE USE OF RENEWABLE ENERGY SOURCES N. 112 (I) / 2013

For purposes of harmonisation with 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 lengthy consultations were held between the Ministry of Energy, Commerce, Industry and Tourism and CERA and other market factors, and following agreement by the parties, Law N.112 (I) / 2013 was adopted, which was published in the Official Gazette of the Republic on 20/9/2013, repealing the Law on the Promotion and Encouragement of the Use of Renewable Energy Sources and Energy Saving N.33 (I) / 2003.

The Law sets a common framework for promoting and encouraging the use of energy from renewable energy sources. It sets a mandatory national target for 2020 of 13% as the overall share of energy from renewable energy sources in the gross final consumption and the share of energy from renewable sources in transport to 10% of the final energy consumption. At the same time, it determines the measures that can be taken to achieve the target and specifically defines the support schemes and the cooperation measures between the Republic and various Member States and / or third countries.

To achieve more easily and in the economically optimal way the national overall targets, it promotes and encourages energy efficiency and energy savings under the special laws on the Energy Performance of Buildings, the Promotion of Heat and Power Cogeneration and Energy Efficiency in end-use and Energy Services.

It lays down rules relating to statistical transfers between the Republic and other Member States for joint projects between the Republic and other Member States and / or third countries.

It specifies the guarantees of origin, i.e. the Authorised Issuer under a CERA Decision, that the guarantee of origin is used by the producers and / or suppliers of electricity to demonstrate to consumers that the final energy mix contains a given share or quantity of renewable energy. It specifies the procedure for the issuing, transfer and withdrawal of guarantees of origin, the keeping of the relevant electronic registry and that the whole process of guarantees of origin is supervised and regulated by CERA.

It sets the administrative procedures to be followed by the Ministry of Energy, Commerce, Industry and Tourism in relation to the information and training of installers of renewable energy systems for the purpose of licensing and supervising their work.

It establishes the access of renewable energy sources to the electricity transmission and distribution system. Specifically, subject to the requirements of maintaining the reliability and security of the transmission and distribution system and subject to the application of all relevant provisions of the Regulation of the Electricity Market Law, the Cyprus TSO and the Distribution System Operator guarantee the distribution of electricity generated from renewable energy sources, and see that the energy produced from RES has priority access to the network and take all necessary steps to ensure that in the distribution of load of power plants priority is given to generating installations using renewable energy sources.



4.4 Bills and Regulations in progress

Amending bills for the Heat/Power Cogeneration Law and for Energy Efficiency in End-use law (Directive 2012/27/EC)

During the reporting year, the Ministry of Energy, Commerce, Industry and Tourism has prepared a bill on the amendment of the Energy Efficiency in End-Use and the Energy Services Law of 2009, for purposes of partial harmonisation with the Directive 2012/27/EU of the European Parliament and the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC. The bill concerns the harmonisation with all the articles of this Directive, except for Article 14 for the harmonisation of which an amendment of the Promotion of the Heat/Power Cogeneration Law was prepared.

CERA participated in the work on the above subject for the articles of the Directive relating to its duties, powers and responsibilities. It is expected that in 2014 the relevant work and consultations will be completed so that the national legislation will be in line with the provisions of the Directive.

Directive 2012/27/EU on energy efficiency, sets a common framework of measures to promote energy efficiency within the Community in order to ensure the achievement of the primary objective of the Union for 20% energy efficiency in 2020, to prepare the ground for further energy efficiency improvements beyond 2020, to adopt rules to remove market barriers and achieve the national indicative targets.

Articles 9, 10, 11 and 15 of Directive 2012/27/EU make special reference to the instructions of the 3rd Energy Package, where the Member State which is obliged to harmonise with the Directive has by law determined CERA as the competent authority. Consequently, these articles are already harmonised with the existing law, where energy efficiency is one of the factors to be taken into account by CERA in performing its Regulatory Powers. Energy efficiency was one of the criteria always taken into account in the exercise of the powers of CERA, which by the Law harmonising legislation with the 3rd Energy Package instructions has become one of the tasks of CERA, just like the preparation and implementation of long-term planning, taking into account inter alia energy efficiency.

Energy efficiency / demand-side management means the total or integrated approach, which aims to influence the amount and timing of electricity consumption in order to reduce the consumption of primary energy and peak loads, by giving priority to investments in measures of energy efficiency or other measures, if they are the most effective and economical alternative solution.

According to the Regulation of the Electricity Market Laws of 2003-2012 the measures to be taken are the same as those mentioned in Articles 9, 10, 11 and 15 of Directive 2012/27/EE, which are:

- A study whether it is technically possible, financially reasonable and proportionate to the potential energy savings to provide consumers with individual meters.
- Examination and study on the development of intelligent metering systems and smart grids in the most economical way, where appropriate, to take due account of energy efficiency in the decisions of CERA for the operation of infrastructure for electricity and natural gas.
- Incentives for network operators and grid system users allowing them to implement measures to improve energy efficiency.
- Where feasible and economically possible ensure the implementation of intelligent metering systems.
- Measures of consumer protection, which may include the possibility to have at their disposal the data of their consumption and access to suppliers' data.
- Accurate billing information based on actual consumption.
- Configuring a harmonised format for consumption data.
- Regardless of whether intelligent meters have been installed or not, to the extent that data are available concerning energy billing and historical consumption, the option of electronic billing and tariff information should be available and if customers request it, they should receive on time and free of charge clear and understandable explanations of the way their bill was formed, for comparison with other similar offers.

- Switching supplier in 3 weeks with all the data given free of charge on request by the consumer to another supplier.
- Research and ensuring interoperability of the metering systems applied, taking into account best practices.

Consequently, the bill which was discussed and prepared by the Ministry amending the Law on Energy Efficiency in the End-Use does not include any new provision on metering or consumer rights in terms of energy efficiency as the specific articles are already harmonised through the articles of the Regulation of the Electricity Market Laws.

Regarding the Amending Bill on the Promotion of Heat/Power Cogeneration dialogue and several meetings were held under the auspices of the Ministry, which however, have not been completed. Article 14 of the Directive refers specifically to promotion of efficiency in heating and cooling, which does fall within the powers of CERA and remains at the Member State. Article 14 specifically requires an assessment of the potential for the application of high-efficiency cogeneration, taking into account the efficient tele-heating and tele-cooling, in the manner set out in Annexes 8 and 9 of Directive 2012/27/EE.

Amendment Bill on regulating the Electricity Market Laws of 2003-2012 and ensuing regulations

During the year under review, taking into account the substantial changes in the electricity market brought about by harmonisation with the instructions of the 3rd Energy Package and in particular, inter alia, the introduction of the wholesale electricity market and the upgrading of consumer interests into customers' rights, as well as the deletion of the requirement for holders of licences to supply to be at the same time owners of a power station installed in Cyprus, made necessary an in depth analysis in general, and as a whole, of the provisions of the law, and the need to take new, innovative measures for the internal market in Cyprus. The result of this analysis and of the meetings was the preparation of amendments to the Law and the ensuing Regulations by CERA in order to promote the legislative amendments to stakeholders for dialogue and agreement on them.

Legislation Regulating the Gas Market and amending Regulations

Amendment Law N.219 (I) / 2012 Regulating the Gas Market of 2004 to 2012 harmonises legislation with the new provisions of Directive 2009/73/EC concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC, completing the establishment of common rules relating to transmission, distribution, supply and storage of natural gas and organizing in a mandatory way the operation of the gas sector, the access to the market, the criteria and procedures for licencing, the tariffs in which the services are to be rendered and consumer rights.

This amending Law introduced changes mainly concerning inter alia the following:

- Strengthening the powers, functions and duties of CERA,
- Enhancing security of supply,
- Strengthening the rights of consumers, and
- Restoring basic articles of the Law which had been suspended by the amendment Law N.199 (I) / 2007.

Given the changes in the law, CERA has the duty to take all actions necessary to meet its responsibilities, competences and obligations under the Law. In view of this, CERA in collaboration with an external techno-economic consultant in 2013 studied the following issues:

- Amending Administrative Regulation 298/2006 on Licencing, if and as required, so as to ensure full compliance with the law. Additionally, preparation of model terms and conditions for the construction and / or operation of natural gas facilities, and / or storage facility, and / or pipeline networks, pipelines and associated equipment for the performance of any of the responsibilities of the owner of a gas installation and / or storage facility, and / or pipeline networks, pipelines and associated equipment, to perform any of the management system functions, and the supply of natural gas.
- Amending Administrative Regulation 299/2006 on Fees and Administrative Regulation 297/2006 on Carrying out Explorations, if and as required, to ensure full compliance with the law.
- Laying down the principles of the Calculation Methodology on Transmission and Distribution Tariffs and preparation of the Methodology itself.



4.5 Regulatory Decisions and Significant Decisions by CERA in 2013

CERA in 2013 took several Regulatory Decisions and Decisions, the most important wide of which that are of a wider interest are the following:

4.5.1 REGULATORY DECISIONS

Regulatory Decision 02/2013 "Charges for the use of the transmission system and of services of system for 2014" (09/20/13)

CERA, taking into account its Regulatory Decision 03/2010 dated 12 November 2010, on charges for the use of the Transmission and Distribution Networks, the Expenditure of TSO, Ancillary Services and Long-Term Reserve, the fact that CERA has maintained the same charges for the use of the Transmission System and the Services System in 2013, the recommendation of the TSO to review the TSO fee to 0,11 € c / kWh for the year 2014 in order to balance the budget of TSO for 2014, issued the Regulatory Decision titled "Regulatory Decision 02/2013 On Charges for the use of the Transmission System and the Services System for 2014", in which it decided and approved the charge of 0,11 € c / kWh. for the TSO for 2014.

Regulatory Decision 03/2013 "New Policy on EAC Billing for connection to the Distribution system" (26/9/13)

CERA, with the above Regulatory Decision approved the New Policy on EAC Billing for connection to the Distribution system, which aims at calculating cost-oriented charges for EAC consumers requesting connection to the Distribution system.

4.5.2 DECISIONS

Decision 849/2013 "Suspension of receiving applications for electricity supply authorisations in accordance with the Amendment Law N.211 (I) / 2012 (29/1/2013)

CERA taking into account Amendment Law N.211 (I) / 2012 regulating the electricity market, which among its other important changes, repealed sub-section 2 of Section 34, with the result that it is no longer required from a person who is interested in securing a Licence to Supply to own adequate generation capacity installed in the Republic, the provisions of the Regulation of Electricity Market (Issuing of Licences) Regulations of 2004 and the fact that CERA began the process of amendment of the Licencing Regulations, Administrative Regulation 538/2004 so as to be consistent with the Amendment Law N.211 (I) / 2012, based on the authority granted to CERA under section 25 (1) (a), decided not to receive applications for granting Licence to Supply to eligible consumers until the completion of the procedures for amending the Licencing Regulations, Administrative Regulation 538/2004 in order to comply with the Amendment Law N.211 (I) / 2012 and be put into effect.

Decision 851/2013 "Extraordinary surcharge, fuel adjustment clause and electricity price for the year 2013" (5/2/13)

CERA decided that the extraordinary surcharge for the additional variable cost of EAC production following the incident at Mari, which had been imposed (5.75% in the final bill of all consumers) should end two months earlier than originally planned. It also decided to revise the fuel adjustment clause, on the basis of which the adjustment of the charge for fuel price is calculated, due to the change in the fuel mix used by the EAC and the improvement of efficiency of the EAC generation units.

Decision 857/2013 "Determination of the designated issuer for guarantees of origin of electricity produced from Renewable Energy Sources (15/2/13)

CERA terminated the authorisation given to the Distribution System Operator under which he had been named as Designated Issuer for guarantees of origin of electricity produced from Renewable Energy Sources for production facilities connected to the distribution network, and designated the TSO Cyprus as the Designated Issuer for Guarantees of Origin of Electricity produced from RES production plants connected to both to the Transmission System and the Distribution System.

Decision 869/2013 "Decision on the approval by CERA of the Long Term Forecast of Annual Maximum Total Power Generation and the Annual Electrical Energy for the period 2013-2022" (15/3/13)

The Members of CERA after studying and evaluating the relevant suggestion of the TSO on the Long Term Forecast of Annual Maximum Generation and Total Energy Generated for the period 2013-2022, decided to approve the suggestion.

Decision 877/2013 "Purchase price paid by EAC for electricity generated from Renewable Energy Sources' (28/03/13)

Following the revision of the fuel adjustment clause in Decision 851/2013, CERA approved the request by EAC for similar revision of the purchase price of electricity generated from RES to conform with the revised fuel adjustment clause, on the basis of which the new purchase prices of electricity produced by RES were calculated. These purchase prices applied to the monthly bills of consumers / producers of RES in March 2013 and the bi-monthly bills in April 2013.

Decisions 880/2013, 906/2013, 944/2013, 973/2013 and 1004/2013 'Extraordinary temporary reduction in EAC tariffs due to the severe economic crisis in the country'

In April 2013, by its Decision 880/2013, CERA taking into account inter alia the severe economic crisis in country, the need to mitigate the severe impact of the economic crisis on consumers, the EAC commitment to adopt an emergency action program to further reduce its operating and capital expenses, the need to preserve the viability of EAC and avoid default, decided to impose an extra-ordinary temporary reduction on all key EAC tariffs by 5%, and to review and possibly differentiate the extra-ordinary temporary reduction. By its decisions 906/2013, dated 20.06.2013, 944/2013, dated 12. 09.2013, 973/2013, dated 30.10.2013, CERA extended the validity of the extraordinary temporary reduction by 5% on all EAC basic tariffs for further period of six months in all.

By Decision 1004/2013, dated 23 December 2013 on the extraordinary temporary reduction in EAC tariffs due to the severe economic crisis, CERA decided to adjust the extraordinary 5% temporary reduction on all basic EAC tariffs, which was decided with the above decisions of CERA, to 8% for consumers on a monthly recording of consumption, which will begin at the end of December 2013 and for bi-monthly recording of consumption which will begin on 1 January 2014, effective for two months.

Decision 889/2013 'Draft Grants Schemes "(13/5/13)

CERA examined draft Grant Schemes for 2013, as they had been prepared by the Ministry of Energy, Commerce, Industry and Tourism and agreed with their content. The agreement of CERA was notified to the Minister of Energy, Commerce, Industry and Tourism by letter.

Decision 896/2013 of 23 May 2013 "Approval of Draft Amendment No. 3 of the Grants Schemes 2013" (23/5/13)

CERA examined the amendments in pages 4/12 and 8/12 of draft No.3 on Grants Schemes for 2013, as had been amended by the Ministry of Energy, Commerce, Industry and Tourism and communicated to CERA on 22/05/2013



and agreed with their content. The agreement of CERA with the above amendments to draft No. 3 of Grants Schemes was notified to the Minister of Energy, Commerce, Industry and Tourism by letter.

Decision 897/2013 "Decision on the approval by CERA of the Revised Long- Term Forecast of the Annual Maximum Generation and Total Annual Energy Generated for the period 2013-2022." (23/5/13)

The Members of CERA, taking inter alia into account their Decision 869/2013 dated 15 March 2013 and having studied and evaluated the revised recommendation of the TSO on the above mentioned subject, decided to approve his recommendation.

Decision 902/2013 "Decision on the approval by CERA of bylaws of the Licencing Body of Authorised Persons, Independent Producers and Large Consumers

The Members of CERA, taking into account the recommendation by the representative of the Transmission System Operator chairing the Agency to revise the Bylaws of the Licencing Body, decided to approve the said recommendation to revise the Bylaws of the Body.

Decision 07/2013- Administrative Regulation 920/2013 ' DSO set as implementing agency of the Project for net metering of photovoltaic systems in houses and buildings which are the seat of Local Authorities' (08/07/13)

CERA, taking into account the provisions of the Regulation of the Electricity Market Laws of 2003-2012, the relevant Regulations and relevant Decisions concerning the Exemptions from a Licence and following the announcement of the CERA Scheme for widespread installation of photovoltaic systems by the net metering method for residential units and office buildings which are the seat of local authorities, set the Distribution System Operator (DSO) as the implementing agency of the project. The DSO undertook inter alia to receive, evaluate approve requests of interested parties and to undertake the check and connection of PV systems on the basis of the procedure laid down by CERA in its Terms of Reference.

Decision 921/2013 "Decision regarding approval by CERA of the amendments proposed by the TSO to the Transmission and Distribution Rules - Version 4.0.0" (10/07/13)

The Members of CERA, having followed the prescribed procedure for the amendment of the Transmission and Distribution Rules, decided to approve the relevant proposal of the TSO for the amendment of the Transmission and Distribution Rules Version 4.0.0.

Decision 923/2013 "Differentiation of the monthly high voltage tariff" (10/07/13)

CERA, taking into account the recommendation of the EAC to reduce the average High Voltage Tariff (code 83) for the period 01/06/2013-31/12/2013, the economic crisis in the country, the meeting between CERA and that specific consumer in tariff Code 83 held on 18 June 2013, in which he explained the reasons he requested the EAC to reduce the electricity tariff, having as a basic and primary reason the large and constant load of this consumer, the reduction in electricity consumption as a result of which, the EAC does not fully recover the fixed costs of production and of High, Medium and Low Voltage Networks, the significant increase the EAC estimates it will occur in electricity consumption of the specific consumer, if the average price of the tariff Code 83 is reduced, the benefit to the EAC due to increased revenue in case there is increased power consumption from the particular consumer in tariff Code 83, approved the recommendation of the EAC to reduce the average price of the High Voltage Maximum Demand Three Rate Industrial Use Tariff code 83 depending on the amount of annual consumption.

Decision 934/2013 "Tariff for specific categories of vulnerable consumers" (12/08/13)

CERA, after checking the revised Tariff for Specific Categories of Vulnerable Consumers (Code 08) submitted in a letter by EAC and after confirming that the changes in this tariff, took into account the provisions of the Amended Regulatory Decision No. 1/2013 of the Regulatory Decision No.1/2010 on Imposing public Service Obligations - Tariffs for Large and Needy Families and disadvantaged families, approved the revised Tariff for Specific Categories of Vulnerable Consumers (Code 08).

Decision 963/2013 "Installation by the EAC of 200 Photovoltaic Systems to consumers belonging to exposed and vulnerable groups of the population "(09/10/13)

CERA, pointed out to the EAC Section 34 of the Regulation of the Electricity Market Laws of 2003-2012, according to which no one has the right to construct, produce, transmit, distribute and supply electricity without a CERA licence, and set conditions on EAC to enable the implementation of the EAC proposal for 2013 to install up to 200 photovoltaic systems for consumers who belong to exposed or vulnerable groups of the population.

Draft Decision 974/2013 'Regulated Asset Value Base and EAC Allowable Revenue for 2014" (10/30/13)

CERA issued a Draft Regulatory Decision on the Regulated Value Asset Base and Allowable Revenue of the EAC for 2014, in which specific instructions were given for the creation of RAVB and for the calculation of the Allowable Revenue for 2014 only, and consequently for the calculation of tariffs for 2014. The final regulatory decision on this issue was published in 2014.

