

## **INTERCONNECTION LINE OPERATOR LICENSE**

**The Interconnection Line Operator License under number XXXX is granted pursuant to Article 26(1) of the Law Regulating the Electricity Market of 2021 (Law 130(I)/2021).**

The Cyprus Energy Regulatory Authority (CERA), exercising its powers under the Law Regulating the Electricity Market of 2021 (Law 130(I)/2021), as well as any other powers it has under any other Laws, Regulations and Decisions for this purpose, grants this License whereby

**XXXXX**

**(ID CARD NO / REG. NO HEXXXXX)**

is licensed in accordance with the provisions of the Law to possess rights to perform any of the duties of the Interconnection Line Operator for interconnection line [.....(name of the interconnection line)].

## **Standard Conditions of the Interconnection Line Operator License**

This Interconnection Line Operator License is granted subject to the following conditions:

### **1. Definitions**

The words, terms and expressions given a specific meaning under the Law Regulating the Electricity Market of 2021 (Law 130(I)/2021) and the Regulations Regulating the Electricity Market (Issuance of Licenses) of 2004 [Regulatory Administrative Act (KDP) 538/2004] shall have the same meaning in this License.

Other words, terms and expressions used in this License which are not interpreted by the above Law or the aforementioned Regulations, shall have the meaning given to them in this License.

### **2. Compliance with the Law Regulating the Electricity Market of 2021 and Regulations, Regulatory Decisions and Decisions deriving therefrom**

The Licensee shall ensure that all activities covered by this License comply at all times with the Law Regulating the Electricity Market of 2021 and all Regulations and Regulatory Decisions deriving therefrom, as well as with subsequent revisions and amendments thereof.

Non-compliance by the Licensee with any provision of the Law or the Regulations, Regulatory Decisions and Decisions deriving therefrom or the special terms and conditions set out in this License, gives CERA the right to impose an administrative fine on the Licensee and/or suspend or revoke this License.

The Licensee shall comply with any provision of other Laws relating to the provisions of the Law Regulating the Electricity Market of 2021, whether or not they refer to it.

### **3. Compliance with the Rules arising from the Law Regulating the Electricity Market of 2021**

The Licensee shall ensure that he/she/it complies with all the Rules deriving from the Law Regulating the Electricity Market of 2021 and in particular with:

- (1) the applicable Transmission Rules and Distribution Rules; and
- (2) the applicable Electricity Market Rules

#### **4. Compliance with other Laws, Regulations, Decrees and Rules**

The Licensee has the obligation and responsibility to comply with the applicable Laws, Regulations, Decrees and Rules of the Republic of Cyprus and to ensure that the Station and the activities covered by this License are consistent with them.

This License does not exempt the licensee from the obligation to obtain any other approvals or licenses required by any other Law.

#### **5. Compliance with European Regulations and Rules related to interconnections**

The Licensee shall comply with the provisions and requirements of European Regulations and Rules related to cross-border matters, such as cross-border flows, exchanges and transactions of electricity, as well as capacity allocation and congestion management.

#### **6. Compliance with Network Codes**

The Licensee shall cooperate with CERA for the preparation and adoption of the Network Codes, where applicable, and shall comply with their provisions and requirements and the guidelines provided for in the Law Regulating the Electricity Market of 2021 or in Chapter VII of Regulation ( EU) 2019/943, as long as they apply or are related to the activities covered by this License.

#### **7. Fees**

The Licensee has the obligation to pay to CERA all the fees as defined in the License Fees Regulations in force.

#### **8. Powers to obtain information**

The licensee has the obligation to provide CERA with any documents, information or other material that CERA may require for the exercise of its duties, responsibilities and powers.

#### **9. Right to enter and inspect**

The Licensee has the obligation to allow CERA or its authorized operators to enter his/her/its premises or means of transport, to provide them with any document or

other material requested and to keep books, documents and registers as requested.

#### **10. Keeping separate accounts**

The Licensee has the obligation to keep separate accounts for each of the activities for which it is required to possess a License.

#### **11. Prohibition of cross-subsidization**

The Licensee is prohibited from cross-subsidizing between transmission, distribution and supply activities or other electricity or non-electricity activities.

