

Electricity Supply

Electricity Market

Cyprus has an isolated power system (as defined under the European Union acquis) with no interconnections.

Law 122(I)/2003 and its subsequent amendments regulates the Electricity Market in Cyprus, which operates under the provisions of the European Union acquis on Energy for “small isolated systems”. The national legislation has been harmonized with Directives 2003/54/EC and recently with the Directive 2009/72/EC, with the following exemptions:

- Cyprus has been granted a derogation in view of applying a delayed timetable for full market opening;
- as a small and isolated system, Cyprus has opted not to apply the provisions regarding distribution network operation unbundling; and
- under Article 44 of the Directive 2009/72/EC, Cyprus is exempted from the provisions of Article 9 of the Directive, regarding transmission system ownership and operation.

One of the main priorities of the Cyprus Energy Regulatory Authority (CERA), which was established by virtue of the Law, was the liberalization of the electricity market. As of 1 May 2004, a share of the electricity market in Cyprus equal to 35% has been granted the right to change supplier. On 1 January 2009, this share was raised to 67%, so as to include all non-domestic customers. As of 1 January 2014, the total of the

electricity consumers in Cyprus have the right to change supplier.

Transmission and distribution networks in Cyprus operate under a monopolistic regime while both generation and supply have been opened to competition under a licensing procedure managed by CERA. According to the Law, the Electricity Authority of Cyprus (EAC) operates as a vertically integrated electricity company, which retains the ownership of the transmission and distribution networks and appoints the Distribution System Operator (DSO). The transmission system operation is assigned to the Cyprus Transmission System Operator (TSO), a separate legal entity of public law.

Any enterprise interested in generating and supplying electricity may submit an application to CERA and obtain the relevant licence, provided that it fulfills the criteria set. The companies obtaining the licence have the right to use the existing electricity transmission and distribution network.

Until now, no other supplier, apart from the vertically integrated EAC, has been active in the Cyprus electricity market. In the generation sector, competition has been introduced by producers from renewable energy sources (RES) and an independent power producer (IPP) as a self-producer. CERA has granted licenses to a number of IPPs for the construction of large thermal power plants, however, the corresponding investments have not proceeded yet.

The market model applied in Cyprus is based on the concept of self-dispatched generation, subject to bilateral contracts

between generation and supply, along with a balancing mechanism operated by the TSO.

In this context suppliers were originally required to have ownership of adequate generation capacity. Until the 2012 amendment of the Law, suppliers were required to own adequate generation capacity. Following the 2012 amendment of Law 122(I)/2003, this requirement has been abolished.

CERA acts within the framework of the strategic targets of the Energy Policy adhering to the provisions of the legislation in force. Amongst other issues, emphasis is given to the promotion of the efficient use of energy, to measures for conserving energy, to the use of RES and to the encouragement of research and development in energy matters.

Towards attaining these goals and in order to discharge its legal obligations, CERA promotes close cooperation with European programs on the energy sector. In particular, CERA is participating in and has been approved for funding by the European Union in various programs.

For further information:

Cyprus Energy Regulatory Authority website: www.cera.org.cy