Decision 983/2013 "Designation of the authorized body for support purposes of the delegated issuer of guarantee of origin certificates of electricity produced from renewable energy sources which are connected to the Distribution System" (07/11/13)

CERA designated the Distribution System Operator as the Authorized Body for the purposes of supporting the Authorized Issuer of Guarantee of Origin certificates of electricity produced from RES with a specific role. The area of competence and responsibility of the Authorized Body is limited to installations for electricity from RES of a maximum power up to 8MW.

Decision 986/2013 "Extension of the submission of applications for the projects for the installation of photovoltaic system with Net Metering and Auto-production" (11/08/13)

CERA having studied:

- The progress of the programs that were announced on 4/7/2013 for submitting applications for the installation of photovoltaic systems with Net Metering method to residential consumers and office buildings which are the seat of local authorities, as well as the applications for the installation of photovoltaic systems with the method of self-production in Commercial and Industrial Units and
- The request of the domestic, commercial and industrial consumers of electricity to extend the period for the submission of applications for the installation of photovoltaic systems using the above programs decided to extend the period for the submission of applications which expires on 15 November to 30 December 2013.

Decision 993/2013 of CERA "Decision on the approval by CERA of the Long- Term Forecast of the Annual Maximum Generation and Total Annual Energy Generated for the period 2013-2025 in the context of the Interim Solution for Natural Gas ." (/26/11/13)

The Members of CERA, after studying and evaluating the relevant recommendation of the TSO on the Long- Term Forecast of the Annual Maximum Generation and Total Annual Energy Generated for the period 2013-2025 decided



to approve the said recommendation, which remains the same for period 2013-2022, in accordance with the previous decisions of CERA, and which is extended until 2025. CERA took this decision in the context of the Government Policy and studies on the Interim Solution for Natural Gas supply to Cyprus.

Decision 997/2013 "Submission of forms by Wind Farms to CERA" (27/11/13)

CERA, taking into account the powers conferred on it by Section 97 of the Regulating the Electricity Market Laws of 2003-2012, under which CERA may require any licensee or any other person to supply any information, document or other material which may be reasonably necessary for the exercise of the duties, responsibilities and powers of CERA, and that this requirement must be made by written notice that specifies the information or document requested and which fixes the period for compliance with this requirement and specifies the form in which the information or document should be given, the objectives of CERA in accordance with Section 24 (d) and 24 (e) of the Regulating the Electricity Market Laws of 2003-2012, according to which CERA has as its aim to ensure that licensees operate efficiently, have the capacity to finance their business activities for which they are licenced and CERA aims to promote the development of an economically viable and efficient electricity market, decided to send a form to the existing licensees operating wind farms, in which it asked for specific information to be submitted and explained the manner and time of supplying such information.

4.6 Trading and Settlement Rules

In accordance with Regulating the Electricity Market Laws of 2003 to 2012, the Electricity Trading and Settlement Rules, inter alia:

- Govern the mechanisms, the tariffs and other terms and conditions applying in cases where Licensees buy or sell electricity under arrangements made by the TSO.
- Ensure that the licensees who are asked to participate in buying or selling electricity, on the basis of these arrangements, will not be subject to discrimination.
- Promote efficiency and energy saving and facilitate competition in the market and the sale of electricity on the basis of these arrangements.

The Electricity Market Rules are observed by all licensees or persons who have been granted exemptions, to the extent that the licences or exemptions from a licence required it.

CERA, exercising its powers under the law and in the context of the continuous improvement of the said Rules, in 2012 launched an open competition for the recruitment of a consultant for the evaluation and restructuring of the electricity market in Cyprus. The aim is to evaluate and restructure the Electricity Market in Cyprus on the basis of the new conditions prevailing with regard to the energy resources of the country (natural gas and renewable energy sources capacity) and also possible investments in cross-border infrastructures for the transmission of electricity. In the year under review, there was no amendment of the Trading and Settlement Rules and the first issue 1.0.0 of the Electricity Trading and Settlement Rules continues to be in force. It is likely that in 2014, after the completion of the results of the above competition, the Advisory Committee on Market Rules to be convened.

4.7 Transmission and Distribution Rules

Under the Laws on Regulating the Electricity Market of 2003 to 2012, CERA takes a Regulatory Decision with which it 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, on the operation of the Transmission System and the Distribution System, respectively.

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

In the year under review was an additional revision to the Transmission and Distribution Rules. More specifically on 19/07/2013, following CERA's approval, the revised Version 4.0.0 was published, which is the latest version of the Transmission and Distribution Rules in force.

4.8. Economic Support Programme of the Republic of Cyprus

Memorandum of Understanding

Under the Memorandum of Understanding signed by the Republic of Cyprus in April 2013, CERA, responding to the requirements of this Memorandum submits comments, cites studies where available, and actively participates in meetings held regularly with representatives of the Troika concerning the provisions of interest to the Authority, the empowerment of regulators and energy issues.

More specifically it is noted that Section 5.3 'Competition and Sectoral Regulatory Authorities' of the Memorandum envisages the empowerment of Regulators and ensuring that they have at their disposal the necessary resources to perform their duties.

Regarding possible legislative arrangements required to meet the provisions of this section, it is emphasized that the Regulating the Electricity and Gas Laws contain all the provisions necessary to ensure the independence and empowerment of the Energy Regulatory Authority to exercise its powers and functions.. On the issue of securing the necessary resources, CERA has repeatedly requested in relevant letters for action to be taken so that there is a legislative arrangement similar to that applied in the case of the Central Bank, so that the Authority may be able to effectively perform its duties and responsibilities. Under this arrangement, in order to enable the Bank to maintain sufficient staff to fulfill its responsibilities and duties, it was excluded from the Law Prohibiting the filling of vacant posts in the public and broader public sector.

Regarding Section 5.6 'Energy' of the Memorandum which concerns the energy sector, CERA submits comments and information on developments and makes available to the Troika the studies it carries out on the electricity and gas market, and the relevant recommendations for policy decisions.







5. INTERNATIONAL ACTIVITIES

5.1 International Collective Bodies



The Council of European Energy Regulators (CEER), founded in 2000, was the first autonomously-organized community of independent energy regulatory authorities in Europe, which set the goals, on the one hand of achieving cooperation between European regulators and, on the other hand, of single representation before the Community institutions, particularly the Commission.

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

The Council meets at regular intervals, usually in Brussels. The Chairman of CERA represents Cyprus. During 2013 CERA participated in the 89th, 91st, 94th, and 96th General Assembly of CEER.



The Agency for the Cooperation of Energy Regulators (ACER) is a community body with legal personality which was established on the basis of the provisions of Regulation EC 713/2009 of the European Parliament and of the Council of 13 July 2009 on the establishment of an Agency for the Cooperation of Energy Regulators.

The task of Agency is to coordinate the activities of regulatory authorities concerning the common rules for the internal electricity market and Article 39 of Directive 2009/73/EC of the European Parliament and the Council of 13 July 2009 on the common rules for the internal market of natural gas, in the exercise at Community level of their regulatory functions in the Member States. It will advise the EU Commission so as to take binding decisions on the Member States. It will intervene with recommendations to solve problems between regulatory authorities and will contribute to the creation of common European codes.

The Agency will fill the regulatory gap at Community level and will contribute towards the effective functioning of the internal markets in electricity and natural gas. The Agency would also enable national regulatory authorities to enhance their cooperation at Community level and participate, on a mutual basis, in the exercise of Community-related functions.

ACER comprises an Administrative Board, a Board of Regulators, a Director and a Board of Appeal.

Cyprus is represented by the Chairman of CERA at the Board of Regulators. During 2013, CERA took part in the 25th, 27th, 30th, and 32nd General Meeting of ACER.



Association of Mediterranean Regulators for Electricity and Natural Gas

Cooperation in the energy sector between the European Union and its Mediterranean partners (Algeria, Cyprus, Egypt, Israel, Jordan, Malta, Morocco, Lebanon, the Palestinian Authority, Syria, Tunisia, Turkey and Libya) was developed by adopting the multilateral process of Euro- Mediterranean Partnership.

In 2006 a regional regulatory body was founded, with the support of the European Union, by way of a permanent

working group on electricity and natural gas, called «Mediterranean Working Group on Electricity and Natural Gas Regulation».

The ultimate goal is the gradual harmonisation with the *acquis communautaire* on energy, so as to consolidate the regulatory environment and to facilitate the financing and integration of the Euro-Mediterranean energy market.

The Association of Mediterranean Regulators for Electricity and Gas (MEDREG) is now an organization based in Rome, which promotes and organizes systematic cooperation between regulators in the Mediterranean basin and is actively supported by the EU and the Council of European Energy Regulators. The General Assembly MEDREG meets twice a year.

European Fora

European Energy Fora

In 1998, the European Commission set up the Electricity Regulatory Forum (Florence Forum) and a year later the European Gas Regulatory Forum (Madrid Forum), the main purpose of which is to promote regulatory cooperation and hence, the completion of the internal energy market in the Community through the integration of national markets. These regulatory Fora, which are basically convened twice a year with the participation of the Commission, Member States, Members of the European Parliament, representatives of energy regulators and transmission system operators, representatives of organisations of traders, consumers, users and system operators as well as organized energy markets, have today become the informal advisory bodies of the Community and fora where the problems of the internal market are discussed and solutions to these problems are promoted. They also, formed the basis for setting up the corresponding European Regulators- the Forum of London (for consumer protection) and the Forum of Bucharest (for renewable energy). CERA monitors systematically the European energy fora and participates in their work.

http://ec.europa.eu/energy/gas_electricity/forum_gas_madrid_en.htm

http://ec.europa.eu/energy/gas_electricity/forum_electricity_florence_en.htm

http://ec.europa.eu/energy/gas_electricity/forum_citizen_energy_en.htm

http://ec.europa.eu/energy/efficiency/bucharest/forum_en.htm

In 2013, CERA participated in the 23rd and the 24th Forum of Madrid, in the 24th and 25th Forum of Florence and the Forum in London.

Fora of the Energy Community

The full harmonization of the Energy community with the Community model of regulatory cooperation, in order to extend the single European regulatory space, is being promoted through the regulatory conferences on electricity and natural gas, established by the Energy Community Treaty. The Athens Forum of the Energy Community for the electricity market in South East Europe is envisaged by the Energy Community Treaty and operates on the model of the Florence Forum in the European Union. The Regulatory Forum of the Energy Community on Natural Gas is held in Maribor, Croatia. The Forum on Social Policy and the Belgrade Forum on Oil complete the system for the regulatory conferences of the Energy Community.

<http://www.energy-community.org>

CERA participated in the Athens Forum held in February 2013.



5.2 Other International Activities

NSI East Electricity

CERA participated through a representative in the 6th session of the electricity priority corridor "Electricity interconnections North-South in Central Eastern and South Eastern Europe (NSI East Electricity)": interconnections and internal lines in North-South and East-West directions to complete the internal market and integrate generation from renewable energy sources. Participating Member States are: Austria, Bulgaria, Czech Republic, Cyprus, Germany, Greece, Hungary, Italy, Poland, Romania, Slovakia and Slovenia.

This meeting took place in Brussels on 29 January 2013 under the chairmanship of DG Energy. The main objective of this meeting was to continue the preparatory work to identify Projects of Common Interest in power in Eastern Europe as envisaged in the draft proposal.

International Geothermal Conference

CERA was represented at the International Geothermal Energy Conference held in March 2013 in Ireland.

Workshop on natural gas in the Eastern Mediterranean-opportunities and challenges

CERA was represented at the workshop on issues of natural gas in the Eastern Mediterranean held in Istanbul in November 2013.

5.3 Speeches and Presentations by CERA outside Cyprus

During the year under review, CERA accepted invitations for speeches and presentations abroad to present issues related to energy and contribute to comprehensive and seamless information sharing around topics of electricity, gas, licensing etc.

More specifically, CERA participated in a number of events / presentations, the most prominent of which were:

- The presentation during a quadripartite meeting between the Regulators of Israel, Greece, Italy and Cyprus on: "Cyprus Potential Role in the East Med, Energy Developments" on 24 October 2013 in Jerusalem.
- The Presentation on: "Cyprus Potential Role in the East Med Energy Developments (Natural Gas in the Eastern Mediterranean - Opportunities and Challenges)" on 19 November 2013 at the Sabanci University in Istanbul.



Snapshot during the quadripartite meeting between the Regulators of Israel, Greece, Italy and Cyprus on 24 October 2013 in Jerusalem

6. LOCAL ACTIVITIES

6.1 Important Activities

CERA's Annual Report for 2012 presented to the President of the Republic of Cyprus

Members of CERA presented on 3 January 2013 to the President of the Republic the Annual Report of the Authority for 2012.

During the presentation of the Annual Report, the members of CERA had the opportunity to cover topics relating to the electricity market, the natural gas and renewable energy sources.

The President of the Republic was briefed on the significant reduction in the price of electricity in 2013, which is due to the decisions taken by CERA following the repair of the Units of the Vasiliko Power Station, the call by the President himself to reduce electricity prices due to the economic crisis and the fall in fuel prices.

Furthermore, during the meeting CERA also briefed the President on the issue of managing the energy crisis that preoccupied CERA for almost two years, the net metering schemes for renewable energy which concern every household, the self- production systems which interest commercial and industrial consumers, and on the serious problem of inadequate staffing of CERA in the last three years due to the freeze in recruitments, although in the approved budgets there are five vacant posts which are absolutely necessary for the exercise of the powers of the Authority.

President Anastasiades showed particular interest in the issues handled by CERA and expressed his support for the efforts of CERA to achieve its objectives.

Lecture at the offices of the Cyprus Consumers Association on "The Cyprus Energy Regulatory Authority, CERA, as an agency for handling complaints."

The consumer school of Larnaca of the Cyprus Consumers Association organised a lecture at its offices on 5 March 2013 on the subject: " The Cyprus Energy Regulatory Authority, CERA, as an agency for handling complaints." CERA was represented by an officer who was the main speaker in the lecture.

During the lecture, the Officer of CERA presented to the audience, inter alia, the role, the basic mission and goals of CERA, its powers, duties and responsibilities, the main pillars of the energy policy, the 3rd energy package and the EU target for energy consumers, the basic arrangements for the protection of energy consumers, questions relating to natural gas and, finally, the rights of consumers and vulnerable energy consumers, legislative arrangements and the procedure for the submission and examination of complaints.

The audience showed particular interest in this issue, in respect of which it was emphasized that CERA would continue, on the basis of the powers given to it by the legislation, the efforts to improve and upgrade the relevant procedures in order to further protect the interests of energy consumers.



6.2 Cera's Communication with Organised Entities

The Members of the Cyprus Energy Regulatory Authority (CERA), in the context of providing information on a number of important issues relating to the Energy Sector, held meetings with the President of the Republic, the leaders of parliamentary parties, and various Ministers.

Also CERA held a series of meetings with various organisations and departments of the public and the private sector involved with energy issues, exchanging views with them on a number of energy issues.

CERA's contacts in 2013 included meetings with the Minister of Energy, Commerce, Industry and Tourism and the Permanent Secretary of the Ministry, the President and the Members of the Parliamentary Committee on Tourism and Industry, various Ambassadors, Municipalities and Communities, the Auditor General of the Republic, the Cyprus Chamber of Commerce and Industry (CCCI), the Organisation of Employers and Industrialists ("OEB"), the University of Cyprus, the Cyprus Investment Promotion Agency (CIPA), the Cyprus Certification Company, the Boards and Managers of Banks, the Cyprus Consumers Association, the Planning Bureau, the representatives of Troika, the Civil Defence, the Water Development Department, the Department of Agriculture, the Ministry of Defence, the Ministry of Communications and Works, the EAC Board, the EAC Trade Unions, the Natural Gas Public Company ("DEFA"), the Cyprus National Hydrocarbons Company (KRETYK), the TSO, the Cyprus Association for the Promotion of Renewable Energy Sources, the Cyprus Wind Energy Association, delegations of Noble Energy, Total, ENI, the Ministry of Energy and Water Resources of Israel as well as with Applicants for Generation Licences and Licensees of Generating Stations.

Furthermore, CERA participated in several meetings of Parliamentary Committees in the House of Representatives.

In order to inform the public and the media in 2013, CERA issued a number of press releases.



Snapshot of the CERA meeting with representatives of AKEL on 20 September 2013 at the offices of CERA

6.3 Speeches and Presentations by CERA in Cyprus

During the year under review, CERA accepted invitations for speeches and presentations in Cyprus to present various issues related to energy and to contribute to comprehensive and seamless information sharing around the issues of electricity, natural gas, licencing etc.

More specifically, CERA participated in a number of events/ presentations, the most prominent are:

- Welcoming Address to the "2nd Cyprus Energy Symposium" on the role of Cyprus in the energy corridor of South-Eastern Mediterranean on 14 March 2013 in Nicosia.
- Address to the "4th International CCCI Conference" on 16 June 2013 in Nicosia under the title: "Renewable Energy Sources and Energy Efficiency - New Challenges".
- Address to the "56th Annual General Meeting of ΣΕΠΑΗΚ" on 15 June 2013 in Nicosia.
- Speech in the "Mare Forum" on new developments in the energy sector in the Eastern Mediterranean region on 19 June 2013 in Paphos.
- Presentation at the "2nd Cyprus Natural Gas Conference on 20 - 21 June 2013 in Nicosia on: "EU Infrastructure Package, Cyprus Potential Role & Probable Projects".
- Address to the conference "Current and future developments in Photovoltaic Systems in Cyprus" on 21 June, 2013 at the Frederick University in Nicosia.
- Address to the event on "Energy Efficiency for exiting the crisis" on 5 July 2013 at the House of the European Union.
- Address to the 2nd Conference POEM (Power Options for the Eastern Mediterranean Region) on 7-8 October 2013 in Nicosia.
- "24th Meeting of the Energy Charter Conference" on 6 December 2013 in Nicosia. The Chairman of CERA presided in the section of the Assembly dealing with energy investments.
- Address at the public consultation on "Further opening of the Electricity Market" on 11 December 2013 at the Audit Office of the Republic.



7. CONDUCTING IMPORTANT STUDIES IN COLLABORATION WITH EXTERNAL CONSULTANTS

7.1 Conductive Important Studies in Collaboration with External Consultants

Study on the implementation of a functional and accounting unbundling of EAC activities, the creation of regulated asset value base and the review of the EAC allowable revenue

On 29 April 2013, an agreement was signed between CERA and the successful bidder, which was the KPMG Ltd, to provide consulting services for the above issues. The study was completed at the end of the year 2013, and as a result, CERA took a Regulatory Decision on the establishment by the EAC of a Regulated Asset Value Base (RAVB) and issued a draft of Regulatory Decisions on the Functional and Accounting Unbundling of EAC activities. CERA considers the creation of the RAVB to be very significant, as it is an important element in the calculation of the EAC allowable revenue for the purpose of fixing the tariffs. Furthermore, the Functional and Accounting Separation of the EAC activities is very important as it would enable the application of the provisions of the sections of the Regulating the Electricity Market Laws of 2003-2012, and facilitate the supervisory and monitoring role of CERA.