#### **12. Data management**

The Licensee must, when managing customers' data, comply with the rules established by CERA and the requirements of the Law concerning Data Management.

#### **13. Non-discrimination**

The Licensee shall conduct the activities covered by this License in a manner consistent with equal treatment and non-discrimination among users of the services provided.

#### **14. Compliance program**

The Licensee shall draw up a compliance program and submit it to CERA for approval. This program shall include the measures taken and define the obligations of the employees, in order to ensure impartiality of the Licensee and its staff.

#### **15. Obligation of confidentiality**

(1) The Licensee is prohibited from announcing or granting to third parties, in any way, confidential or commercially sensitive data or information of which he/she/it has become aware or notified in the exercise of his/her/its responsibilities and has the obligation to prevent information relating to his/her/its activities from being disclosed in a discriminatory manner.

(2) The Licensee shall prevent information relating to his/her/its activities from being disclosed in a discriminatory manner. Such disclosure is likely to provide a commercial advantage in a discriminatory manner.

(3) The Licensee shall ensure that confidential information is disclosed only to authorized recipients, categories of authorized recipients or authorized advisors.

(4) Sub-paragraphs (1), (2) and (3) shall not apply to:

(a) any confidential information which, before or after it is provided to the employees of the Licensee, is publicly known; or

(b) disclosure of any confidential information made:

(i) in compliance with the duties of the Licensee under the Law, Regulations, Rules, Codes or any other requirement by a competent Authority or

(ii) in compliance with the Conditions provided in this License or in any document referred to in this License with which the Licensee is required by Law, Regulations, Rules, Codes or this License to comply or

(iii) in compliance with any other legal requirement; or

(iv) pursuant to any judicial or other arbitral proceedings or court of competent jurisdiction; or

(c) any confidential information to the extent that the Licensee is expressly permitted or required to disclose such information under the terms of any agreement or arrangement (including the Network Code and any other Code) with the relevant person whose affairs relate to such confidential information; or

(d) any confidential information necessary for effective competition and the efficient functioning of the market and which is made public in accordance with the Law, Regulations, Rules or Codes.

(5) Subject to the other provisions of this paragraph, the Licensee shall ensure that any additional copies of the Confidential Information, whether in paper or electronic form, clearly identify the Confidential Information as confidential.

(6) The Licensee shall, within its capabilities, take all reasonable steps to prevent any person who is or was employed by the Licensee, on a full or part-time basis, from disclosing any confidential information.

(7) The Licensee shall take all reasonable steps to ensure that any authorized advisor, partner, director or staff member to whom the Licensee discloses confidential information does not use such confidential information for any purpose other than that for which it was provided and does not disclose this confidential

information otherwise than in accordance with the provisions of this paragraph and in accordance with the Law, Regulations and Regulation (EU) 1227/2011.

(8) This paragraph shall not affect the Licensee's legal obligations towards persons based abroad.

(9) For the purposes of this condition the terms below are defined as follows:

“authorized advisor” means any professional advisor of the Licensee, employed and acting in such capacity, as required for access to any confidential information;

“authorized recipient” means, in relation to any confidential information, any employee who, before the confidential information is disclosed to them by the Licensee, has been informed of the nature and effect of this paragraph and who requires access to such confidential information for the proper execution of their duties;

“confidential information” means any commercially sensitive information or material held and/or obtained by the Licensee when performing its duties under the Law, Regulations, Rules, Codes and this License. In any case, the definition of the term as provided in Regulation (EU) 1227/2011 shall apply.

“Commercially sensitive information” means any matter the disclosure of which would substantially harm the interests of any person.

“Authorized activities” means the activities directly related to the Licensee's powers and responsibilities as an Interconnection Line Operator under this License.

## **16. Providing information and cooperation with the Transmission System Operator - Cyprus, Distribution System Operator, Market Operator and other system operators**

(1) The Licensee is required to provide the Transmission System Operator - Cyprus (TSOC), the Distribution System Operator, and the Electricity Market Operator with all the information that it possesses as an Interconnection Line Operator and which is necessary for the performance of their obligations deriving from the Law, the Regulations, Rules, Decisions and Regulatory Decisions of CERA and their Licenses, in order to ensure safe and effective management, coordinated development and interoperability of the interconnection line of the Transmission System and the Distribution System, as well as proper functioning of the electricity

market.

