

Cyprus Report in compliance with article 10, Directive 2004/8/EC on Combined heat and power - Evaluation of administrative procedures (article 9).

The electricity market in Cyprus has been liberalized in compliance to the relevant EU legislation, according to the Directive 2003/54/EC.

The Government with the cooperation of all competent authorities and other market players and operators has established the legal framework and prepared the necessary infrastructure for the liberalization of the electricity market. The opening of the electricity market to competition is gradual and presently holds 63% of electricity consumption (since 1/1/2009). This percentage includes all the electricity consumers in Cyprus except the household consumers.

The further and final opening of the whole electricity market, including the household consumers, according to exemptions granted to Cyprus from the Commission will take effect from 1/1/2014.

The electricity liberalization has terminated since 1/5/2004 the previously monopoly status of the national electricity producer, Electricity Authority of Cyprus (EAC).

The legislation in compliance with directive 2003/54/EC for the common rules for the internal electricity market is the Law 122(I)/2003 as amended accordingly.

The Law establishes a new independent authority (Not Government) named CERA (Cyprus Energy Regulatory Authority) responsible for the normal operation of the electricity and natural gas market. Among its competencies CERA is responsible to assure healthy competition, level playing field for all market players ensuring that the rules are objective, transparent and non discriminatory. Its primary mission is to issue authorizations for new capacity, ensure competition, to approve tariffs and other charges (access to grid) , to act as mediator in disputes, consumer protection, promotion of RES , energy efficiency etc.

Cyprus in conformity with article 9 of directive 2004/8/EC has amended accordingly the primary Law 122/2003 (electricity regulation) in order to integrate the relevant provisions. The amended Law N.173(I)/2006 specifically states that:

- 1) CERA shall encourage the design of cogeneration units to match economically justifiable demands for useful heat output and avoiding production of more heat than useful heat
- 2) CERA shall encourage the electricity production of electricity from high efficiency cogeneration.

- 3) CERA during the authorization procedure will take fully into account among other criteria the particularities of the various cogeneration technologies.

CERA in order to expedite and facilitate authorization procedures has applied a special licensing regime for small scale auto producers and RES. In particular there is an exemption from the normal authorization procedure in the following cases:

- 1) electricity auto production up to 1 MW
- 2) electricity production from RES up to 5 MW

In the above mentioned cases the prospective electricity producer submits a simple <application for exemption > which is processed very quickly.

The above fast track authorization procedure has been applied in 2007 where 15 authorizations have been granted for electricity produced from biogas/chp.

In cases of new chp capacity not falling in the above mentioned categories the authorization procedure is simple, transparent and the time required is considered satisfactory.

The procedure is summarized as below:

The prospective chp producer completes the application for authorization and submits to CERA together with a complete technical/economic feasibility study and an environmental assessment study. The investor will also pay the fee which is published.

Within two months CERA will initially evaluate the application and will assess if necessary additional information is required from the investor. When CERA certifies that the application file is complete then the time required for the license to be issued is 3 months with an additional maximum extension of 3 more months.

In the above mentioned procedure the mandatory opinion of TSO (Transmission system operator) is required for the grid capability to absorb electricity from cogeneration.

During the year 2007, 15 authorizations have been issued for electricity production from CHP/biogas using a fast track procedure (application for granting an exemption from authorization). This simple procedure as mentioned earlier applies for auto producers when the installed electricity capacity is less than 1 MWe. The total number of authorizations issued in year 2007 via the same procedure is 91 (CERA annual report, available on line). All authorizations issued thus far complete with details are publicly available at the CERA official site.

During the year 2008 three applications for authorization of CHP/biomass plants have been submitted but are not yet granted. Up to 31/12/2008 seven CHP/biogas units are producing electricity which is fed into the national grid.

CERA which is the competent authority for issuing authorizations for electricity production has published the relevant legislation, regulations, decisions, guidelines for the transposition and implementation of the EU acquis (internal electricity market) including complete authorization procedures.

All information concerning the electricity market is publicly available at the official site of CERA at www.cera.org.cy

On the specific matter for designating of an authority to act as mediator in dispute between authorities responsible for issuing authorizations and applicants for authorizations the electricity Law states that in case of a refusal by CERA to grant an authorization to produce electricity then:

- a) CERA informs in writing the investor for the reasons of the refusal to grant authorization to produce electricity
- b) within 28 days after the rejection of the application for authorization CERA informs the Commission for the reasons of the refusal

If the decision for authorization is refusal the investor can appeal against the decision. That appeal would be filed through the Supreme Court (article 23, Law 122(I)/2003 for the regulation of electricity market).

Even though the present licensing regime is generally satisfactory in terms of transparency, bureaucracy, time of processing, coordination between different administrative bodies (Environmental Authorities, municipalities etc.) CERA has announced that soon will issue a Regulatory Decision to expedite and facilitate further the authorization procedures for CHP plants producing electricity from high efficiency cogeneration.