Tender for the Supply, Installation, Configuration and Maintenance of a Document Management System, Work Flow Management, Creation of Records, Safe-keeping and Destruction Recovery to meet the needs of CERA office.

CERA recognised the need for maximising the utilisation of information technology, to enable the carrying out of its mission more effectively.

For this reason following tenders for the supply, installation, configuration and maintenance of a document management system, workflow management, creation of records and data banks, safe-keeping and recovery after destruction, the implementation of the project was assigned to VCI S.A. Velti Centre for Innovation.

CERA through the implementation and operation of a Document Management System aims at:

- The creation and implementation of an Electronic Documents Archive (including incoming and outgoing correspondence) for efficient and secure storing as well as easy access.
- The operation of a Workflow Management System.
- The modernisation and optimisation of the procedures being followed by CERA with the use of information technology.
- The creation of registers as required by laws and regulations, through the replacement of the existing manually based register by an electronic one.
- The optimisation of managing applications for licences handled by CERA .

The system is expected to become fully operational in 2014.

Study to assess the potential penetration of Renewable Energy Sources in the Cyprus Electricity System

CERA, decided and approved on 23 September 2013 to assign to the University Research Institute of Communication and Computer Systems of the National Technical University of Athens a study on the «Evaluation of RES penetration potential in the Cyprus Electricity System» in accordance with the terms of the tender.

The object of the study is to estimate the maximum possible penetration of RES, and more specifically of Photovoltaic Systems and Wind Farms in the Cyprus electricity system. For the purposes of the study there will be a simulation of the system on a long- term basis and optimization software will be utilised for the best possible outcome in the form of time series. The time horizon of the study will cover five years.

Study to investigate the national limit of nitrogen oxide emissions from power generation

During a meeting held in June 2013 at the Department of Labour Inspection on the obligations of Cyprus under the Gothenburg Protocol (1999 Protocol to Abate Acidification, Eutrophication and Ground-level ozone) and also under Directive 2001/81 / EC on national emission ceilings for certain atmospheric pollutants (known as NEC Directive), a decision was taken to find a way to meet Cyprus' obligations as regards the maximum emission of oxides of nitrogen (NOx) to deal with the increasing number of applications for authorisations for Internal Combustion Engines (ICE), which even with the use of an antifouling system have significantly higher emissions of NOx compared to other power plants.

Taking into account the seriousness of the situation due to the possibility of exceeding the ceilings set, and also the potential problems that would be created from any restrictions on the proper functioning of the electricity market, CERA with the consent of all those present at the meeting undertook to carry out a study in order to prepare Cyprus' negotiating proposals to the EU.

More specifically, CERA undertook to immediately proceed with the preparation of reasoned explanatory report with a view to using it for the purpose of negotiation with the Commission to limit NOx emissions during the revision of Directive 2001/81/EC.

For this purpose, CERA on 1 July 2013 assigned to its external technical consultants to carry out the above study which includes at least the following sections:

- A Summary Report on the existing production mix on the basis of information to be provided by CERA (e.g. to determine whether the mixture with the units we have can meet the requirements concerning the ceilings for NOx emissions).
- A techno-economic investigation on the basis of information to be given by CERA showing how the electricity market is affected by the existing NOx emission ceilings and the existing power plants, taking into account scenarios about forecasted RES growth (e.g. wind farms and photovoltaic systems).
- A techno-economic investigation on the basis of information to be given by CERA showing how the ceiling of NOx emissions may increase so that the power generation system may develop rationally (e.g. using ICE) taking into account scenarios about the forecasted growth of RES.
- A short Draft Explanatory Report to the European Commission requesting increase of NOx emission ceiling for the year 2020 which will be based on findings from previous sections of the study.

Study on the Evaluation and Restructuring of the Electricity Market in Cyprus

Taking into account the need to comply with the overall requirements of the 3rd Energy Package, the latest developments concerning the advent of natural gas to Cyprus, which significantly influence any investment decisions concerning in production capacity, but also the need to facilitate the entry of new participants in the electricity market and the most effective integration and participation of Renewable Energy Sources (RES) in the electricity market, the preparation of a revised National Plan for RES integration and the review of existing grants' schemes, CERA at the beginning of 2013 decided to assign to an external consultant the design of the Electricity Market.

More specifically, CERA assigned to the Joint Venture of Specialist Consultants LDK - E-Bridge to carry out a detailed analysis and evaluation of the existing operational framework of the electricity market in Cyprus in the first Phase and in the second Phase the study of the required revision of Market Rules, either with adjustments to the existing market model of bilateral contracts, or by adopting a new model which is better suited to local conditions.



During the first phase of the study, a detailed analysis and evaluation of the existing operational framework of the electricity market in Cyprus was carried out. The Consultants have taken into account the 3rd Energy Package of the European Council and the exemptions granted to Cyprus and studied their effects on the electricity market. They also examined questions relating to the regulation of electricity tariffs for as long as the EAC will continue to hold a dominant position in the electricity market.

The first Phase was completed with the submission of a Report which documents the need to amend the Electricity Market framework in Cyprus on the basis of objective obstacles posed in the development of competition, as well as the conditions that are expected to arise due to the enhanced production from Renewable Energy Sources (RES). On this last issue, a substantial part of the first Phase of the study was to analyse the legislation and the regulatory framework for the integration of electricity production from RES into the electricity market, both those falling under support schemes on the basis of government grants, and those which will operate under the free and competitive electricity market.

The conclusions of the study presented and documented inter alia the following points:

- The previously existing obligation for Electricity Suppliers to own corresponding power generation capacity.
- The understaffing and deficits in the identity and independence of the TSO Cyprus.
- The understaffing of the Cyprus Energy Regulatory Authority.
- Lack of training and experience in TSO Cyprus and the Cyprus Energy Regulatory Authority.
- Absence of software for the implementation of the rules governing the operation of the electricity market.
- Deficiencies in essential elements and mechanisms for the operation of the market and the electricity system, such as management of essential tools and ancillary services.
- The absence of rules for offsetting RES electricity generated outside the government grants' schemes.

In the second phase, the Consultants utilised their findings from the first Phase of the study, so that in addition to the structural changes they suggest, they include a proposal and a time-table for a smooth transition to a competitive market. They presented and evaluated those alternative models of the electricity market which they considered suitable for Cyprus and the Consultants suggested and proposed the Hybrid Model as the most appropriate market model for Cyprus, the full implementation of which will take about three to four years. In the meantime, the Consultants presented two possible alternative transitional arrangements that can operate within the market rules and in a short time. Of these two transitional arrangements, the Consultants recommend the continuation of the current model of bilateral contracts. Finally, the Consultants' Report outlines the necessary steps that should be taken for the implementation of both the transitional arrangement and the final model.

CERA will study and analyse in depth the views and suggestions of the LDK - E-Bridge Joint Venture of Consultants, to reach a decision on the choice of model it will propose to the Minister in 2014.

Study on the effect on the cost of electricity production from the importation of natural gas as an interim solution

CERA, exercising its supervisory role as an independent authority and having the obligation to evaluate the results of the selection procedure for the supplier of natural gas for the interim solution in relation to the effect on the cost of electricity production, in order to ensure that the interests of consumers are safeguarded, in March 2013 decided to award to the consulting firm of Lahmeyer International, Germany, to carry out a study on the effects on production costs from the importation of natural gas as an interim solution.

Study on the proper preparation of CERA in order to fulfill its duties and obligations under the new Natural Gas Law N.219 (I) / 2012

With the adoption by the House of Representatives of the amending / harmonising Law on Regulating the Natural Gas Market N.219 (I) / 2012 amendments were made inter alia to key provisions of the law on:

- Strengthening the powers and duties of CERA.
- Enhancing security of supply and competition,
- Strengthening consumer rights and
- Restoring the sections of the Basic Law which had been suspended by the amending Law N.199 (I) / 2007.

Given the changes in the law, CERA has the obligation to take all necessary actions to meet its responsibilities, functions and obligations under this Law.

In view of this, in February 2013 it assigned its external techno-economic consultant EXERGIA SA the following tasks:

- The detailed documentation and coding in a handy list of all the obligations of CERA under the applicable legislation.
- The preparation of a detailed Action Plan which will prioritize the required actions and a relevant timetable for its implementation with a view to the gradual and coordinated fulfilment of the obligations of CERA.
- The preparation of amendments to the Administrative Regulations 298/2006 on the Issuing of Licences, if and as required, to ensure full compliance with the law. Additionally, the preparation of model terms and conditions for the construction and / or operation of natural gas facilities, and / or a storage facility, and / or grids, pipelines and associated equipment for the performance of any of the responsibilities of the owner of a natural gas installation and / or a storage facility, and / or grids, pipelines and associated equipment, to carry out any of the functions relating to the management of the system and the supply of natural gas.
- The preparation of amendments to Administrative Regulations 299/2006 on Fees and 297/2006 on Explorations, if and as required, to ensure full compliance with the law.
- The recording of the Principles of the Methodology for Calculating the Transmission and Distribution Tariffs and the preparation of the methodology itself.

Study on the Framework for the Design and Operation of the Natural Gas Market in Cyprus

In view of the adoption by the House of Representatives of the amending and harmonising Law N.219 (I) / 2012 on Regulating the Natural Gas Market, CERA took the initiative to prepare, in collaboration with an external techno-economic consultant and more specifically with the EXERGIA SA firm, the Framework for the Design and Operation of the Natural Gas Market in Cyprus.

The study on the Framework of the Gas Market aimed at filling the gap which exists in the determination of the basic parameters of the gas market in both in its permanent and mature version, as well as during its start-up and development phase.

This study is expected to cover the following sections:

- Phases and duration of the current market framework.
- Description of the operation of the Domestic Market.
- Application of derogations.
- Licensing Bodies.
- Tariffs.



7.2 Co-Funded Projects

In the context of promoting research and development in the energy sector, CERA submits proposals in collaboration with other agencies and participates in projects funded either by European Programs and Funds or national funds.

One of the projects in which CERA participates is the project entitled "Smart net metering and cost efficient grid-integration of PV technology in Cyprus" under the acronym "LIFE + SmartPV", which is funded by the EU program LIFE + under the theme "Environment Policy and governance". The project proposes the implementation of pilot projects on PV net metering in Cyprus. It involves the design, evaluation and promotion of a simple, timely and promising energy policy on smart net metering. The project has a total budget of 1,219,838 euros, with EU co-financing amounting to 568,464 euros and its duration is 45 months. More specifically, work on the project started on 01/07/2013 and is expected to be completed on 01/03/2017. A total of five partners (University of Cyprus, CERA, Deloitte, EAC and the Department of Environment) participate in the project, the cost of which is allocated to each partner according to the tasks assigned to each one.



**"Smart net metering for promotion and cost-efficient
grid-integration of PV technology in Cyprus"**



8. Electricity Market

8.1 Licencing of Electricity Generation

8.1.1 Details of Applications and Licenced Electricity Generation

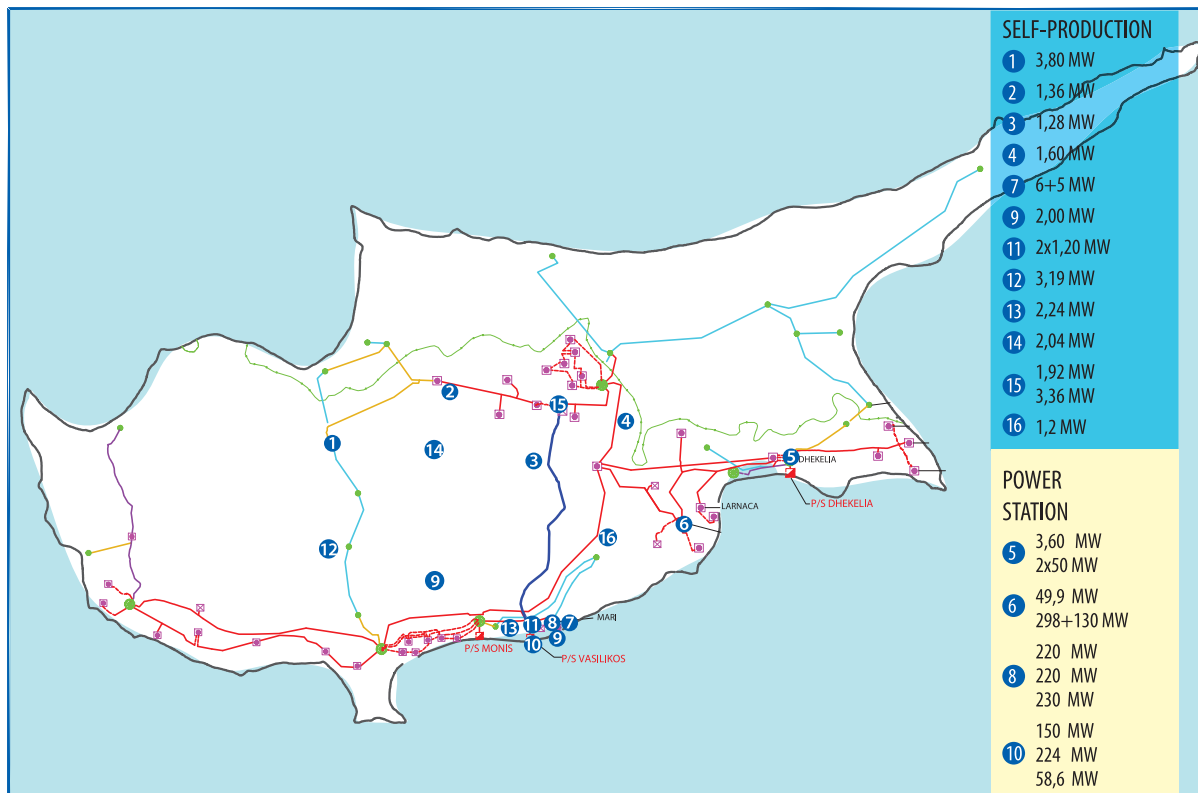
8.1.1.1 Conventional Generating Stations

Since the establishment of CERA and until the end of 2013, a total of thirty licences for the Construction of Conventional Generating Stations were issued.

Of these, by a CERA Decision, one such Licence of a generating capacity of 230 MW has been revoked, while the validity of three licences of a generating capacity of 467 MW (7MW+240MW+220MW) has expired.

Today the total Capacity Licenced by CERA for Generating Stations is 2.077,89 MW in twenty-six licences (26), of which seven (7) of a capacity of 1.478 MW belong to the Electricity Authority of Cyprus and fifteen (15) of a capacity of 37,39 MW, belong to self-producers. The remaining four (4), of a capacity of 562,5 MW, belong to independent power producers.

On 31 December 2012, only two applications by self-producers of a capacity of 250 MW were under consideration.



Map 1- Licenced Generation Units-Conventional Power Stations

8.1.1.2 Renewable Energy Sources

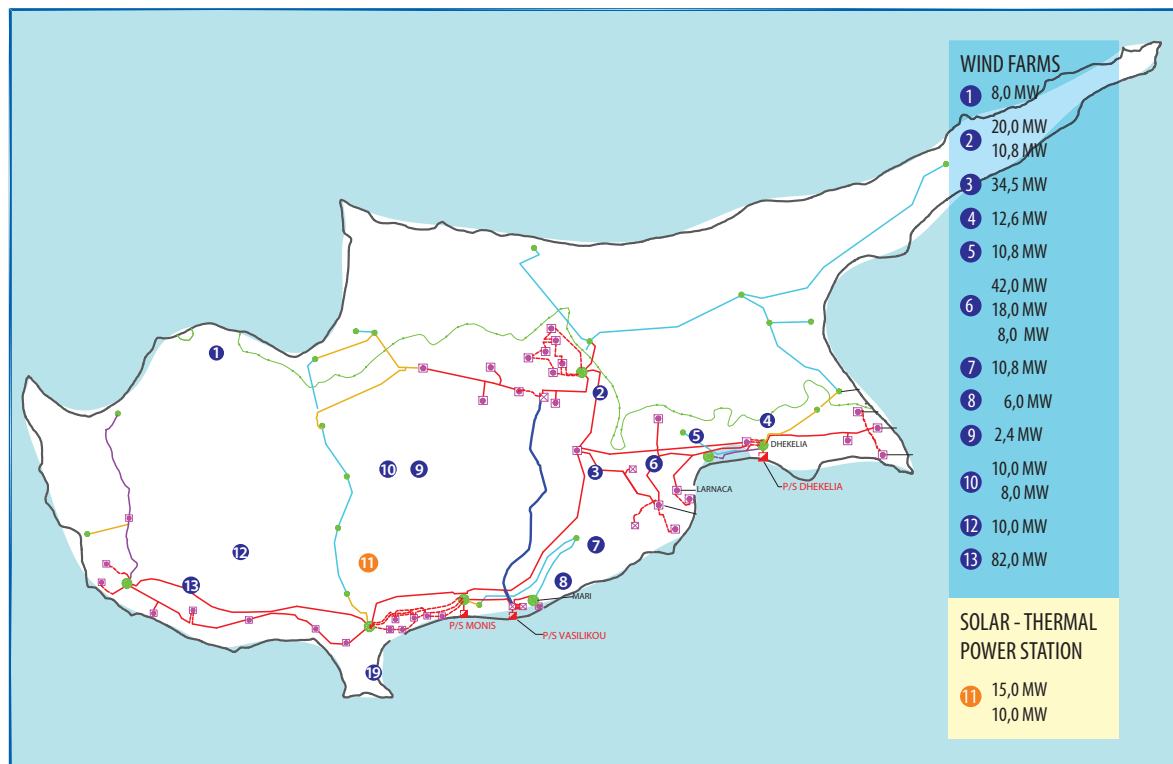
Wind Farms

At the end of 2013, a total of fifty applications for the Construction of Wind Farms were submitted to CERA. Thirty four applications for the Construction of Wind Farms have been granted.

Of these, five (5) licences of a total capacity of 138,0 MW (53,8MW in Phase 1) have been revoked by CERA's decisions. Eleven (11) Licences of a capacity of 323 MW (165,8 MW in Phase 1) have expired and five (5) wind farms of a total capacity of 146,7 MW have been operating. Also sixteen (16) applications of a total capacity of 359 MW for the Construction of Wind Farms for Electricity Generation have been rejected.

By the end of 2013, total capacity licenced by CERA for implementation was 147,2MW. These figures do not include Wind Farms with a capacity below 30kW as these are exempted from a licence by CERA.