(2) The Licensee shall provide to other operators of interconnected systems, in such manner and as often as may be reasonably required, such information as may be reasonably required by other system operators, in order to ensure safe and efficient functioning, coordinated development and interoperability of the interconnected systems.

(3) The Licensee shall draw up and maintain in force a cooperation protocol with the TSOC and the Market Operator which ensures that any issue that falls under the control of the Licensee, in the capacity of the holder of this License or also under the control of the TSOC or the control of the Market Operator and affects the capability of the Licensee or of the TSOC (as the case may be) to continue the operational functioning of the Interconnection Line or the Cyprus Transmission System (CTS) or affects the capability of the Market Operator, shall be treated or handled (the issue) in such a way that the Licensee or the TSOC or the Market Operator be able, on an ongoing basis, to continue the proper operational functioning of the interconnection line or the Cyprus Transmission System or the proper functioning of the electricity market.

(4) The protocols concluded on the basis of this condition shall be submitted to CERA for approval prior to their conclusion and are subject to amendment at the joint request by the parties to CERA or at the request of CERA.

### **17. Providing information to users to effectively access the interconnection line**

The Licensee is required to provide users of the system with the information they need, on a timely basis, so that they effectively access and use the interconnection line. In this context, it must provide information on the operation and projected development of the interconnection line, in order for the users concerned to assess the possibilities to use their facilities via the interconnection line.

### **18. Interconnected System Protocols**

(1) Pursuant to the provisions of Articles 108, 109 and 110 of the Law Regulating the Electricity Market of 2021 the holder of this license, for the purposes of exercising its powers, shall conclude, as the Interconnection Line

Operator, the necessary Interconnected System Protocols with the Interconnection Line Owner, the TSOC and the adjacent Transmission System Operators (or shall cooperate in the conclusion thereof) with the aim of promoting and ensuring, inter alia, the interoperability of the interconnected systems and the proper, safe and smooth operation of the electric lines and the interconnection lines as regulated in the aforementioned legislation, the interoperability requirements and rules pursuant to Articles 34 to 47 and Article 57 of Regulation (EU) 2019/943 and Articles 24 and 40 of Directive (EU) 2019/944 and any respective amendments thereto.

(2) The Licensee, for the purposes of fulfilling the activities covered by this License, shall exercise all the powers specified in the Law Regulating the Electricity Market of 2021 and shall comply with the conditions of the Interconnected System Protocols. The Licensee, the Interconnection Line Owner and the TSOC shall consult each other and keep the protocols concluded in force in accordance with the instructions and requirements of CERA.

(3) The protocols shall be approved by CERA and revised accordingly whenever the TSOC, the Interconnection Line Operator, the Interconnection Line Owner or CERA deem necessary.

### **19. Obligation to submit an annual activity report**

The Licensee must prepare an annual report on its annual activities and send it to CERA within six months from the end of each calendar year.

The report—

(a) contains a review of developments in relation to matters falling within the scope of the duties and responsibilities of the Licensee;

(b) includes a general report of activities and a progress report for that year;

(c) contains the annual financial statements in accordance with the Fiscal Responsibility and Fiscal Framework Law,

(d) includes a report drawn up in collaboration with the TSOC regarding the functioning of their cooperation protocol and in particular the functions, rights and obligations of the Licensee;

(e) contains a description of the measures taken and the degree of satisfaction with regard to the compliance program; and

(e) contains reference to such other matters deemed necessary by CERA.

## **20. Independence of the Interconnection Line Operator**

The holder of this License may not, directly or indirectly, exercise control or any right over an undertaking which performs any activities concerning the production, supply, transmission or distribution of electricity within the territory of the Republic.

The holder of this License shall not allow any person who directly or indirectly exercises control over an undertaking which performs any of the production or supply activities to directly or indirectly exercise control or any right over its activities.

For the purposes of this condition the term “right” shall include in particular:

- (a) the power to exercise voting rights;
- (b) the power to appoint members of the board of directors or the bodies that legally represent the undertaking; or
- (c) holding a majority share.

