

**WELCOMING SPEECH BY MR GEORGE SHAMMAS,
CHAIRMAN OF CYPRUS ENERGY REGULATORY AUTHORITY**

“DEMSEE 2014”

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Hilton Hotel, Nicosia, Cyprus

Honourable Minister of Energy, Commerce, Industry and Tourism,

Distinguished participants,

On behalf of Cyprus Energy Regulatory Authority, I would like to thank you for the invitation to address a welcoming speech in the opening session of this important international Conference that is expected to deal with topics of major significance regarding the Energy Markets, Deregulation, Power System Operation, and Renewable Energy Sources in South Eastern Europe.

As you already know the process of opening and integrating Europe's energy markets started more than a decade ago. It has been a step-by-step process, driven by 3 legislative energy packages. The Third energy package is undoubtedly a major step forward towards the completion of Europe's internal energy market. Cyprus has already adopted the 3rd energy package requirements by trans -posing them into national law.

Furthermore, the Regulation on energy market integrity and transparency (REMIT), which had set clear rules for energy trading and created confidence in proper market functioning, has been adopted and is monitored by National Regulatory Authorities .

Regarding the Cypriot internal energy market, we have an ambitious work programme until 2016 in order to harmonise and upgrade our market rules and network operation rules for electricity, according to the new proposed Electricity Market Model. This procedure will require significant efforts from many stakeholders, the National Regulatory Authority, the TSO, the DSO, the

Ministry of Energy as well as new players and consumers. Work is already well on its way.

More specifically, CERA has assigned to an external Consultant to carry out a detailed analysis and evaluation of the existing operational framework of the electricity market in Cyprus and propose changes, either with adjustments to the existing market model of bilateral contracts or by adopting a new model which is considered suitable to local conditions. After internal consultation process with the Minister of Energy, the decision was to adopt the proposed by the Consultant Net Pool Market Model.

Furthermore it has to be noted that an effective regulatory framework facilitating investment decisions in energy infrastructure is of utmost importance. Major investments are needed in Europe to enhance market integration, competitiveness and security of energy supply and also to achieve the targets towards a low carbon economy.

The Commission has adopted an infrastructure regulation to facilitate the development of the required energy infrastructure towards 2030. To this effect Projects of common interest are listed and promoted in European level including projects related to Cyprus, that will materialize of course if they prove to be technically feasible and economically viable.

Furthermore, moving towards a low carbon society, presents many challenges for European Energy Markets. These have been identified following a holistic analysis and included in the document “Bridge to 2025” that was adopted by ACER the European energy regulators organization and will be presented to the Commission, the EU Parliament and the Member states.

Five key objectives were identified by ACER:

- Establishing liquid, competitive and integrated energy market
- Enhancing Europe’s security of supply
- Moving to a low carbon society with increased renewable generation
- Developing a functioning retail market that benefits consumers
- Building stakeholders dialogue and cooperation

I am confident that at least two of the key objectives identified by ACER will be covered extensively in this conference. The first is the progress towards a low carbon society with a greater penetration of renewable non-programmable distributed energy sources, that would require our energy systems to become more flexible and smarter. Regulators recommend that we need to ensure that such flexibility is provided in the most efficient way. The second key issue is the development of the retail market that will allow consumers to be empowered to manage their demand in order to contribute to this flexibility effort. Removing the barriers to new service providers entering the market to help consumers manage their energy demand more efficiently, become producers and engage in the market more effectively is a main priority.

Ladies and gentlemen, it is clear that we all must step up our efforts to complete the internal energy market, and to remove the remaining barriers to the free flow of gas and electricity within the European Union and of course the South Eastern Europe and on the other hand to terminate the isolation of certain Member States such as Cyprus.

I wish you a fruitful discussion during the Conference.

George Shammass

CERA Chairman