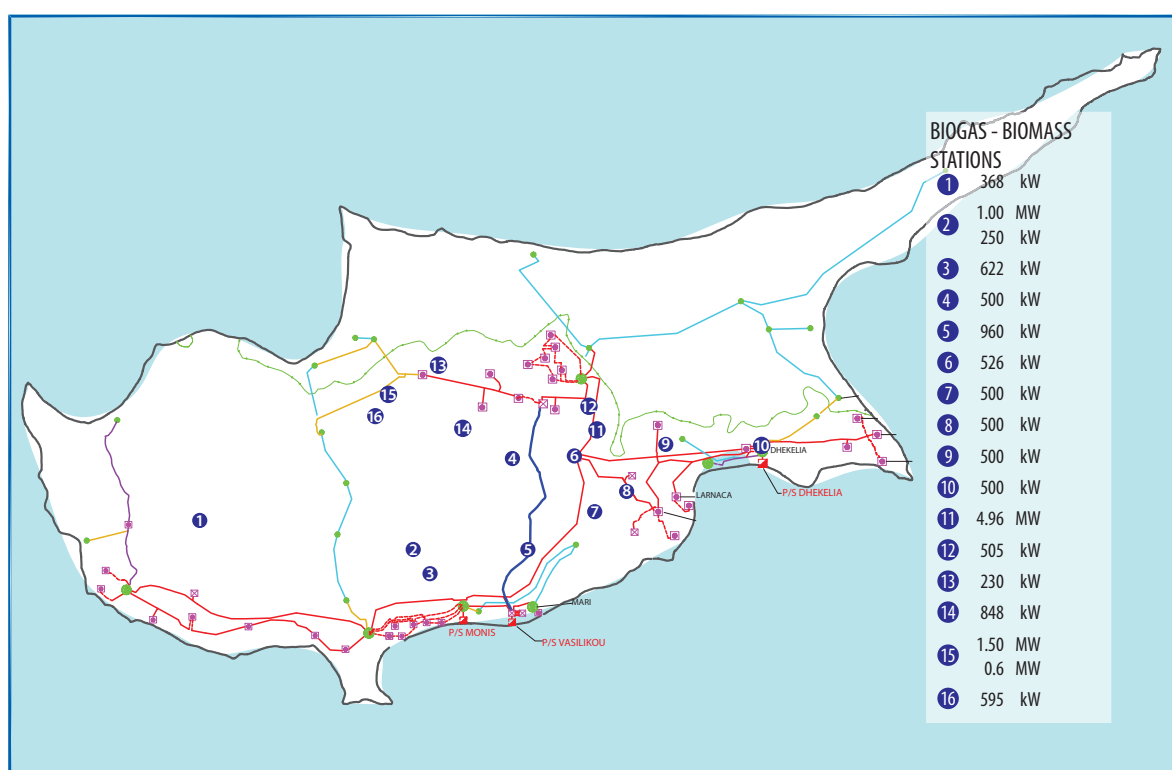
On 31 December 2013, one application for the construction of a wind farm of a capacity of 4 MW, which concerned Exemption from a Licence, was under consideration.



Χάρτης 2 -Παραστατική Παρουσίαση και Γεωγραφική Κατανομή Αδειών για Αιολικά Πάρκα

Biomass/ Biogas

CERA has issued twenty-two (22) Licences for the Construction of Generating Stations from Biomass/ Biogas of a total capacity of 22,48 MW and has examined two additional applications of a total capacity of 2,05 MW. In addition to the above, three Licences (3) of a total capacity of 1,51 MW have been revoked and nine (9) applications of a total capacity of 34,963 MW have been rejected. It should be noted that these figures not include units using Biomass/ Biogas of a capacity below 20 kW, as they are exempted from the requirement to obtain a licence from CERA.



GRAPH3 -Presentation and Geographical Distribution of Licences for Biogas/ Biomass Stations

Photovoltaic Systems

At the end of 2013, the total number of applications submitted to CERA for the Construction of Photovoltaic Systems was eight hundred and fifty 850, of which seven hundred and fifty eight (758) were applications under the Grants' Scheme and fifty one (51) applications outside the Grants' Scheme. Also forty two (42) applications of a capacity of 1,38 MW for self-production were submitted. In all, thirty-nine (39) applications of total capacity of 16,42 MW under the Grants Scheme and one application of a capacity of 7,35 MW, outside the Grants' Scheme were rejected. Also, 21 applications of a capacity of 2,1MW have been withdrawn.

Of these, two hundred and seventy nine (279) Licences of a total capacity of 19,82 MW were issued and one License of a capacity of 100 kW has been revoked. Some five hundred and seven (507) applications of a total capacity of 170,57 MW and forty two (42) applications of a capacity of 1,38 MW for self- production are under study. Photovoltaic units of a capacity below 20 kW are not included in these figures as they are as exempted from a License.

As part of a tender twenty-four (24) applications of a total capacity of 50,024 MW were submitted to CERA. Of these nineteen (19) licences of a capacity of 44,17 MW were issued and five (5) applications, of a capacity of 5,84 MW are under study.

Solar Thermal Stations

Regarding the category of solar thermal stations, it is noted that during the period under review eight (8) applications of a total capacity of 175 MW were submitted, three (3) licences a total capacity of 75 MW were granted, while five (5) applications of a total capacity 100 MW were rejected.

On 31 December 2013 there was no application under study

Geothermal Stations

In the category of geothermal stations one (1) application of a total capacity of 13.44 MW was submitted and one (1) licence with a total capacity of 13.44 MW was granted.

On 31 December 2013 there was no application under study.

8.1.1.3 The NER 300 Initiative of the European Union

In the framework of the programme of the EU Commission, known as NER 300, nine applications were submitted, which are being evaluated by the European Commission. By its Decision C (2010) 7499, dated 03/11/2010, the European Commission has set the criteria and the financing measures of demonstration projects at a commercial scale, which aim at the environmentally safe carbon capture and storage in geological formations, as well as demonstration projects of innovative energy technologies from renewable energy sources, in the framework of the scheme for greenhouse gas emission allowance trading within the Community. In line with the above decision, the European Commission will finance eight (8) demonstration projects for carbon capture and storage and another thirty four (34) with up to 50% of the additional investment and operation expenses for demonstration projects in the first five years of operation, due to the application of innovative technologies which are mature for demonstration, but are not yet available in commerce.

The financing of the projects will be achieved by making available the 300 million greenhouse gas emission allowances for new entrants, from which the initiative got its name (NER 300: New Entrants Reserve, 300 million rights). In order to ensure a geographical balance, at least one and no more than three projects per state could be funded. The disbursement must be annual and based as far as demonstration RES projects are concerned on the energy annually generated.

The NER 300 initiative of the European Commission (Phase A)

In the framework of NER 300 – Phase A the following applications were received:

- Solar-Thermal Stations: five applications of a total capacity of 26,26MW
- Photovoltaic Systems: four applications of a total capacity of 90 MW.
- Offshore Wind Farm: one application of a total capacity of 54 MW.

It should be noted that of the above projects, the EU has approved one project of a total capacity of 50,76MW

The NER 300 Initiative of the European Commission (Phase B)

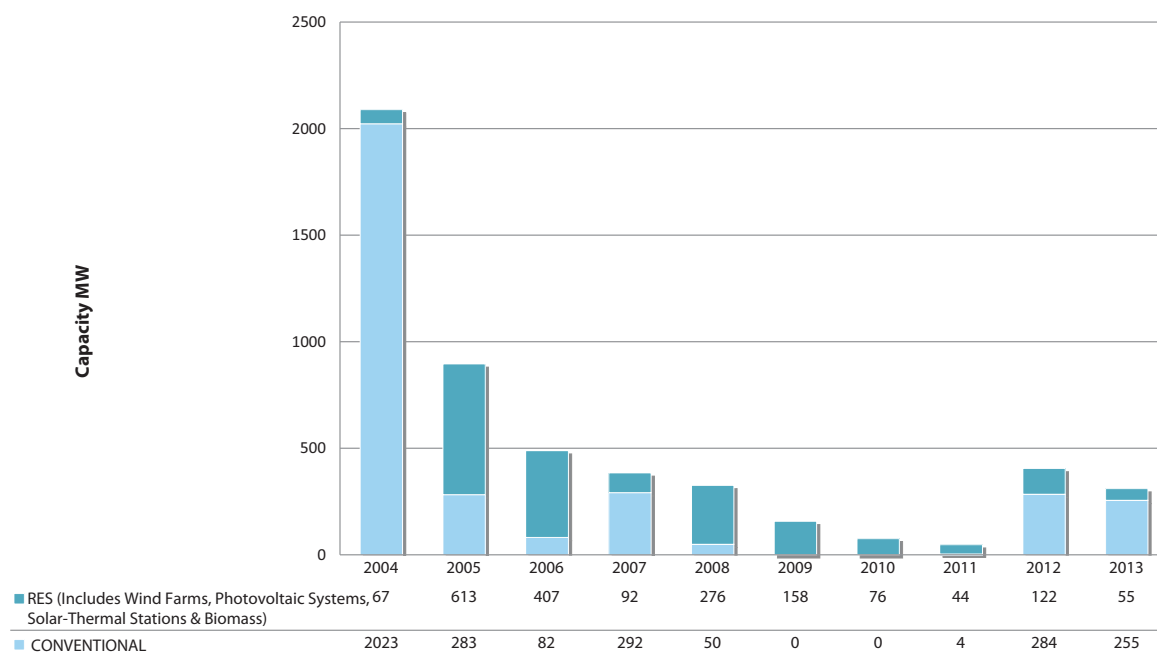
In the framework of the NER 300 initiative-B 'phase three (3) applications for photovoltaic systems of a total capacity of 40 MW were submitted.

8.1.1.4 Register of Applications for a Licence and Licences issued

All lists of Applications for a License, as well as Licences Issued, can be found in CERA's website at <http://www.cera.org.cy>.

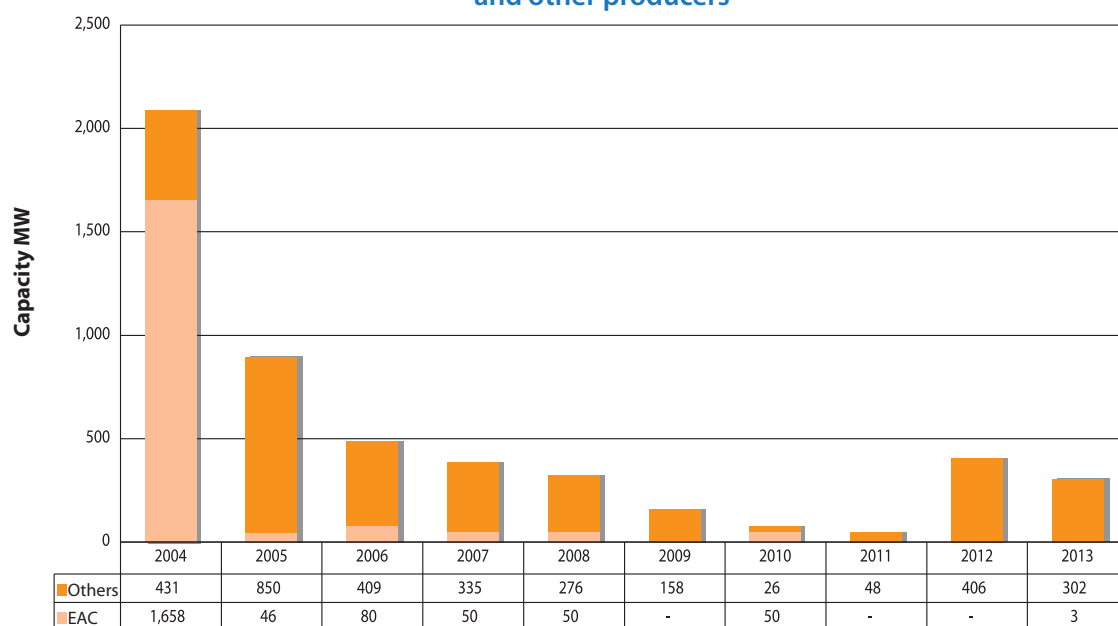
COMPARATIVE GRAPHS ON APPLICATIONS AND LICENCES GRANTED FOR ELECTRICITY GENERATION

Applications for Electricity Generation Licences submitted during the 2004-2013 period

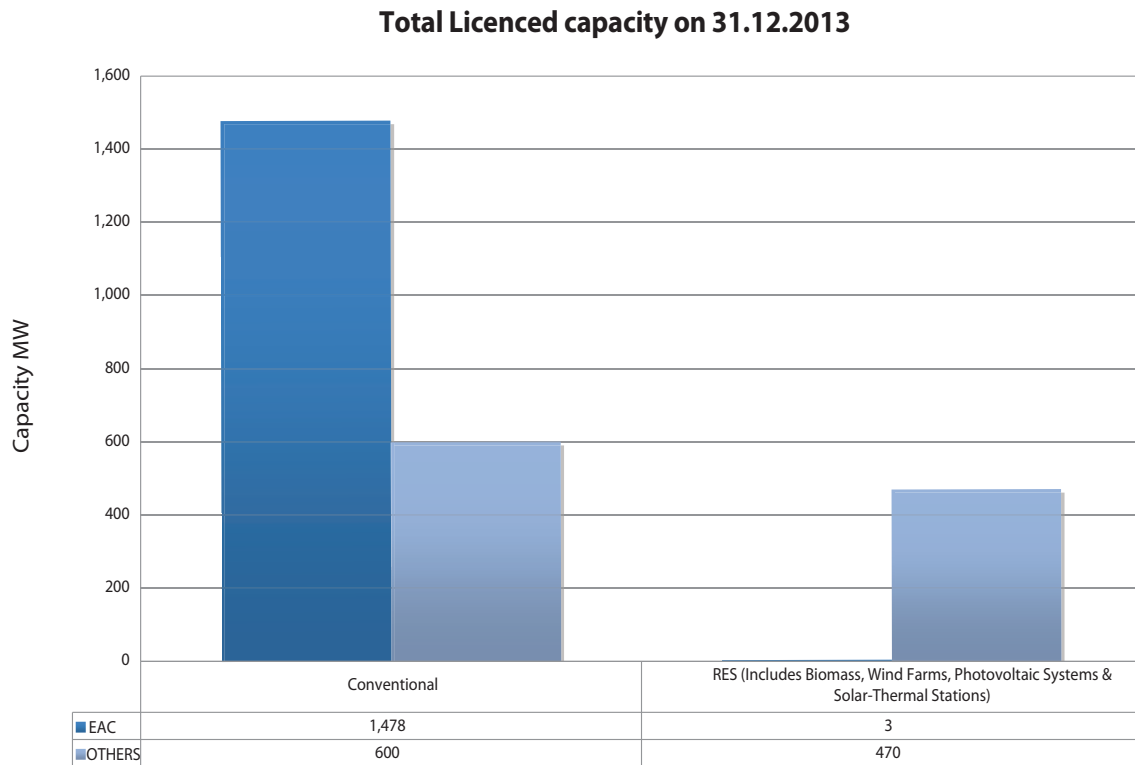


Graph 1- Applications for Electricity Generation Licences submitted in the 2004-2013 period

Applications for Electricity Generation Licences for the period 2004-2013 submitted by the EAC and other producers



Graph 2- Applications for Electricity Generation Licences for the period 2004-2013 submitted by the EAC and other producers



Graph 3- Total Licenced capacity on 31.12.2013

8.1.2 Exemptions from a Construction and Operating Licence of a Power Production Unit

8.1.2.1 Generating Units Using Conventional Fuel

CERA, by means of continuous and persistent efforts through announcements on its website, in the daily press and the Official Gazette of the Republic for the information of the public at large as well as by sending circulars to all departments, government services and various other organised entities concerned, succeeded in informing the interested public that for the installation and operation of a generator, of a capacity exceeding 10 kW, it is necessary to obtain a License or an Exemption from a Licence by CERA.

During 2013 the submission of applications for the granting of an exemption from a licence and the issuing of exemptions continued as shown in the following Table.

NUMBER OF APPLICATIONS FOR GENERATORS		EXEMPTIONS FROM A LICENCE ISSUED BY CERA		EXEMPTIONS FROM A LICENCE (IN FORCE*)	TOTAL GENERATION LICENCED IN FORCE* (MW)
2013	TOTAL	2013	TOTAL		
32	457	138	512	454	262,98

Table 1 – Applications and Exemptions from a Licence 2013

*IN FORCE : Licences which have not been revoked or expired.

8.1.2.2 Electricity Generation from Photovoltaic Systems

8.1.2.2.1 Under the Grants Scheme for RES and Energy Conservation (21-150kW)

During the year 2012 CERA, after taking into account the National Action Plan for RES energy by 2020, the Grants' Schemes to promote the use of RES and the study of CERA conducted for the purpose of updating the National Action Plan which provides, on the basis of the Decision of the Council of Ministers, the speeding up of the penetration of photovoltaic systems in the energy system, decided to launch consultations both with all stakeholders and services as well as the interested public. After recording the opinions expressed, the necessary documents and data were prepared, as well as the criteria for scoring applications.

Then CERA, announced that it will start receiving applications for Photovoltaic Systems of a capacity exceeding 20kW and up to 150kW and during the examination of applications it emerged that 553 applications were received, of which 21 applications were withdrawn at the request of the applicants, 181 applications were incomplete and 351 applications were complete. On the basis of the applications that were complete, CERA prepared a hierarchical list based on their score and, taking into account the percentage of photovoltaic systems envisaged in the Grants' Scheme for 2012 approved by the Council of Ministers, issued 18 exemptions from a Licence for the Construction of Photovoltaic Parks of a total capacity of 1.7 MW.

In the year 2013, CERA taking into account the percentage of photovoltaic systems envisaged in the Grants' Scheme for 2013 which was approved by the Council of Ministers, issued 100 exemptions from Licence for the construction of photovoltaic parks, of a total capacity of 10MW.

The following table shows the status of applications / licences for Photovoltaic Systems of a capacity of 21-150kW today.

NUMBER OF PV APPLICATIONS		EXEMPTIONS FROM A PV LICENCE ISSUED		TOTAL PV GENERATION LICENCED IN FORCE (MW)	TOTAL PV GENERATION INSTALLED (MW)
2013	TOTAL	2013	TOTAL		
-	758	100	284	30,661	8,183

TABLE 2 – Applications and Licences for Photovoltaic Systems of a capacity of 21-150kw.

8.1.2.2.2 Under the Grants Scheme for RES and Energy Conservation (151kW- 10MW) (tender offer)

CERA during the year 2013, after taking into account the Grants' Schemes to promote the use of RES, the invitation to a tender offer by the Management Committee of the RES and Energy Conservation Fund, and the study of CERA conducted for the purpose of updating the National Action Plan which envisages, on the basis of the Council of Ministers' Decision to speed up the penetration of photovoltaic systems in the electricity system, decided to start receiving applications of PV systems of a capacity exceeding 151kW and up to 10MW and falling in the context of the tender offer.

During the year CERA, received 24 applications for a total installed capacity of 49,72 MW. After reviewing and evaluating the applications, CERA proceeded to issue 17 exemptions from a licence for the construction of photovoltaic parks as part of the tender offer, having a total installed capacity of 37.48 MW.