## **21. Interconnection Line Operator Certification Obligation**

The holder of this License which relates to an Interconnection Line not exempted in accordance with Article 63 of Regulation (EU) 2019/943 on new interconnectors (interconnection lines), must comply with CERA's instructions and apply, either at the time of submission of a request for the granting of the Interconnection Line Operator license either while the relevant granting procedure is pending or immediately after the granting of the license, for the granting of Certification in accordance with the provisions of national and European law.

## **22. Pursuit of Activities that do not fall within the Licensee's scope of activities**

The holder of this license, following approval by CERA, may carry out activities that do not fall within the scope of the license and make use of assets of the Interconnection Line, as long as the safe, reliable and cost-effective operation of the Interconnection Line is not affected and the cost of use of such assets is allocated to the other activities not related to the license. With regard to the other activities not regulated by this license, the licensee is required to publish separate invoices and keep separate financial accounts.

### **23. Interconnection Line Development Plan**

At least one year before the start of operation of the Interconnection Line, the Licensee shall submit to CERA for approval a ten-year development plan for the Interconnection Line, which it shall revise on an annual basis so that it continues to be accurate in all material respects.

The Licensee shall prepare the procedure for using the Interconnection Line with other systems and submit it for approval to CERA at the latest before this License enters into force or at a time after its entry into force, to be specified by CERA. In addition, it shall explore and develop opportunities to connect the Line with other systems in States of the region and comply with any CERA guidelines or decisions.

The Licensee, as soon as possible after the start of operation of any other interconnection line and/or at the latest by the date set by CERA, shall draw up a statement to be approved by CERA which indicates the total capacity of each or all relevant interconnections, either individually or in aggregate, and which (interconnections) are expected to be available for the transmission of electricity to and from Cyprus, as well as the capacity of each proposed interconnection line that is reserved by the Licensee or any other system operator for system security reasons or any other matter to be determined by CERA.

### **24. Access rules**

The holder of this license must prepare at least one year before the operation of the interconnection line and submit for approval to CERA the Rules for Access to the interconnection.

The Access Rules must include at least the following:

- (1) procedures to ensure the maximum technical and economic capacity of the interconnection line, including the methodology for calculating the availability, the net electric flows of the interconnection, the availability on a constant and intermittent basis in order to maximize commercial energy exchanges;
- (2) interconnection capacity allocation procedures, including auction rules;
- (3) procedures for managing and resolving congestion issues, and handling cases of re-use of available capacity that was not used by the beneficiary;
- (4) procedure for managing cases of power outages and non-implementation of

emergency inter-transmission plans.

(5) procedure for providing ancillary services such as balance services and implementation of emergency inter-transmission plans.

The access rules must be transparent, objective, without discrimination between users, compatible with the Trading and Settlement Rules, the Transmission Rules and Distribution Rules, and the binding decisions made in the context of European Legislation and decisions of CERA or of the European Commission.

The Licensee shall, periodically or at the request of CERA, review the access rules and their implementation to determine whether they continue to represent the appropriate procedures for access to the interconnection line in accordance with the procedures specified above. After each review, the Licensee shall send CERA a report of the outcome of the review and any proposed revisions. CERA issues instructions requesting the revision of the access rules in a manner that may be specified therein. The access rules shall be reviewed within twelve months from the date of their first approval by CERA and the review period may be extended in accordance with instructions issued for the purposes hereof.

## **25. Providing conditions for access to the interconnection line**

(1) The Licensee is required, based on the arrangements it makes, to offer conditions for access to the interconnection line to any interested party on the basis of the Access Rules.

(2) The Licensee is required to comply with the conditions of access to the network for cross-border exchanges of electricity and, in general, the Rules for cross-border exchanges of electricity in order to enhance competition and harmonization in the single electricity market of the European Union.

(3) If access is denied due to unavailable interconnection capacity, the Licensee must provide the interested party and CERA with documentation outlining the technical or financial reasons for such denial.

## **26. Providing conditions for the use of the interconnection line**

(1) Within 3 months of the granting of this license, the Licensee shall prepare and publish a statement in a form approved by CERA, defining the basis on which fees will be levied for the use of the interconnection line. Such fees reflect the costs

of providing the required facilities and shall be applied in a non-discriminatory manner to different users. Where the Licensee deems it necessary or where CERA requires so, the Licensee shall revise the statement and submit it to CERA for approval before it is published.