Snapshot on the handing to bidders of the licenses of the tender offer at the offices of CERA on 15 October 2013

8.1.2.2.3 Under CERA's Schemes for widespread installation of photovoltaic systems in houses and buildings which are the seat of Local Authorities with the Net Metering method and in commercial and industrial premises with the method of self- production

CERA, after taking into account, on the one hand, the Schemes to promote the use of RES and the CERA study carried out for the purpose of updating the National Action Plan which, on the basis of the Decision of the Council of Ministers, envisages the speeding up of the penetration of photovoltaic systems in the electricity system and, on the other, the difficult economic situation in the country, took the initiative to prepare and announce schemes for the widespread installation of photovoltaic systems in houses and buildings which are the seat of Local Authorities with the net metering method and in commercial and industrial units with the method of self- production.

It should be noted that with regard to the implementation of Net Metering and Self-production schemes, our country is a pioneer in this field at a European level.

Taking into account the evolution of the Schemes, the very positive response of the public and the attainment of the targets set, especially in the middle of the economic crisis, it can be said that the whole effort has been crowned with success, resulting in the creation of numerous jobs, the growth of the economy and saving the cost of electricity for thousands of residential, commercial and industrial consumers.

Scheme A: Installation of Photovoltaic systems with the Net Metering method in houses and buildings which are the seat of Local Authorities

For the purposes of the Scheme "net metering" was defined as the method involving domestic consumers and buildings which are the seat of Local Authorities in which a small photovoltaic system having a capacity of up to 3kW was installed. According to this method, a calculation is made of the difference between electricity coming from the power grid to meet the needs of the premises and electricity generated by the PV system, which is injected to electricity grid over a period of two months.

The number of applications submitted to the regional offices of the Distribution System Operator, who was designated by CERA as the implementer of this Scheme, until the end of 2013, amounted to 3600, of which 3578 applications concerned residential units and 22 applications concerned buildings which are the seat of Local Authorities. By the end of 2013, 1215 photovoltaic systems were installed in houses and in buildings which are the seat of Local Authorities.

Scheme B: Installation of photovoltaic systems with the self-production method in commercial and industrial premises

For the purposes of the Scheme, "Self- production" was defined as electricity generated from power plants installed in the building or on the same plot as the building of the commercial or industrial consumer, which is not injected into the electricity grid, but is used at all times solely for own consumption and not for commercial exploitation through the use of the grid.

CERA during the receipt of applications for installation of photovoltaic systems with the method of self-production in commercial and industrial premises, received 42 applications of a total installed capacity of 1,38 MW.



8.2 Installed Capacity of Power Stations and Construction Works in 2013

8.2.1 Installed Capacity of Conventional Units and Construction Works in 2013

Electricity Authority of Cyprus Installations

Moni Power Station

Six (6) Steam Units of 30MW nominal capacity each, having a total capacity of 180MW. On 20/03/2013 two units were decommissioned and on 18/09/2013 the four remaining units were also decommissioned.

Four (4) Gas Turbines of 37,5MW nominal capacity each, having a total capacity of 150MW are installed and available.

Dhekelia Power Station

Six (6) Steam units of 60MW nominal capacity each, having a total capacity of 360MW are installed and available

Six (6) Internal Combustion Engines (ICE) of a total capacity of 100 MW are installed and available.

Vassilikos Power Station

One 1 Black Start Gas Turbine of a nominal capacity of 38MW

The Combined Cycle Plant number 4 of nominal capacity of 220MW. Damage done by the explosion at the Naval Base was restored. It entered into full commercial operation in February 2013.

The Combined Cycle Plant number 5 of total nominal capacity of 220MW. Damage done by the explosion at the Naval Base was restored. During 2013 it was in full commercial operation.

Steam Unit No 1 of 130MW nominal capacity. Damage done by the explosion at the Naval Base was restored. It was put in commercial operation in July 2013.

Steam Unit No 3 of 130MW nominal capacity of Damage done by the explosion at the Naval Base was restored. It was put in commercial operation in May 2013.

Steam Unit No 2 of 130MW nominal capacity of. Damage done by the explosion at the Naval Base was restored. It was put in commercial operation in August 2013.

Self-Producer Installations exceeding 1MW

- Vassilikos Cement Works SP1-2004 , 6MW
- Vassilikos Cement Works SP-3-2006, 5MW
- Elmeni Quarry, SP4-2006, 1,6MW
- Farmakas Quarry SP-5-2007, 2,0MW
- Hellenic Copper Mines Ltd SP6-2008 , 3,8MW
- Vasa Gravel, SP-9-2008, 3,19MW
- Medcon Quarries, SP12-2011, 2,24MW
- Gennadios Quarry SP13-2011, 2,04MW
- Pyrga Quarry Sp 15-2013, 1,2 MW

Construction Works of Conventional Units in 2013

During the year under review, work to restore the damage done to the Vassilikos power station caused by the accident at the Naval Base in Mari were completed.

8.2.2. Installed Capacity of Renewable Energy Sources and Construction Works

Installed Capacity of Wind Farms in 2013

During 2013 five (5) Wind Farms, of a total installed capacity of 146,7 MW were in commercial operation. In 2013 there were no ongoing construction projects for the installation of new wind farms.

- DK Winsupply Ltd, 82 MW, 01/02/2011
- Rokas Aeoliki (Cyprus) Ltd, 20 MW, 01/01/2012
- Moglia Trading Ltd, 10,8MW, 01/07/2012
- Aerotricity Ltd, 2,4 MW, 14/05/2012
- Ketonis Developments Ltd, 31,5MW 15/05/2012.

Installed Capacity of Biomass/ Biogas Units and Construction Works

During 2013, one additional biomass unit of a capacity of 1000kW was put in commercial operation. The total installed capacity of biomass units, autonomous or interconnected to the electricity system, for 2013 amounted to 10396Kwe.

8.3 Electrical Energy Production

8.3.1 Annual Maximum Power Generation and Total Energy Generation in 2013

Maximum Total Power Generation (MW)

The Maximum Demand for 2013 was recorded on Thursday 30/8/2013 at 14:15 hours, when the Total Power Generation rose to 840 MW. The energy crisis has adversely affected both maximum power generation of the year, as well as the annual energy generation.

Total electrical energy generated (GWh)

The following important records concern the recorded Total Electrical Energy Generated during 2013.

Total gross electrical energy generated reached 4 256 009 MWh.

EAC contributed with 3 941 600 MWh, while generation by self-producers was 2 950 MWh, RES producers generated 311 432 MWh.

The EAC Generating Stations produced 170 700 MWh for their local needs.

Total units sent out to the Transmission System from the EAC Power Stations, reached 3 771 000 MWh.

Recorded energy losses in the Transmission System amounted to 73 600 MWh or 1.8% of the energy flowing into the transmission network.

Load Factor

The mean value of the Annual Load Factor rose to 55,2% in 2013 compared the Annual Load Factor of the order of 53,3% in 2012. At the time of peak demand there was no contribution of self- production. However, the energy produced by the self-producer in 2013 is taken into account for the calculation of load factor.

Total Energy Generation from Wind Farms in 2013

The total Installed Capacity connected to the network in 2013 of generating wind farm stations rose to 146,7 MW, with the annual recorded electricity generation by the end of the year reaching 230 611 MWh.

Total Energy Generation from Photovoltaic Systems in 2013

The total Installed Capacity of Production Plants with the use of Photovoltaic Systems in 2013, which are connected to the Distribution Network, amounted to 31,3MW from 1 767 Photovoltaic Systems for electricity generation, with annual recorded electricity generation amounting to 44 991 MWh.



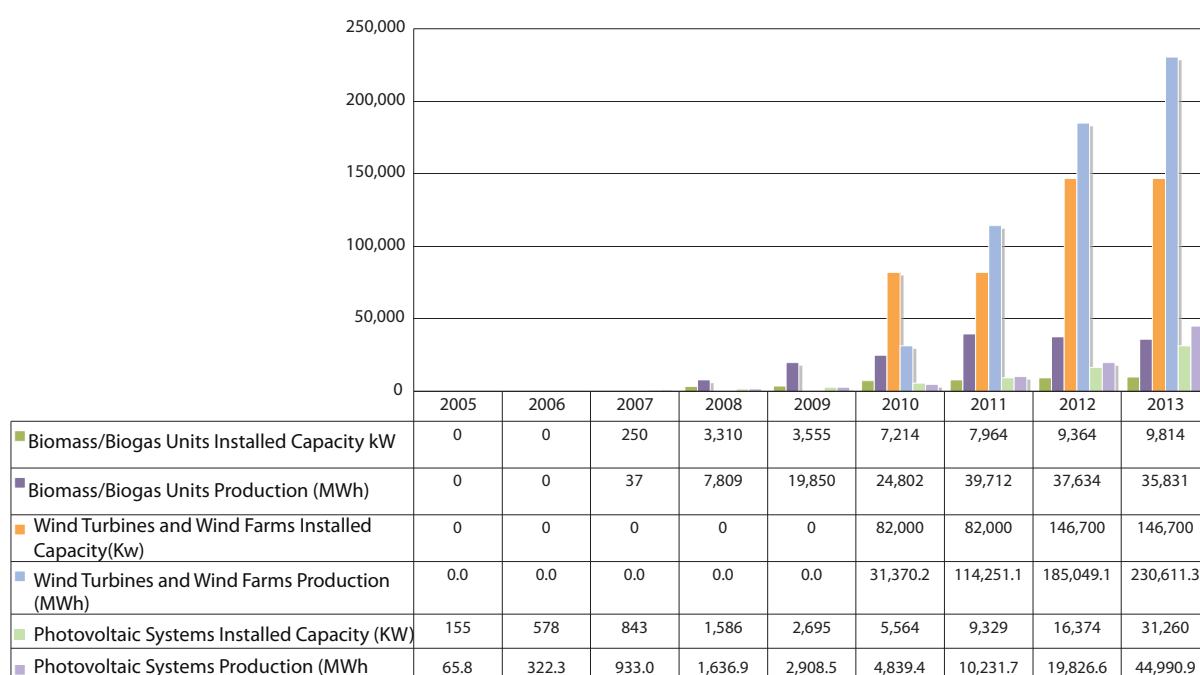
The total Installed Capacity of stations using Biomass/ Biogas in 2013, which are connected to the Distribution Network, according to data supplied by the Electricity Authority of Cyprus, amounted to 9,8 MW from the 13 Generating Stations of Cogeneration of Heat and Power (in respect of which thirteen Construction and Operation Licences were issued). To this number a producer having a capacity of 0,6 MW who is not connected to the electricity grid should be added.

The following Graph shows total energy generated in 2013



Comparative figures for RES generation

Annual installed capacity (kW)/Production (MWh) RES



Graph 4 - Annual installed capacity (kW) / Production (MWh) Res

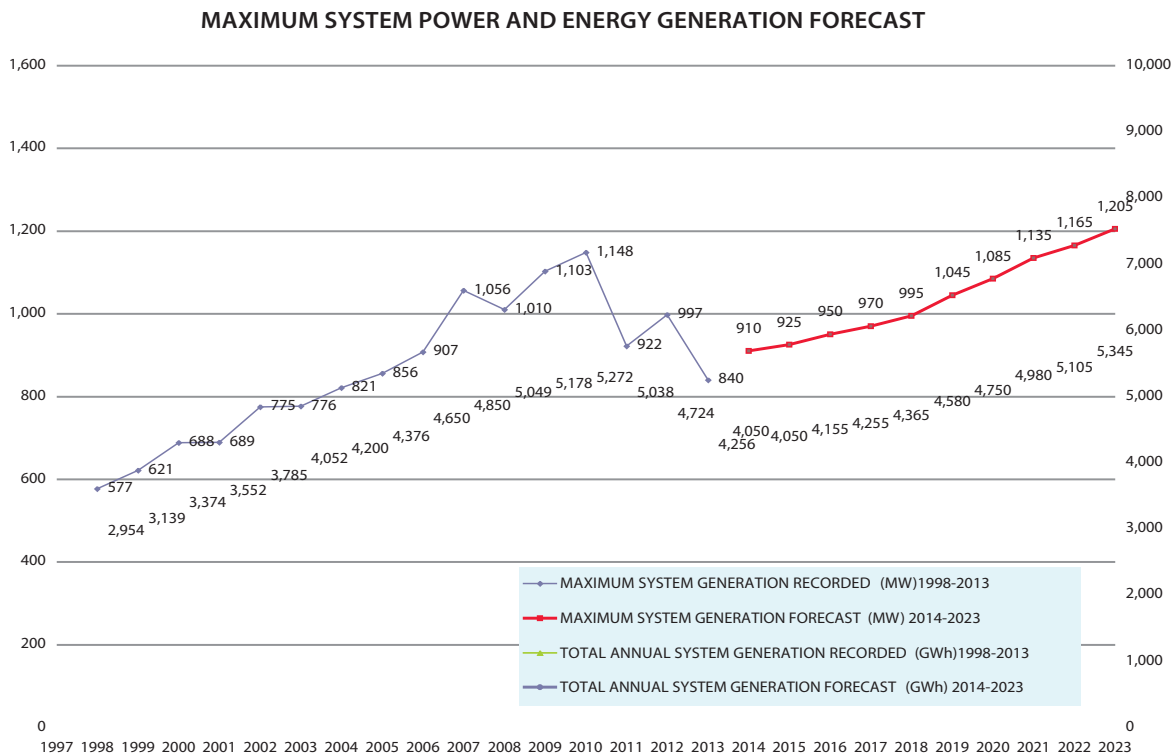
RES installations connected to the Transmission and Distribution Networks

TECHNOLOGY	WIND TURBINES AND WIND FARMS			PHOTOVOLTAIC SYSTEMS			BIOMASS/BIOGAS UNITS			TOTAL		
	NUMBER	INSTALLED CAPACITY (kW)	PRODUCTION (MWh)	NUMBER	INSTALLED CAPACITY (kW)	PRODUCTION (MWh)	NUMBER	INSTALLED CAPACITY (kW)	PRODUCTION (MWh)	NUMBER	INSTALLED CAPACITY (kW)	PRODUCTION (MWh)
2005	0	0	0.0	38	155	65.8	0	0	0	38	155	65.8
2006	0	0	0.0	133	578	322.3	0	0	0	133	578	322.3
2007	0	0	0.0	196	843	933.0	1	250	37	197	1,093	970.3
2008	0	0	0.0	321	1,586	1,636.9	8	3,310	7,809	329	4,896	9,445.6
2009	0	0	0.0	469	2,695	2,908.5	8	3,555	19,850	477	6,250	22,758.1
2010	1	82,000	31,370.2	647	5,564	4,839.4	10	7,214	24,802	658	94,778	61,011.6
2011	3	133,500	114,251.1	797	9,329	10,231.7	11	7,964	39,712	811	150,793	164,195.1
2012	5	146,700	185,049.1	1039	16,374	19,826.6	12	9,364	37,634	1056	172,438	242,509.7
2013	5	146,700	230,611.3	1767	31,260	44,990.9	13	9,814	35,831	1785	187,774	311,433.2

Table 3- RES installations connected to the Transmission and Distribution Networks

8.3.2 Forecast of Annual Energy Generated for the 2014-2023 Decade

Forecast of Annual Maximum Generation (MW) and Total Annual Energy Generated (GWh)



Graph 5- Forecast of Total Annual Energy Generated 2014-2023

8.4 Security of Electricity Supply

8.4.1 Dealing with the Energy Crisis in the year under review

Responding to the energy crisis during the reporting year 2013, following the tragic incident of 11 July 2011, CERA evaluated the progress of works and the implementation of the decisions it had been taken in the previous years in connection with the effort for the restoration and resumption of the operation of the power stations with a view to ending the crisis in the energy market of Cyprus.

CERA in a letter dated 27 August 2013 informed the Minister of Energy, Commerce, Industry and Tourism that, after evaluating the situation, it considers that the grounds for which on 11 July 2011 a sudden crisis in the energy market was declared no longer exist. More specifically, the project for the repair of damage done to the Vassilikos Power Station was completed and the Station has been fully repaired and resumed operations.

The Members of CERA after taking into account the above, considered that the security of the system is not threatened in any way and that all reasonable requirements and needs associated with electricity and the provisions of the Law on security of supply in terms of adequacy and production reserve are met, ensuring also security, continuity and reliability of electricity supply and consumer protection.

Closing, CERA noted that it deems proper for consultations with the Minister to be held for the adoption of decree declaring the end of the period of sudden crisis in the energy market.

8.4.2 Electrical Energy Supply Availability

Table 4 demonstrates the anticipated Maximum Demand (MW) for the period 2013-2016 and the available reserve, according to studies and the EAC current development programme. It should be noted that electricity generation from RES, and in particular from Wind Farms, because of their intermittent and unpredictable nature, cannot be included in the future power capacity requirements.

MAXIMUM ELECTRICITY DEMAND AND AVAILABLE PRODUCTION AND RESERVE

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EAC Development Programme							+50MW (ICE II)	-30MW Decommissioning of 1 Unit Moni PS -390 (Vas. PS) -220 (Vas. PS) + 166,6 (ICE) ***	+220MW (CCGT (A) 5) + 120 (ICE) + 72,5 (Vas. PS)***	220MW (CCGT4) +390 (Vas. PS) -286,6 (ICE) 150 MW Decommissioning of Moni PS Units ****			
Installed Capacity in MW	988	988	988	1,118	1,318	1,388	1,437	964	1,374	1,478	1,478	1,478	1,478
Maximum Generation Demand in MW	821	856	907	1,056	1,010	1,103	1,437	922	997	840	910	925	950
Available Reserve	20%	15%	9%	6%	30%	26%	0%	964-1.100****	38%	76%	62%	60%	56%

ICE: Internal Combustion Engines

CCGT: Combined Cycle Gas – Turbine Plant

CCGT (O): Open Cycle CCGT

(*) Units in Cold Reserve are taken into account in calculating availability

(**) Summ.2012 – Availability Reduction as compared to 2010: 1 Unit at Moni PS, 3x 130+1x220MW at Vass.PS. Increase renting ICE 50MW:166.6+120MW and repair of the CCGT5 Gas Turbines 145MW

(***) Summ.2013 – Availability Reduction as compared to 2010

(****) 1.100 MW, Summ.2011, Production estimate without considering the 11/07/2011 incident

Table 4 - Available Capacity of Annual Production and Reserve

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

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

After the sharp drop in electricity demand and capacity during the year under review, the generation availability is very high. This is expected to continue over the coming years.

In calculating the Available Capacity, the possibility of meeting it in part from renewable energy sources, such as for example photovoltaic systems, which may be in a position to satisfy it, is not taken into account.

The Table shows that all the consequences of the energy crisis after the tragic event at Mari in July 2011, end in 2013, as originally estimated, due to timely restoration of the production capacity of Vassilikos Power Station, and the over-adequacy observed due to the demand reduction.

9. NATURAL GAS MARKET

9.1 Obligations and Duties of CERA under the Amending Law N.219 (I) / 2012

With the adoption by the House of Representatives of the amending / harmonizing Law N.219 (I)/2012 regulating the Natural Gas Market amendments were made to key provisions of the law relating to inter alia to the:

- Strengthening the powers and duties of CERA,
- Enhancing security of supply and competition,
- Strengthening consumer rights and
- Restoring the articles of the basic law which had been suspended by the amending Law N.199 (I) / 2007.

Given the changes in the law, CERA has to take all actions necessary to meet its responsibilities, functions and its obligations under the Law.

Taking the above into account, CERA commissioned an external techno-economic consultant to proceed with the recording of obligations resulting from the amending Law as well as to prepare proposals to amend relevant Regulations. More details on the work of techno-economic Consultants were given in Chapter 6 above.

9.2 Framework for the Design and Operation of the Natural Gas Market in Cyprus

The adoption by the House of Representatives of the amending and harmonizing Law N.219 (I) /2012 Regulating the Gas Market, which amends and supplements the earlier Gas Laws, has incorporated Directive 2009/73/EC concerning natural gas into national law. The application of the law should be more focused on the development of the market in Cyprus and its particular features as is to be expected due to its small size, its isolation from the European networks and its emergence ex nihilo. The Law on Regulating the Natural Gas Market adopts the important features of the 3rd energy package, such as the role of national regulators and the ACER, and the particular role acquired by system operators, especially of the transport of natural gas. For this reason the orientation of the new European framework towards the supranational manner in decision-taking has become very important. The Law Regulating the Natural Gas Market contains the key provisions in view of the imminent introduction of natural gas in the energy balance of Cyprus, but it seems that it does not specify the market model and the organizational framework to be used for the development of the market, thereby providing a reasonable opportunity to decision-makers to determine the appropriate options.

At the same time, recent developments in the exploration and possible future production of hydrocarbons in Cyprus add an interesting parameter to the development of the Cyprus Gas market, as there is a possibility of supplying the island with domestic Natural Gas, which is expected to be very competitive compared with imported natural gas. The necessary infrastructure for exports of domestic natural gas is expected to influence the infrastructure designed for the supply of Cyprus and the time-tables for the networks for the development and supply of natural gas to consumers. Therefore, the domestic system should be adapted to benefit from the development of a natural gas liquefaction terminal for exports.

Additionally, the overall geopolitical environment with the developments in the extraction of natural gas by Israel, the relations between Israel and Turkey, the question of Cyprus-Israel cooperation in infrastructure development etc. acquires a particular dynamic and is expected to influence any solutions and options. Moreover, the recent economic crisis in Cyprus and more widely is expected to influence the ability to finance the necessary infrastructure and lead to corresponding solutions and options. The significant developments expected concerning the Southern Corridor, the role of Turkey and the possibly negative impact of the opening of the

Southern Corridor (Shah Deniz II) in the development of exports from Cyprus, but on a short-term basis the possible "external" dimension of the Cyprus market, in order to estimate the expected "time range" of the first phase of market development, etc. surely are characteristic of the complexity of the environment that will affect the conditions of the penetration of Natural Gas in Cyprus.

The experience of other countries with similar particular characteristics with Cyprus is minimal, i.e. the combination of a non-existent market, which needs some "triggering" under the status of emerging or isolated market within the European context. The only countries that can be characterized as having partly corresponding cases are Portugal and Greece – as they started under a completely similar regime in the 1990s - slightly similar is Ireland and the Western Balkan countries which do not have not yet Natural Gas and are in the process of introducing it in their the energy system.

Considering the above, CERA in collaboration with an external techno-economic consultant undertook the preparation of a Study regarding the Framework for the Design and Operation of the Natural Gas Market in Cyprus. More details on the study are given in Chapter 6 above.

9.3 Interim Solution for Natural Gas Supply

The Council of Ministers at its meeting dated 20/06/2012 decided to authorise the Minister of Energy, Commerce, Industry and Tourism to take the necessary steps to start the procedures/ negotiations for an interim solution for the supply of natural gas to the domestic market of Cyprus before 2017-2018, which is the timetable set by NEIL (Noble Energy International Ltd) for the transportation of natural gas to the domestic market from reserves in Block 12.

The Council of Ministers by its decision dated 13/08/2012 authorised the Natural Gas Public Company (DEFA Ltd) and EAC to prepare the relevant documents for the announcement of the Expression of Interest for the supply of natural gas to the domestic market in Cyprus, as an interim solution, without specifying the technology to be used. For the purposes of the Expression of Interest the period of supply was set at 4-5 years.

DEFA, in collaboration with its external consultants and the EAC, after receiving comments from CERA and the Ministry of Energy, Commerce, Industry and Tourism, published on 27 September 2012 an invitation for the Expression of Interest (EOI) for the supply of natural gas to Cyprus and on 4 January 2013 the Request for Proposals (RFP). The substantial reduction in electricity generation costs was set as a pre-requisite for the implementation of the Interim Solution.

The reduction of the cost of electricity generation was set at the basic prerequisite for the implementation of the Interim Solution.

Seventeen applications were submitted and a detailed evaluation for the short-listed candidates was subsequently made. In October 2013 DEFA LTD announced that it was not possible to achieve an agreement on the supply of natural gas at acceptable terms with the companies which responded to the Request for Proposals. The procedure was completed and DEFA informed accordingly the Companies which responded to the Expression of Interest (EOI) and the Request for Proposals (RFP).

CERA was not in any way involved in the procedure followed by DEFA for the evaluation of the submitted technical and financial proposals. On the basis of its competence under the Regulating the Natural Gas Market Laws of 2004 to 2012 and the Regulating the Electricity Market Laws of 2003 to 2012, CERA examined the outcome of the procedure for the interim solution for the supply of natural gas, evaluating the cost of electricity generation with the use of natural gas. It should be noted that CERA in the course of a meeting with the President of the Republic on 2 September 2012 submitted, as it was its duty, a written report with its views on the question of the interim solution.



The Natural Gas Public Company (DEFA) in November 2013 received a new instruction to invite an open tender for the supply of natural gas to DEFA for an extended period of up to 10 years, and consequently for increased volumes of gas, starting on 1 January 2016.

Once again CERA will not be involved in the procedure to be followed the DEFA Ltd for the evaluation of the technical and financial proposals submitted. On the basis of its competences under the aforementioned laws, CERA should, in case the procedure leads to a successful bidder, ensure the security of gas supply and as a consequence, the security of electricity supply , as well as the smooth, safe and reliable operation of both the gas and electricity systems.

In addition, in the context of consumer protection the Authority will assess, as in the past, the result of the procedure by estimating once again the electricity generation cost with the use of natural gas, based on the new data.





10. Consumer Protection and Resolving Complaints

10. 1 Introduction

In the context of the efforts made by the European Union to strengthen the protection and upgrade the rights of energy consumers, and more particularly the vulnerable consumers, it issued the 3rd energy package with which the national legislation has been harmonised since 2012.

The Council of European Energy Regulators (CEER), in cooperation with all national regulatory authorities, promotes measures to implement the above efforts. A key measure is the support given to the Council of European Energy Regulators (CEER) by the National Regulatory Authorities, which publicise the launch of CEER's new website which aims exclusively at informing consumers of energy.

The new website which concerns exclusively consumers of energy is

http://www.energy-regulators.eu/portal/page/portal/EER_HOME/ENERGY_CUSTOMERS

According to the 3rd energy package, the EU consumer rights concerning energy can be summarily grouped into 6 categories:

- Access to universal service (i.e. the right to be supplied with electricity/natural gas easily at reasonable and clearly comparable and transparent prices)
- Direct and Transparent Information of consumers.
- Switching supplier without charge.
- Complaint handling and Extrajudicial Settlement of disputes.
- Protecting vulnerable consumers.
- Fair trade practices and general consumer rights.



CERA in order to ensure that all necessary information about consumer rights, the applicable law and the remedies available in the event of a dispute are available to consumers issued in September 2013, an "Informative Bulletin " which it made available in an electronic form at Citizen Service Centres and the District Offices of the Ministry of Energy, Commerce, Industry and Tourism. According to relevant provisions of the Law, the Office of CERA, the Citizen Service Centres and the Ministry of Energy, Commerce, Industry and Tourism are single points of contact for consumer information.

10.2 Electrical Power

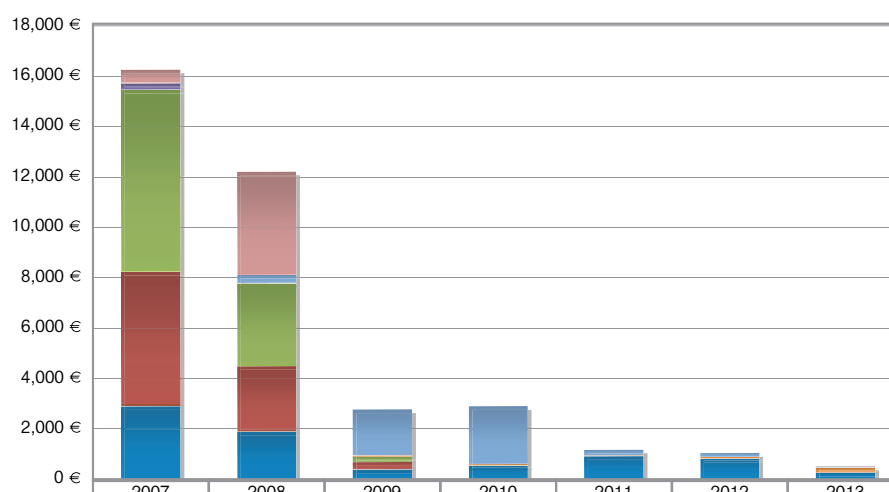
CERA, exercising its powers under the Regulating the Electricity Market Law and amendments thereto, has issued the "Regulating the Electricity Market" (Performance Indicators) Regulations of 2005 Administrative Regulation 571/2005.

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 the Supplier and/or the Owner of the Distribution System fails to comply.

In the implementation and enforcement of the above provisions, the amounts paid to consumers as fines by the Electricity Authority of Cyprus as Owner of the Distribution System and as a Licenced Supplier of electricity for each Performance Indicator recorded for the period 1.1.2013 to 31.12.2013 are given below. Also the corresponding results of previous years are shown for comparison purposes.

PERFORMANCE INDICATORS FOR THE OWNER OF THE DISTRIBUTION SYSTEM (EAC)

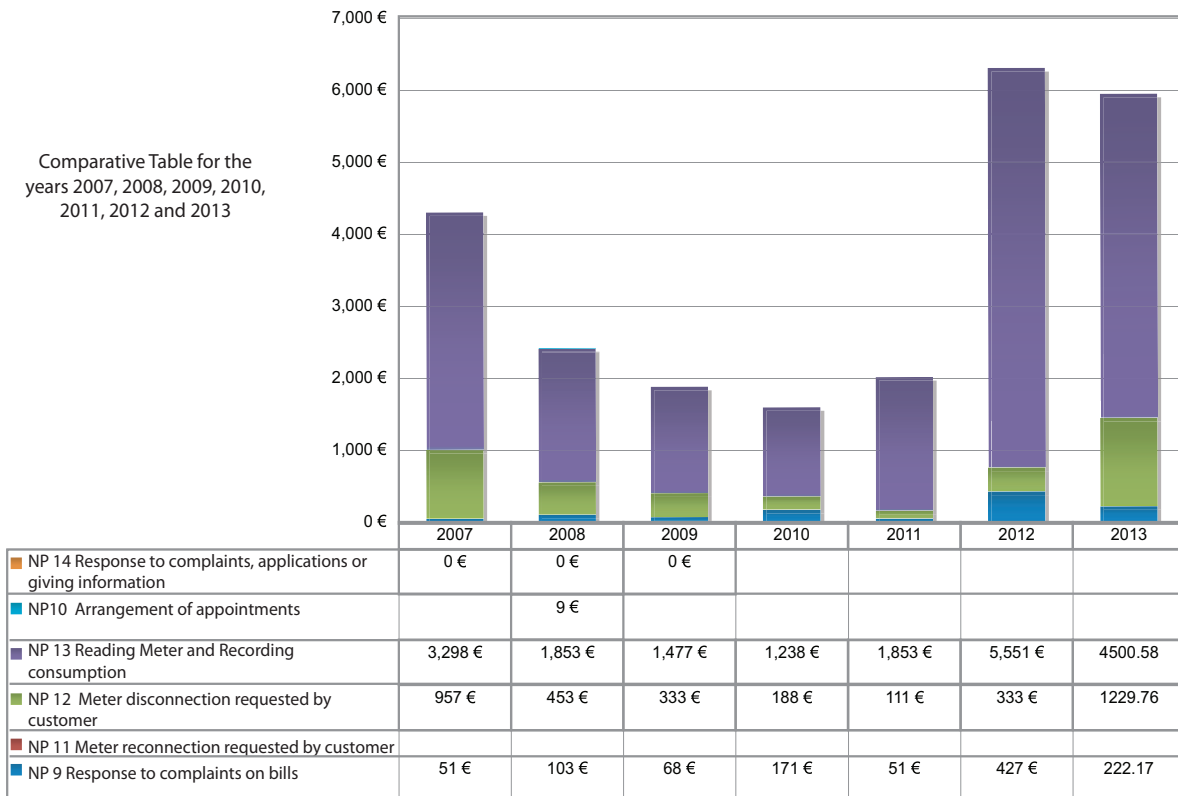
Comparative Table for
the years 2007, 2008,
2009, 2010, 2011,
2012 and 2013



Graph 6. Performance Indicators for the owner of the Distribution System (EAC)

Comparative Table for the
years 2007, 2008, 2009, 2010,
2011, 2012 and 2013

PERFORMANCE INDICATORS FOR THE SUPPLIER (EAC)



Graph 7- Performance Indicators of Supplier (EAC)

From the above Tables it is evident that, in the year under review, EAC performance, both as Owner of the Distribution System and as Supplier, appears to have improved in some sectors and consequently is deemed to be satisfactory. However, CERA will continue, in the exercise of its powers granted by the legislation, to undertake all necessary activities so that the EAC performance improves further in all sectors.

10.3 Natural Gas

In addition to the rights of energy consumers mentioned above and which gas consumers have under the Law Regulating the Natural Gas market, CERA must proceed in due time with issuing regulations for the protection of gas consumers. These regulations should, inter alia, provide for :

- Appropriate measures to protect final customers and for ensuring high levels of customer protection, particularly with respect to transparency regarding contractual terms and conditions, general information and mechanisms for the resolution of disputes,
- Appropriate measures guaranteeing adequate protection of vulnerable customers.



REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

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ΚΥΠΡΙΑΚΗ ΔΗΜΟΚΡΑΤΙΑ

ΕΛΕΓΚΤΙΚΗ ΥΠΗΡΕΣΙΑ ΤΗΣ ΔΗΜΟΚΡΑΤΙΑΣ

ΕΚΘΕΣΗ ΓΕΝΙΚΟΥ ΕΛΕΓΚΤΗ ΤΗΣ ΔΗΜΟΚΡΑΤΙΑΣ ΠΡΟΣ ΤΗ ΡΥΘΜΙΣΤΙΚΗ ΑΡΧΗ ΕΝΕΡΓΕΙΑΣ ΚΥΠΡΟΥ

Έχω ελέγξει τις συνημμένες οικονομικές καταστάσεις της Ρυθμιστικής Αρχής Ενέργειας Κύπρου, οι οποίες αποτελούνται από την κατάσταση χρηματοοικονομικής θέσης στις 31 Δεκεμβρίου 2013, τη κατάσταση συνολικών εισοδημάτων, τις καταστάσεις μεταβολών καθαρής θέσης και ταμειακών ροών του έτους που έληξε την ημερομηνία αυτή, καθώς και περίληψη σημαντικών λογιστικών πολιτικών και λοιπές επεξηγηματικές πληροφορίες.

Ευθύνη της Ρυθμιστικής Αρχής Ενέργειας για τις Οικονομικές Καταστάσεις

Η Ρυθμιστική Αρχή Ενέργειας είναι υπεύθυνη για την κατάρτιση οικονομικών καταστάσεων που δίνουν αληθινή και δίκαιη εικόνα σύμφωνα με τα Διεθνή Πρότυπα Χρηματοοικονομικής Αναφοράς όπως αυτά υιοθετήθηκαν από την Ευρωπαϊκή Ένωση και τις απαιτήσεις των περί Ρύθμισης της Αγοράς Ηλεκτρισμού Νόμων και για εκείνες τις εσωτερικές δικλίδες που η Ρυθμιστική Αρχή καθορίζει ως απαραίτητες ώστε να καθίσταται δυνατή η κατάρτιση οικονομικών καταστάσεων απαλλαγμένων από ουσιώδες σφάλμα, οφειλόμενου είτε σε απάτη είτε σε λάθος.

Ευθύνη Γενικού Ελεγκτή

Η δική μου ευθύνη είναι να εκφράσω γνώμη επί αυτών των οικονομικών καταστάσεων με βάση τον έλεγχό μου. Έχω διενεργήσει τον έλεγχό μου σύμφωνα με τα Διεθνή Πρότυπα Ελέγχου. Τα Πρότυπα αυτά απαιτούν να συμμορφώνομαι με κανόνες δεοντολογίας καθώς και να σχεδιάζω και διενεργώ τον έλεγχο με σκοπό την απόκτηση λελογισμένης διασφάλισης για το εάν οι οικονομικές καταστάσεις είναι απαλλαγμένες από ουσιώδες σφάλμα.

Ο έλεγχος περιλαμβάνει τη διενέργεια διαδικασιών για την απόκτηση ελεγκτικών τεκμηρίων σχετικά με τα ποσά και τις γνωστοποιήσεις στις οικονομικές καταστάσεις. Οι επιλεγόμενες διαδικασίες βασίζονται στην κρίση του ελεγκτή, περιλαμβανομένης της εκτίμησης των κινδύνων ουσιώδους σφάλματος των οικονομικών καταστάσεων, οφειλόμενου είτε σε απάτη είτε σε λάθος. Κατά τη διενέργεια αυτών των εκτιμήσεων κινδύνων, ο ελεγκτής εξετάζει τις εσωτερικές δικλίδες που σχετίζονται με την κατάρτιση οικονομικών καταστάσεων της οντότητας που δίνουν αληθινή και δίκαιη εικόνα με σκοπό το σχεδιασμό ελεγκτικών διαδικασιών κατάλληλων για τις περιστάσεις, αλλά όχι με σκοπό την έκφραση γνώμης επί της αποτελεσματικότητας των εσωτερικών δικλίδων της οντότητας. Ο έλεγχος περιλαμβάνει επίσης την αξιολόγηση της καταλληλότητας των λογιστικών πολιτικών που χρησιμοποιήθηκαν και του λελογισμένου των λογιστικών εκτιμήσεων που έγιναν από την Αρχή, καθώς και την αξιολόγηση της συνολικής παρουσίασης των οικονομικών καταστάσεων.

Πιστεύω ότι τα ελεγκτικά τεκμήρια που έχω αποκτήσει είναι επαρκή και κατάλληλα για να παράσχουν βάση για την ελεγκτική μου γνώμη.