(2) The Licensee, in carrying out its work intended for the use of the interconnection line by the users, must implement tariff methodologies, which it shall submit for approval to CERA, in a timely manner and before the operation of the interconnection line.

The methodology includes the way of calculating the allowed revenue, i.e. operating and management costs, maintenance costs, depreciation, implementation cost recovery and the return on the capital invested, and these are checked by CERA for abusive pricing.

(3) The Licensee must review the above methodologies, terms and conditions at least once every three years and recommend to CERA any necessary amendments. In this case, and before submitting the relevant proposal to CERA, it is required to conduct a public consultation, and to notify CERA of the results of the consultations it conducts.

(4) The Licensee is required to comply with all decisions issued by CERA regarding the type or content of the pricing (tariff) conditions and methodologies for the use of the interconnection line.

(5) The Licensee shall post and keep available, on its website, the approved terms, conditions and pricing methodologies for the use of the interconnection line.

## **27. Interconnection Line User Registry**

The Licensee, in order to enhance the transparency and integrity of the use of the corresponding interconnection, shall keep and publish on its website an Interconnection Line User Registry in which it shall make the necessary entries, modifications and registrations.

Any information identified as confidential, in accordance with the condition of paragraph 15, is exempted from the obligation to make it public. In any case, the provisions of Regulation (EU) 1227/2011 and all respective amendments thereto shall apply as regards the obligation to publish confidential information.

## **28. Monitoring Interconnection Line Users**

The holder of this License shall systematically monitor compliance of the Interconnection Line users with the Law and the Regulations and Rules adopted under the Law, and inform CERA when it finds or suspects that the user of the Interconnection Line violates the current Legislation or implements practices that are contrary to the rules on free competition, integrity and transparency in the electricity market.

## **29. Using revenue from the use of the interconnection line**

The Licensee must submit to CERA an annual declaration relating to the use of the revenue deriving from operating the interconnection line, in order to document:

- (a) the continued availability of the interconnection line, at a technical or financial level; and
- (b) the undertaking of necessary investments to maintain or even increase its interconnection capacity

to meet reasonable demand for the transmission and cross-border flow of electricity.

## **30. Transactions between the Interconnection Line Operator and the TSOC**

The Licensee must submit to CERA for approval the congestion management process with the aim of improving the efficiency in terms of the operation and development of the CTS and the Interconnection Line and determining the method of calculation, collection and reimbursement of the interconnection fees as applicable to the costs related to the Capacity Allocation and Congestion Management Regulation.

## **31. Interconnection line security level and service quality level**

(1) The Licensee shall exercise his/her/its responsibilities in such a way so as to best meet the requirements and the objectives and performance indicators for the quality of service and the maintenance of the safety and reliability of the Transmission System / Interconnection Line as defined in the Law and the Regulations, Rules, Regulatory Decisions and/or Decisions deriving therefrom.

(2) The Licensee, within 3 months from the date on which this license becomes effective, shall prepare and submit for approval to CERA, a statement entitled

“Interconnection Line Safety and Design Standards and Quality of Service” which should determine the specifications/parameters on the basis of which the efficiency of the Licensee will be assessed as to the safety of the interconnection line, the availability and quality of services and maintenance and, if necessary, system development.

(3) The Licensee shall, periodically or at the request of CERA, review the safety of the Interconnection Line, its Design Standards and its efficiency and the quality of the service it provides. Following any such review, the Licensee shall send CERA a report of the outcome of the review and any proposed revisions. CERA issues instructions requesting the revision of the statement in a manner that may be specified therein. The Safety and Design Standards shall be reviewed within twelve months from the date of their first approval by CERA and the review period may be extended in accordance with instructions issued for the purposes hereof.

(4) The licensee, within 2 months after the end of each financial year, shall submit to CERA a report, providing details for the efficiency of the Licensee during the previous financial year, on the basis of the specifications/parameters referred to in sub-paragraph (2).

### **32. Public Service Obligations**

The Licensee has the obligation to fulfill all Public Service Obligations in accordance with the Legislation and Decrees which are in force or will be in force during the period of validity of the License that he/she/it holds and to comply with any Decisions of the Minister which are made in accordance with Articles 111 and 112 of the Law Regulating the Electricity Market of 2021.