Γνώμη

Κατά τη γνώμη μου, οι οικονομικές καταστάσεις δίνουν αληθινή και δίκαιη εικόνα της χρηματοοικονομικής θέσης της Ρυθμιστικής Αρχής Ενέργειας στις 31 Δεκεμβρίου 2013, και της χρηματοοικονομικής της επίδοσης και των ταμειακών ροών της για το έτος που έληξε την ημερομηνία αυτή σύμφωνα με τα Διεθνή Πρότυπα Χρηματοοικονομικής Αναφοράς όπως αυτά υιοθετήθηκαν από την Ευρωπαϊκή Ένωση και τις απαιτήσεις των περί Ρύθμισης της Αγοράς Ηλεκτρισμού Νόμων.

Ανδρέας Κουρτέλλης
για Γενικό Ελεγκτή
της Δημοκρατίας

Λευκωσία, 11 Αυγούστου 2014

Members of the Authority and other Officials

Members:	George Shammas	Chairman
	Constantinos Eliopoulos	Vice-Chairman
	Kypros Kyprianides	Member

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

Legal Advisors: Legal Partners Orphanides, Christofides & Partners L.L.C.
Themistoclis Dervis 41, Hawaii Tower
Offices 301-303, 3rd Floor
1066, Nicosia

Financial Advisers: Nexia Poyiadjis
Chartered Accountants and Chartered Auditors
2 Sophouli Street
Chanteclair Building, 8th Floor

Office Address: 81-83 Griva Digeni Avenue
Jakovides building, 3rd Floor, 1080 Nicosia
P.O.Box 24936
1305 Nicosia

Report of the members of the Authority

The Members of the Cyprus Energy Regulatory Authority (CERA) present their report together with the audited financial statements of CERA for the year ended 31 December 2013.

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 without 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 Law 122(I) of 2003.

Results

CERA's results for the year are set out on page 3. 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 2013 and at the date of this report are shown on page 1. All of them were Members of CERA throughout the year ended 31 December 2013.

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

Operating Environment of Authority

Any significant events related to the operating environment of the Authority are described in note 25 to the financial statements.

By order of the Members of CERA,



George Shammas
Chairman

Nicosia, Cyprus 4 August 2014



INCOME STATEMENT

Year ended 31 December 2013

	Note	2013 €	2012 (revised) €
Revenue	6	1.796.878	1.872.929
Other income	7	157.980	346.743
Administration expenses		(1.401.131)	(1.289.084)
Other expenses	8	<u>(3.971.938)</u>	<u>-</u>
Operating (Deficit)/ Surplus	9	(3.418.211)	930.588
Net Finance Costs	12	<u>(9.350)</u>	<u>(671)</u>
(Deficit)/Surplus before tax		(3.427.561)	929.917
Tax	13	<u>(30.979)</u>	<u>(39.217)</u>
Net (Deficit)/ Surplus for the year		<u>(3.458.540)</u>	<u>890.700</u>
Other income			
Actuarial gain (loss)		<u>99.842</u>	<u>(114.457)</u>
Other income for the year		<u>99.842</u>	<u>(114.457)</u>
Income for the year		<u><u>(3.358.698)</u></u>	<u><u>776.243</u></u>

STATEMENT OF FINANCIAL POSITION

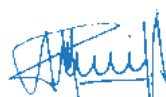
31 Δεκεμβρίου 2013

	Notes	31/12/2013 €	31/12/2012 (revised) €	1/1/2012 (revised) €
ASSETS				
Non-current Assets				
Property, plant and equipment	15	58.442	60.116	50.891
Intangible assets	16	1.182	1.147	1.009
Financial assets available for sale	17	528.712	-	-
		<u>588.336</u>	<u>61.263</u>	<u>51.900</u>
Current Assets				
Trade and other receivables	18	77.650	126.813	123.121
Tax receivable	24	20.003	10.197	9.810
Cash at bank and in hand	19	4.055.698	7.934.452	6.932.493
		<u>4.153.351</u>	<u>8.071.462</u>	<u>7.065.424</u>
Total Assets		<u>4.741.687</u>	<u>8.132.725</u>	<u>7.117.324</u>
RESERVES AND LIABILITIES				
Reserves				
Retained surplus		<u>4.006.552</u>	<u>7.396.556</u>	<u>6.645.051</u>
Total reserves		<u>4.006.552</u>	<u>7.396.556</u>	<u>6.645.051</u>
Non-current liabilities				
Other non-current liabilities	22	615.636	636.253	404.283
Receivables from European Programmes	23	38.191	-	-
		<u>653.827</u>	<u>636.253</u>	<u>404.283</u>
Current liabilities				
Trade and other payables	21	60.938	97.983	67.990
Receivables from European Programmes	23	17.626	-	-
Borrowing	20	2.744	1.933	-
		<u>81.308</u>	<u>99.916</u>	<u>67.990</u>
Total liabilities		<u>735.135</u>	<u>736.169</u>	<u>472.273</u>
Total reserves and liabilities		<u>4.741.687</u>	<u>8.132.725</u>	<u>7.117.324</u>

On 4 August 2014 the Members of the Cyprus Energy Regulatory Authority authorised these financial statements for issue.



George Shammas
Chairman



Constantinos Eliopoulos
Vice –Chairman



Kypros Kyprianides
Member

Notes on pages 71-91 are an integral part of the consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Retained Surplus €
Balance- 1 January 2012 as reported earlier	6.570.203
Change in the accounting policy for actuarial (gains)/losses not recognized in previous years	<u>74.848</u>
Balance – 1 January 2012	6.645.051
Net surplus for the year	890.700
Other income	
Actuarial loss of the year	(114.457)
Special Defence Contribution on deemed dividend	<u>(24.738)</u>
Balance 31 December 2012 (revised)	<u>7.396.556</u>
Balance 1 January 2013(as reported earlier)	7.511.013
Change in the accounting policy for actuarial loss not recognized in the previous year	<u>(114.457)</u>
Balance on 31 December 2012 (revised) in January 2013	7.396.556
Total income	
Net loss for the year	(3.458.540)
Other income	
Special Defence Contribution on deemed dividend	(31.306)
Actuarial gain of the year	<u>99.842</u>
Balance 31 December 2013	<u>4.006.552</u>

As from 2009 organisations which do not distribute 70% of their profit after tax, as specified in the Special Defence Contribution 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 20% special contribution for the years 2012 and 2013 (until 31 August 2011 the percentage was 15% and was subsequently increased to 17% for the period up to 31 December 2011) 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 tax residents of Cyprus. Deemed distribution is reduced with payments of actual dividends, which have already been paid in the year in which the profits relate to. The special defence contribution is paid by the Company on account of the shareholders.

In the case of public bodies, the term profit is limited to profits arising from the conduct of business. In the case of CERA deemed distribution is calculated on interest receivable.

CASH FLOW STATEMENT

Year ended 31 December 2013

	Note	2013 €	2012 (revised) €
CASH FLOW FROM OPERATING ACTIVITIES			
(Deficit)/Surplus before tax		(3.427.561)	929.917
Adjustments for:			
Depreciation of property, plant and equipment	15	19.940	16.864
Amortization of software	16	1.028	1.279
Actuarial (Gain)/Loss		99.842	(114.457)
Charge for impairment of financial assets available for sale	17	1.586.136	-
Charge for impairment in the value of investments held to maturity		2.385.802	-
Writing off of European grants for the year		(8.813)	-
Interest income	7	(129.947)	(261.444)
Interest expense	12	7.777	-
Cash flow from operations before working capital changes		<u>534.204</u>	<u>572.159</u>
Decrease/(Increase) in trade and other receivables		49.163	(3.692)
(Decrease)/ Increase in trade and other payables		(37.045)	5.255
(Decrease)/Increase in non-current liabilities		(20.617)	231.970
Cash Flow from operations		<u>525.705</u>	<u>805.692</u>
Tax paid		(40.785)	(39.604)
Net cash from operating activities		<u>484.920</u>	<u>766.088</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for the purchase of intangible assets	16	(1.063)	(1.417)
Payment for the purchase of property, plant and Equipment	15	(18.266)	(26.089)
European grants collected	23	64.630	-
Payment for purchase of financial assets available for sale		(2.114.848)	-
Payment for purchase of investments held to maturity		(2.385.802)	-
Interest received		129.947	261.444
Net cash from investing activities		<u>(4.325.402)</u>	<u>233.938</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment of interest		(7.777)	-
Special Defence Contribution on deemed dividend		(31.306)	-
Net cash from investing activities		<u>(39.083)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(3.879.565)	1.000.026
Cash and cash equivalents:			
At the beginning of the year		7.932.519	6.932.493
At end of the year	19	<u>4.052.954</u>	<u>7.932.519</u>

Notes on pages 7-29 are an integral part of the consolidated financial statements.

NOTES ON FINANCIAL STATEMENTS

Year ended 31 December 2013

1. Incorporation and Principal Activities

Country of incorporation

The Cyprus Energy Regulatory Authority 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. CERA supervises and controls the Office of CERA. CERA and its Office are housed at 81 83 Griva Digeni Avenue, Iakovides Building, 3rd Floor, P.O.Box 24936, 1305 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 and liberalised environment with no monopolies. On 2 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 Cyprus Companies Law Cap.113. The financial statements have been prepared under the historical cost convention.

At the date of the approval of these financial statements, all the International Financial Reporting Standards which have been issued by the International Financial Reporting Standards Board (IFRSB) and are effective as from 1 January 2013 have been adopted by the EU through the adoption procedure approved by the European Commission, with the exception of the following:

Adoption of new and revised IFRS's

During the current year CERA adopted all the new and revised International Financial Reporting Standards (IFRSs) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2013. This adoption did not have a material effect on the accounting policies of the CERA.

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

(i) Standards and Interpretations adopted by the EU

New standards

- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 12 "Disclosure of Interests in other entities" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).

Amendments

International Financial Reporting Interpretation Committee

- Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income" effective for annual periods beginning on or after 1 July 2012).
- Amendment to IAS 19 "Employee Benefits" (Amendment) (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).
- IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2014).
- Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- Improvements to IFRS 2009-2011 issued in January 2012 (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendment) "Financial Instruments: Disclosures- Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- Transitional Guidance amendments for IFRS 10, 11, 12 (effective for annual periods beginning on or after 1 January 2014).

(ii) Standards and Interpretations not adopted by the EU

New Standards

- IFRS 9 "Financial Instruments", which was issued in November 2009 and amended in October 2010, introduces new requirements on the classification and measurement of financial assets and financial liabilities as well as for impairment (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendment to IAS 36 "Recoverable amount-disclosures for non-financial assets" (effective for annual periods beginning on or after 1 January 2014).
- Amendment to IAS 36 "Financial Instruments: Recognition and Measurement", Novation of Derivatives and continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014).
- IFRS 9 "Financial Instruments", which was issued in November 2009 and its subsequent amendments (amendments of IFRS 9 and IFRS7 issued in December 2011) (effective for annual periods beginning on or after 1 January 2015).
- Investment Entities (amendments to IFRS 10, IFRS 12 and IFRS 27) (effective for annual periods beginning on or after 1 January 2014).

New Interpretations

- IFRIC 21 "Leases" (effective for annual periods beginning on or after 1 January 2014).

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, with the following exceptions:



- IFRS 9 (Financial Instruments). This standard is the first part of replacement of IFRS 39: Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial instruments and possibly it could influence the accounting treatment of CERA's financial instruments. This standard is not applicable until January 2017 and has not been adopted by the European Union. CERA has not made an analysis of the effect of IFRS 9 on the Authority.
- Amendments to IAS 19 "Employee Benefits" (Amendment) (effective for annual periods beginning on or after 1 January 2013). Amendments to IAS 19 change the calculation for defined benefit plans and termination benefits. The most important change concerns the calculation of changes in the liabilities of the defined benefits and assets of the plan. The amendments require the recognition of changes in defined benefit liabilities and of the fair value of the assets of the plan, as they occur, and therefore the elimination of the "corridor method" allowed under the previous version of IAS 19 and speeds up the recognition of the cost of previous service. The amendments require all actuarial gains and losses to be recognized immediately, through other total revenue, so that the net pension asset or liability recognized in the statement of financial position may reflect the full value of the deficit or surplus of the plan. Moreover, the cost of interest and the expected yield of assets of the plan used in previous versions of IAS 19 have been replaced by a "net interest" amount, calculated by applying the discounted interest rate in the net defined liability or asset of the benefits.

The amendments of IAS 19 must be implemented retroactively. CERA has not yet analysed the effect of the amendments of IFRS 19.

Revenue recognition

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

• Interest income

Interest income from a financial asset is recognized to the extent that the economic benefits are likely to accrue to CERA and income can be reliably calculated. Forecast for interest income is made on the basis of the year, the amount due and effective interest rate applied, which is the interest discounting the forecast future cash receipts, through the expected life-span of the financial asset and the net accounting value of the said financial asset on its initial recognition.

• 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. Actuarial gains or losses result from changes in the interest rate by which estimated future cash outflows for benefits and other actuarial assumptions are discounted. Non- recorded actuarial gain or loss is recognized by CERA at the beginning of the year.

Debts and provisions for doubtful debts

Bad debts are written off to profit or loss and a specific provision is made, where it is considered necessary. No general provision for bad debts is made. Trade debtors are stated after deducting the specific provision for bad and doubtful debts, if any.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of the Authority are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro (€), which is the functional and presentation currency of the Authority.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Exchange differences arising on non-monetary items, such as equities classified as financial assets available for sale are recognized in other total revenue and subsequently included in the fair value reserve in equity.

Tax

The fees received by CERA under the Law regulating the Electricity Market and the relevant Regulations, as a result of executing its supervisory role, are not deemed to be income, as this 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, is subject to taxation with the tax rate of 10%, and to defence contribution, after deducting any allowable deduction as provided by the Law.

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.



A property, plant and equipment asset is written down on its disposal or when no future economic benefits are expected to accrue in the future from the continued use of this asset. Gains or losses on the sale or withdrawal of a property, plant and equipment asset are determined as the difference between receipts from sale and the carrying amount and is shown in the income statement.

Computer software

Costs that are directly associated with identifiable and unique computer software programmes 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 depreciation 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. 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.

An intangible asset is written down on disposal or when no economic benefits are expected to accrue in the future from its use or disposal. Gains or losses from writing down an intangible asset are determined as the difference between receipts from sale and the carrying amount of the asset and are shown in the income statement, at the time it is written down.

Trade receivables

Trade receivables are initially measured at fair value and subsequently measured at the amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the income statement of the year when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate applicable at the time of the initial recognition.

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).

Comparative amounts

Wherever necessary, comparative amounts are readjusted so as to conform to changes in the presentation of the current year.

3. Financial risk management

Financial risk factors

CERA is exposed to market risk, 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 Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices. Financial assets available for sale and financial assets measured at fair value through the profit or loss account of the Company are subject to market price risk arising from uncertainties about future prices of investments. The Company manages market price risk through the diversification of its investment portfolio.

3.2 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. CERA's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

On the date of the presentation of the financial statement, the analysis of interest bearing financial instruments in connection with interest rates was as follows:

Financial Instruments of variable rates

Financial Instruments of Assets

2013 €	2012 € (revised)
<u>4.052.954</u>	<u>7.932.519</u>
<u>4.052.954</u>	<u>7.932.519</u>

Sensitivity analysis

An increase of 100 basis points in interest rates on 31 December 2012 would have increased profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on profit or loss.

	Results	
	2013 €	2012 € (revised)
Financial Instruments of variable interest rates	<u>40.529</u>	<u>79.325</u>
	<u>40.529</u>	<u>79.325</u>

Due to the events and developments which took place on 29 March 2013, CERA's deposits after the reporting period were adversely affected. The negative effects on deposits are described in note 25 of the financial statements.

3.3 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 policies in place to ensure that the provision of services is made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

The book value of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the balance sheet date was as follows:

	2013 €	2012 € (revised)
Receivables	61.218	108.784
Cash at bank	1.882.090	323.399
Short term-bank deposits	2.170.712	7.608.992
	<u>4.114.020</u>	<u>8.041.175</u>

Due to the events and developments which took place on 29 March 2013, CERA's deposits after the reporting period were adversely affected. The negative effects on deposits are described in note 21 of the financial statements.

3.3.1 Credit quality of financial assets

The credit quality of the financial assets that are neither past nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty fault rates.

	2013 €	2012 € (revised)
Cash at bank and short-term bank deposits (1)		
Ca	1.951.425	4.553.255
Caa3	2.098.633	-
Without rating	-	3.379.136
	<u>4.050.058</u>	<u>7.932.391</u>

(1) The other element of the financial position "Cash and cash equivalents" is cash in hand.

None of the financial assets which are not past or impaired have been renegotiated.

The table below shows an analysis of CERA's deposits on the basis of the credit rating of the banking organizations where the deposits are held.

Σημειώσεις στις οικονομικές καταστάσεις (συνέχεια)

		2013 €	2012 € (revised)
Bank group based on credit ratings by Moody's	No of Banks		
Ca	1	1.722.678	4.229.897
Caa3	1	448.034	-
Without rating	1	-	3.379.095
		<u>2.170.712</u>	<u>7.608.992</u>

3.4 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 minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Authority's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Authority may be required to pay.

31 December 2013	Book value	Within 3 months
	€	€
Bank overdrafts	2.744	2.744
Trade and other creditors	13.891	13.891
	<u>16.635</u>	<u>16.635</u>

31 December 2012 (revised)	Book value	Within 3 months
	€	€
Bank overdrafts	1.933	1.933
Trade and other creditors	213	213
	<u>2.146</u>	<u>2.146</u>

Due to the events and developments which took place on 29 March 2013, CERA's deposits after the reporting period were adversely affected. The negative effects on deposits are described in note 25 of the financial accounts.

3.5 Other risks

The general economic environment prevailing in Cyprus and internationally may significantly affect the activities of CERA. Concepts such as inflation, unemployment, and the development of the gross domestic product (GDP) are directly linked to the economic course of any country and any change in them, and the overall economic environment may create chain reactions in all areas, affecting CERA accordingly.

Fair value estimate

The fair values of CERA's financial assets and liabilities approximate their carrying amounts at the statement of financial position.

The fair value of financial instruments traded in active markets, such as commercial and available-for-sale investments which are listed on the stock exchange, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

4. Significant accounting estimates and judgments

In applying CERA's accounting policies, the Members of the Authority are required to exercise their judgement, make estimates and assumptions about carrying values of assets and liabilities that are not corroborated by other sources. The estimates and the related assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are continually reviewed. Revisions of accounting estimates are recognized in the period in which the estimate is revised if it affects only that specific period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment Of financial assets available for sale

CERA follows the guidance of IAS 39 on determining when an investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and short-term business outlook of the investment, including factors such as the performance of the industry and the business sector, changes in technology and operational and financial cash flows.