### **33. Update on participation in other activities**

The Licensee shall at all times keep CERA informed of any direct or indirect interests it may have in any electricity company, outside of Cyprus and the above countries, as well as any other electricity companies it intends to acquire directly or indirectly.

### **34. Change in the ownership status of the legal person**

Any change in the ownership status of the legal person (Licensee) shall be made in accordance with the provisions referred to in the Law Regulating the Electricity

Market of 2021 and the Regulations, Regulatory Decisions and Decisions deriving therefrom as well as the subsequent revisions and amendments thereof.

Where the Licensee is a legal person and intends to make a change in its ownership status, it is required to obtain the prior written approval of CERA.

Where the Licensee changes the ownership status following a relevant approval by CERA, it must inform CERA within one month from the date of the change.

### **35. Disposal of assets**

(1) The Licensee shall prepare and maintain a register of all relevant assets. It should keep such register up-to-date and its content accurate and provide a copy thereof to CERA on an annual basis.

(2) Where the Licensee intends to dispose of any asset or relinquish the operational control it has over it or waive any right it has to it, he/she/it has the obligation to submit a written notice to CERA at least one (1) month in advance. CERA has the right to request any additional relevant information.

(3) The Licensee may dispose of or waive its right to any asset if -

(α) CERA confirms in writing that it consents to such disposal or waiver, under the conditions that CERA may impose or

(β) CERA does not inform the Licensee in writing of any objection to such disposal or waiver of his/her/its right to an asset, or relinquishment of its control within the notice period.

(4) CERA does not grant its consent if it justifiably considers that the disposal or waiver will adversely affect the Licensee's ability to fulfill his/her/its obligations under applicable laws or regulations or the activities authorized or required by this License;

(5) CERA issues instructions from time to time requiring the Licensee to notify it of proposed disposals of his/her/its relevant assets in a specified description. Those instructions shall include guidelines regarding certain categories of disposals which cannot be carried out until CERA agrees to them or a certain period of time has passed.

(6) If the assets or any of them are used or made available for use or if they are proposed to be used or made available by the Licensee for interests other than or

in addition to the performance of the activities authorized or required by this License, the Licensee shall notify in writing and provide to CERA the necessary information regarding their use.

For the purposes of this condition –

“disposal” shall include any sale or transfer or assignment of rights to another person or creation of any encumbrance in respect of any asset;

“asset” shall include any land, transmission system equipment or other material asset used when carrying out work authorized by this license where the asset has a replacement value of more than one hundred thousand euros (€100,000.00).

### **36. Code of conduct**

The Licensee shall prepare and submit to CERA for approval a code of conduct that applies to all managers and persons employed under a contract of employment and shall ensure that the code is included in all contracts of employment with him/her/it.

### **37. Amendment to the License**

This License may be amended in accordance with the provisions referred to in the Law Regulating the Electricity Market of 2021 and the Regulations, Regulatory Decisions and Decisions deriving therefrom as well as subsequent revisions and amendments thereof.

Where the Licensee wishes to amend particulars or conditions of the License he/she/it has the obligation to submit for approval to CERA, in a timely manner, a request for the amendment of the License.

### **38. Period of validity of the License**

This License is valid for ..... years from the date on which it is granted.

### **39. Extension of the validity of the License**

The validity of this License may be extended in accordance with the provisions of the Law Regulating the Electricity Market of 2021 and the Regulations, Regulatory Decisions and Decisions deriving therefrom as well as subsequent revisions and amendments thereof.

Where the Licensee intends to request an extension of the period of validity of the

License he/she/it holds, the licensee has the obligation to submit for approval to CERA, in a timely manner, a request for an extension of the period of validity of the License before its expiry.

#### **40. Suspension and revocation of the License**

This License may be suspended or revoked in accordance with the provisions of the Law Regulating the Electricity Market of 2021 and the Regulations, Regulatory Decisions and Decisions deriving therefrom as well as subsequent revisions and amendments thereof.

#### **41. Termination of the License**

Where the Licensee intends to terminate the activities for which this License has been granted, he/she/it is required to submit to CERA a written notice of termination of the license and obtain CERA's prior written approval. CERA shall not withhold such an approval unreasonably.

Nicosia, XXXXXX (date)

President

Vice president

Member