Impairment Of intangible assets

Intangible assets are initially recognized at acquisition cost and are amortised using the straight line method over their estimated useful lives. For intangible assets acquired from business mergers, their cost of purchase is deemed to be their fair value at the date of the transaction. Intangible assets with indefinite lives are tested for impairment at least once a year. The test is performed by discounting the future cash flows expected to result from the use of intangible assets, using a discount rate that reflects the current market assessments of the risks associated with the asset. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

5. Changes in accounting policy

	€
Effect in 2012	
<i>Income Statement</i>	
Net actuarial gain in 2011 carried to retained earnings	(74.848)
<i>Statement of changes in equity</i>	
Net actuarial gain in 2011 carried to retained earnings	74.848
<i>Statement of total revenue</i>	
Actuarial loss for the year	<u>(114.457)</u>
<i>Statement of financial position</i>	
Increase in net liability	<u>114.457</u>
	-
Effect in 2013	
<i>Statement of total revenue</i>	
Actuarial gain for the year	99.842
<i>Statement of financial position</i>	
Decrease in net liability	<u>(99.842)</u>
	-
Increase in assets and reserves	<u><u>-</u></u>

Actuarial Gains and Losses

Under the revised IAS 19 (Employee Benefits), which is effective for annual periods beginning on or after 1 January 2013, actuarial gains and losses arising in the year are recognized directly in the statement of recognized income.

This directive has retroactive effect and for this reason the results for the year ended 31 December 2012 have been revised so as to be consistent with the revised standard. For this reason, the actuarial loss for 2012 is recorded in the statement of recognized income of 2012.

6. Revenue

	2013 €	2012 € (revised)
Annual fees received	1.704.609	1.647.108
Fees from the rendering of services	92.269	225.821
	<u>1.796.878</u>	<u>1.872.929</u>

7. Other income

	2013 €	2012 (revised) €
Interest Income	129.947	261.444
Other income and income from European Programmes	19.220	85.299
Deletion for the year of receivables From European Programmes for the year (Note 23)	8.813	-
	<u>157.980</u>	<u>346.743</u>

8. Other expenses

	2013 €	2012 (αναθεωρημένο) €
Charge for impairment of financial assets available for sale	1.586.136	-
Charge for impairment in value of investments held to maturity	2.385.802	-
	<u>3.971.938</u>	<u>-</u>

9. (Loss) / profit from operations

	2013 €	2012 (revised) €
The (loss) (deficit) / surplus from operations is stated after charging the following items:		
Amortisation of computer software (included in 'administrative expenses') (Note 16)	1.028	1.279
Depreciation of property, plant and equipment (Note 15)	19.940	16.864
Employee Costs including the Members in their executive capacity (Note 10)	761.744	804.181
Auditors' remuneration	<u>3.200</u>	<u>3.200</u>

10. Staff Costs

	2013 €	2012 (αναθεωρημένο) €
Salaries of staff and Members	624.143	620.595
Social insurance costs and other funds	72.707	73.921
Expenses under the defined benefit retirement Plan (Note 11)	64.894	109.665
	<u>761.744</u>	<u>804.181</u>

11. 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 obligations for the provision of retirement benefits, every year.

The most recent independent actuarial valuation was made as at 31 December 2012 and it was based on the following assumptions::

	2013	2012 (revised)
Discount rate	3,30%	3,15%
Inflation	2,50%	1,50%
General salary increase	0,25%	0,25%
Total salary increase	1,50% for inflation and general increase, plus promotions and increments	1,75% for inflation and general increase, plus promotions and increments
Percentage increase in pensions	1,25%	1,50%
Increase of basic insurable earnings	2,00%	2,00%
Mortality table	80% of PA90	80% of PA90

During the year under review an amount of € 64.894 (2012 (revised): € 109.665) was charged to the total income statement based on the above actuarial valuation. Amounts charged to the income statement are analysed as follows:

	2013 €	2012 (αναθεωρημένο) €
Current service cost	44.852	87.166
Interest expense	20.042	22.499
Total recorded to staff cost	64.894	109.665

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

	2013 €	2012 (αναθεωρημένο) €
On 1 January	636.253	404.283
Provision for the financial year	64.894	109.665
Actuarial (gain/loss) on obligation	(99.842)	114.457
Contributions by Members	14.331	7.848
At 31 December	615.636	636.253

The estimated actuarial position as at 31 December 2013 was as follows:

	2013 €	2012 (revised) €
Plan obligation value	615.636	636.253
Provisional reserves for the retirement plan obligation as in the Statement of Financial Position	615.636	636.253

12. Finance Costs

	2013 €	2012 (revised) €
Interest payable	7.777	-
Other finance expenses	1.573	671
	<u>9.350</u>	<u>671</u>

13. Taxation

	2013 €	2012 (revised) €
Defence contribution- current year	30.979	39.217
Charge for the year	<u>30.979</u>	<u>39.217</u>

The corporation tax rate is 12.50%.

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

Under certain conditions interest receivable may be subject to the Special Defence Contribution, at the rate of 15% until April 2013 and 30% after 29 April 2013. In such cases interest is exempted from corporate tax.

14. Dividends

	2013 €	2012 (revised) €
Defence Contribution on deemed distribution of dividends	31.306	24.738
	<u>31.306</u>	<u>24.738</u>

Dividends deemed to paid to persons who are residents of Cyprus for tax purposes are subject to special defence contribution at the rate of 20% for the years 2012 and 2013 and 17% for 2014 and afterwards.

15. Property, plant and equipment

	Computers	Machinery	Motor	Furniture & Equipment	Books	Total
	€	€	€	€	€	€
Cost						
Balance 1 January 2012	23.543	51.805	22.844	63.248	4.770	166.210
Additions	<u>2.264</u>	<u>14.825</u>	<u>-</u>	<u>9.000</u>	<u>-</u>	<u>26.089</u>
At 31 December 2012 (revised)/ 1 January 2013	25.807	66.630	22.844	72.248	4.770	192.299
Additions	<u>18.053</u>	<u>-</u>	<u>-</u>	<u>119</u>	<u>94</u>	<u>18.266</u>
At 31 December 2013	<u>43.860</u>	<u>66.630</u>	<u>22.844</u>	<u>72.367</u>	<u>4.864</u>	<u>210.565</u>
Depreciation						
At 31 December 2012	18.617	30.007	22.844	41.680	2.171	115.319
Charge for the year	<u>2.500</u>	<u>6.663</u>	<u>-</u>	<u>7.224</u>	<u>477</u>	<u>16.864</u>
At 31 December 2012 (revised)/ 1 January 2013	21.117	36.670	22.844	48.904	2.648	132.183
Charge for the year	<u>5.571</u>	<u>6.655</u>	<u>-</u>	<u>7.228</u>	<u>486</u>	<u>19.940</u>
At 31 December 2013	<u>26.688</u>	<u>43.325</u>	<u>22.844</u>	<u>56.132</u>	<u>3.134</u>	<u>152.123</u>
Net Book Amount						
At 31 December 2013	<u><u>17.172</u></u>	<u><u>23.305</u></u>	<u><u>-</u></u>	<u><u>16.235</u></u>	<u><u>1.730</u></u>	<u><u>58.442</u></u>
At 31 December 2012 (revised)	<u><u>4.690</u></u>	<u><u>29.960</u></u>	<u><u>-</u></u>	<u><u>23.344</u></u>	<u><u>2.122</u></u>	<u><u>60.116</u></u>

16. Intangible assets

	Computer Software	Total
	€	€
Cost		
Balance- 1 January 2012	11.054	11.054
Additions	<u>1.417</u>	<u>1.417</u>
At 31 December 2012 (revised)/ 1 January 2013	12.471	12.471
Additions	<u>1.063</u>	<u>1.063</u>
At 31 December 2013	<u>13.534</u>	<u>13.534</u>
Deletion		
Balance- 1 January 2012	10.045	10.045
Deletion for the year (Note 9)	<u>1.279</u>	<u>1.279</u>
Balance-31 December 2012(revised)/ 1 January 2013	11.324	11.324
Deletion for the year (Note 9)	<u>1.028</u>	<u>1.028</u>
At 31 December 2013	<u>12.352</u>	<u>12.352</u>
Net book amount		
At 31 December 2013	<u>1.182</u>	<u>1.182</u>
At 31 December 2012 (revised)	<u>1.147</u>	<u>1.147</u>



17. Financial Assets available for sale

	2013	2012 (revised)
	€	€
Balance - 1 January	-	-
Additions	2.114.848	-
Charge for Impairment	(1.586.136)	-
Balance – 31 December	528.712	-

The following are included in the results in relation to the financial assets available for sale:

	2013	2012 (αναθεωρημένο)
	€	€
Charge for impairment	(1.586.136)	-
Net (loss) from financial assets available for sale	(1.586.136)	-

18. Trade and other receivables

	2013	2012 (revised)
	€	€
Trade receivables	6.521	5.571
Advances and prepayments	16.432	18.029
Receivables from European programmes	38.778	-
Other receivables	15.919	103.213
	77.650	126.813

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

19. Cash at Bank and in hand

	2013	2012 (revised)
	€	€
Cash at bank and in hand	1.884.986	325.460
Short term bank deposits	2.170.712	7.608.992
	<u>4.055.698</u>	<u>7.934.452</u>

The effective interest rate on short term bank deposits was 1,68% (2011: 4,01%) and these deposits have an average maturity between 6 months and 2 years.

20. Loans

	2013	2012 (αναθεωρημένο)
	€	€
Short-term loans		
Bank overdrafts (Note 19)	<u>2.744</u>	<u>1.933</u>

21. Trade and other payables

	2013	2012 (αναθεωρημένο)
	€	€
Trade payables	12.191	213
Interest on deposits received in advance	-	30.132
Accruals	47.047	22.863
Other payables	1.700	-
Defence tax on deemed dividend distribution	-	44.775
	<u>60.938</u>	<u>97.983</u>

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



22. Other non- current obligations

	2013 €	2012 (αναθεωρημένο) €
Staff pension plan benefits	615.636	636.253
	615.636	636.253
Non- current obligations	(615.636)	(636.253)

23. Receivables from European Programmes

	2013 €	2012 (revised) €
Balance – 1 January	-	-
Additions	64.630	-
Deletion for the year	(8.813)	-
Balance - 31 December	55.817	-
Deferred income for more than one year	(38.191)	-
Deferred income within the year	17.626	-

24. Tax receivable

	2013 €	2012 (revised) €
Corporate tax	(24.778)	(24.778)
Special Defence Contribution	4.775	14.581
	(20.003)	(10.197)

25. CERA Operating environment

The Cypriot economy has been adversely affected in recent years by the international credit crisis and the volatility in financial markets. During 2012 there was a significant reduction of the liquidity available for lending by the Cyprus financial institutions, mainly due to financial instability in relation to the crisis of the Greek public debt, including the impairment of Greek Government Bonds and its impact on the Cypriot economy. Moreover, the ability of the Republic to raise loans from international financial markets has declined significantly following the downgrading of its credit rating. The Cypriot government entered into negotiations with the European Economic Commission, the European Central Bank and the International Monetary Fund (the "Troika") for financial support.

Negotiations between the Republic of Cyprus and the "Troika" - European Commission, the European Central Bank and the International Monetary Fund- resulted in an agreement and a decision by the Eurogroup on 25 March 2013 on the main elements necessary for a future macroeconomic adjustment program, which includes financial assistance to the Republic of Cyprus up to €10 billion. The program aims to address the unusual economic challenges facing Cyprus and to restore the viability of its financial sector in order to restore sustainable economic growth and the consolidation of public finances in the coming years.

The decision of the Eurogroup on Cyprus includes plans to restructure the financial sector and guarantees deposits of less than €100,000, according to the legislation of the European Union. In addition, the Cypriot authorities confirmed

their commitment to intensify their efforts in the areas of fiscal consolidation, structural reforms and privatisations. Upon request of the Eurogroup the Cypriot authorities and the European Commission, in cooperation with the European Central Bank and the International Monetary Fund, finalized the relevant Memorandum (Memorandum of Understanding) in April 2013, which was then formally adopted by the Board of the European Stability Mechanism and ratified by eurozone members through approval by national parliaments (or equivalent authorization).

On 12 April 2013, the Eurogroup welcomed the agreement reached between Cyprus and the institutional organs of the Troika on a macroeconomic adjustment program for Cyprus, and stated that the necessary elements were in place to launch the relevant national procedures required for approval of the financial support agreement by the European Stability Mechanism.

On 22 March 2013, the House of Representatives passed legislation concerning restrictive measures in respect of transactions executed through banks operating in Cyprus. The extent and duration of the restrictions are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and have come into effect on 28 March 2013. The Members of CERA monitor developments in relation to these restrictive measures and evaluate the impact on the activities of the Authority.

The uncertain economic situation in Cyprus, the limited availability of liquidity for lending, the impairment loss on bank deposits and the imposition of the above restrictive measures in conjunction with the current instability in the banking system and the expected economic downturn could affect:

- The ability of trade and other receivables of CERA to repay the amounts owed to the Authority,
- The expected cash flows of CERA in relation to the assessment of impairment for financial and non-financial assets.

The economic conditions described above together with the effects of the results of the Eurogroup decision of 25 March 2013 on Cyprus may have an adverse impact on CERA debtors (inability to fulfill their obligations to the CERA), suppliers (inability to continue their operations) and revenue (reduction in demand for the services of CERA due to reduced consumer purchasing power).

CERA members have made an assessment:

- (1) Whether any impairment is considered necessary for financial assets recognised at amortized cost, by examining the economic situation and prospects of those assets at the end of the reporting period. Provisions for trade receivables are determined using the model 'losses incurred' required by the applicable accounting standards. These standards require the recognition of impairment losses on receivables arising from past events and do not allow the recognition of impairment losses that could result from future events, regardless of the likelihood of such future events.

The members of CERA are not in a position to predict all developments which could have an impact on the economy of Cyprus and consequently what effect, if any, they could have on future financial performance, cash flows and the financial position of the Authority.

The members of CERA believe that they are taking all the necessary measures to ensure the viability of the Authority and the expansion of its business in the current and future economic environment.

On 29 March 2013 the Central Bank of Cyprus issued Decrees concerning the Popular Bank and the Bank of Cyprus, implementing measures for these two banks under the Consolidation of Credit Institutions Law of 2013.

CERA's cash at banks affected by the above measures amounted to € 6.838.113 including interest at the date of implementation of these decisions. For the year ending 31 December 2013 CERA recognised an impairment loss in respect of its deposits in the Popular Bank totalling € 2.385.802. According to the decision on the final percentage of



deposits which has been converted into shares in the Bank of Cyprus from unsecured deposits : a) an amount of € 2.114.847, which is 47.50 % has been converted into shares of the bank, b) an amount of € 1.669.616 which is 37.50% has been converted into three equal bills of 6 , 9 and 12 months , and c) an amount of € 667.847, which is 15% remains available for CERA.

26. Contingent liabilities

CERA had no contingent liabilities as at 31 December 2013.

27. Commitments

On 31 December 2013 the Authority had commitments for operating expenses in respect of which contracts worth € 358.988 were signed.

28. Post balance sheet events

Post balance sheet events are presented in note 25 to the financial statements.

DETAILED INCOME STATEMENT

Year Ended 31 December 2013

		2013	2012 (revised)
	Page	€	€
Revenue			
Annual fees received		1.704.609	1.647.108
Fees from rendering services		92.269	225.821
Other operating income			
Interest received from Banks		129.900	261.444
Interest received from customers		47	-
Other Revenue and Revenue from European Programmes		19.220	85.299
Deletion for the year of receivables From European Programmes		8.813	-
		<u>1.954.858</u>	<u>2.219.672</u>
Operating expenses			
Administration expenses	93	<u>(1.401.131)</u>	<u>(1.289.084)</u>
		553.727	930.588
Other Operating expenses			
Charge for the impairment of financial assets available for sale		(1.586.136)	-
Charge for the impairment of investments held until expiry		<u>(2.385.802)</u>	<u>-</u>
Operating (Deficit)/surplus		(3.418.211)	930.588
Finance costs	94	<u>(9.350)</u>	<u>(671)</u>
Net (deficit)/ surplus for the year before tax		<u><u>(3.427.561)</u></u>	<u><u>929.917</u></u>

OPERATING EXPENSES

Year ended 31 December 2013

	2013	2012 (revised)
	€	€
Administration and sales expenses		
Members remuneration	258.391	254.478
Staff salaries	365.752	366.117
Social Insurance	72.707	73.921
Rent	87.725	102.499
Common expenses	2.114	2.257
Debt write-off	724	-
Presents	225	-
Electricity	17.789	19.045
Water supply and cleaning	3.764	4.768
Insurance	1.317	1.565
Repairs and maintenance	678	892
Sundry expenses	696	543
Telephone & post	4.722	4.732
Stationery and Printing	18.788	25.634
Subscriptions and contributions	16.772	19.039
Newspapers and publications	280	444
Equipment maintenance	1.685	4.740
Staff training	2.463	927
Computer software	2.919	1.534
Auditors' fees	3.200	3.200
Accounting fees	4.853	-
Legal fees	20.180	15.990
Stamp duties	-	189
Overseas travelling	52.386	53.530
Inland travelling	648	545
Irrecoverable VAT	52.952	16.767
Entertainment	4.936	3.487
Vehicle expenses	3.030	2.571
Transport and postage	1.805	1.434
Advisory services fees	224.366	28.670
Announcements-Publications	1.927	6.294
Sundry allowances and representation expenses	20.910	24.600
Staff medical expenses	34.208	27.188
Congresses	-	19.457
Services rendered by third parties	30.357	74.219
Software amortization	1.028	1.279
Depreciation	19.940	16.864
Staff pension fund	64.894	109.665
	<u>1.401.131</u>	<u>1.289.084</u>

FINANCING COSTS

Year Ended 31 December 2013

	2013 €	2012 (revised) €
Financing costs		
Interest payable on bank		
Overdraft	5.184	-
Tax interest	2.593	-
Other financing costs		
Bank fees	1.573	671
	<u>9.350</u>	<u>671</u>

ESTIMATION OF DEFENCE CONTRIBUTION

Year ended 31 December 2013

	Income €	Percentage	Defence Contribution €
INTEREST			
Interest on which defence contribution has been withheld at source	<u>129.900</u>		
	<u>129.900</u>		
Interest receivable on 29 April 2013	53.271	15%	7.990,65
Interest receivable after 29 April 2013	<u>76.629</u>	30%	22.988,70
	<u>129.900</u>		
Minus: contributions deducted at source			<u>(30.979,35)</u>
SPECIAL DEFENCE CONTRIBUTION PAYABLE TO INLAND REVENUE DEPARTMENT			<u>-</u>



ESTIMATION OF CORPORATE TAX

Year ended on 31 December 2013

	Page	€	€
Loss as at income statement	92		(3.427.561)
Plus:			
Depreciation		20.968	
Charge for the impairment of Investments held at maturity		2.385.802	
Charge for the impairment of financial assets available for sale		1.586.136	
Tax intrest		<u>2.593</u>	
			<u>3.995.499</u>
			567.938
Minus:			
Deductions for annual wear and tear	94	20.979	
Interest income		129.900	
Other non- taxable income		<u>417.059</u>	
			<u>(567.938)</u>
Net taxable profit for the year			<u><u>-</u></u>

	Income	Percentage	Total
	€	%	€ cent
Estimation of corporate tax			
Tax at normal tax rates:	<u><u>-</u></u>	12,50	-
TAX PAYABLE			<u><u>-</u></u>

