

2020

ANNUAL REPORT OF CYPRUS ENERGY REGULATORY AUTHORITY

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2020

**Προς την Αυτού Εξοχότητα
Κύριο Νίκο Αναστασιάδη
Πρόεδρο Κυπριακής Δημοκρατίας
Λευκωσία**

30 Σεπτεμβρίου 2021

Εξοχότατε,

Έχουμε την τιμή να σας υποβάλουμε την 17η Ετήσια Έκθεση και τους Λογαριασμούς της ΡΥΘΜΙΣΤΙΚΗΣ ΑΡΧΗΣ ΕΝΕΡΓΕΙΑΣ ΚΥΠΡΟΥ, που περιλαμβάνει και την Ετήσια Έκθεση του Διαχειριστή Συστήματος Μεταφοράς Κύπρου, για τον χρόνο που τελείωσε στις 31 Δεκεμβρίου 2020, καθώς επίσης και την Έκθεση της Ελεγκτικής Υπηρεσίας της Δημοκρατίας.

Η Έκθεση αυτή και οι Λογαριασμοί υποβάλλονται σε εσάς σύμφωνα με τα άρθρα 18(1), 19(3), 61(3) και 62(3) των Περί Ρύθμισης της Αγοράς Ηλεκτρισμού Νόμων του 2003-2018 και το άρθρο 7(1)(ιη) των Περί Ρύθμισης της Αγοράς Φυσικού Αερίου Νόμων του 2004 μέχρι το 2020.

Με τιμή,



Δρ. Ανδρέας Πουλλικκός
Πρόεδρος



Φίλιππος (Άλκης) Φιλίππου
Αντιπρόεδρος



Νεόφυτος Χατζηγεωργίου
Μέλος

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Abbreviations

ACER	Agency for the Cooperation of Energy Regulators	MTBF	Medium-Term Budgetary Framework
CEER	Council of European Energy Regulators	NECP	National Energy and Climate Plan
CERA	Cyprus Energy Regulatory Authority	Non-RA	Non-Regulated Activity
CRA	Core Regulated Activity	ODS	Owner of Distribution System
DEFA	Natural Gas Public Company	OTS	Owner of Transmission System
DSO	Distribution System Operator	PCI	Project of Common Interest
EAC	Electricity Authority of Cyprus	PP	Power Plant
EC	Energy Conservation	PSO	Public Service Obligations
ECG	Electricity Coordination Group	RAB	Regulated Asset Base
ENTSO	European Network of Transmission System Operators	RES	Renewable Energy Sources
ETYFA	Natural Gas Infrastructure Company	RES-E	RES Electricity Generation Systems
EU	European Union	SCADA	Supervisory Control and Data Acquisition
HECHP	High Efficiency Cogeneration of Heat and Power	SPV	Special Purpose Vehicle
KDP	Regulatory Administrative Act	SS Owner	Storage System Owner
LNG	Liquefied Natural Gas	SSO	Storage System Operator
LNG Operator	Liquefied Natural Gas System Operator	TDR	Transmission and Distribution Rules
LNG Owner	Liquefied Natural Gas System Owner	TEN-E Regulation	Regulation 347/2013 on guidelines for trans-European energy infrastructure
MARDE	Ministry of Agriculture, Rural Development and the Environment	TSOC	Transmission System Operator - Cyprus
MECI	Ministry of Energy, Commerce and Industry	TSR	Trading and Settlement Rules
MEDREG	Mediterranean Energy Regulators	TYNDP	Ten-Year National Development Plan

INTRODUCTORY NOTE OF THE CHAIRMAN, VICE CHAIRMAN AND MEMBER OF CERA

Energy is a very critical sector for any State, closely entwined with the economy, which affects the well-being of people, businesses as well as the environment.

The year 2020 was an important year in both European and National policy, which affected, and is expected to reshape the energy landscape of our country and of Europe in general.

The COVID-19 pandemic had significant economic and social repercussions all over the world. These repercussions affected, also, the energy sector, which, however, showed its resilience. The measures for the containment of the COVID-19 pandemic have led to economic contraction and a significant reduction in energy consumption, but the energy system has nevertheless continued to function smoothly.

There are many examples of how economic recovery measures support sustainable energy development. Incentives based on clean energy projects can serve both purposes, namely economic recovery and energy transition.

At the beginning of 2020, the European Commission submitted a proposal to enshrine in law the European Union's political commitment to climate neutrality by 2050. The European Union proposes a legally binding zero greenhouse gas emission by 2050. Achieving this goal requires increasing the use of renewable energy sources, increasing energy efficiency and, in order to complete the internal market for electricity, increasing the capacity of electricity interconnections between Member States.

The main goal of CERA is to design and implement a comprehensive package of regulatory measures and actions that will prepare our country to participate, in a smooth, organized and efficient way, in the process of completing the integrated European energy market. At the same time, CERA should ensure security of energy supply to the extent required for the country, both physically and economically, and the affordable energy cost for the national economy and the consumers.

In this regard, in 2020 CERA published a series of key decisions, and undertook and implemented related initiatives and actions, always within the framework of the competencies specified by national and community law. Some of these key decisions and actions of CERA regarding the energy sector of our country concern:

- the designation of the supplier of last resort in the electricity market;
- the establishment of the basic principles for the formulation of the Ten-Year National Development Plan;
- the accounting unbundling of activities of natural gas undertakings;
- the regulatory accounting instructions for the preparation of separate accounts of natural gas undertakings; and
- the functional unbundling of the activities of the Electricity Authority of Cyprus (EAC).

The electricity market reform framework for the full commercial operation of the competitive electricity market in Cyprus, has been established in such a way as to be compatible with the target model of the European Union, which has been adopted by most Member States and has been defined by CERA's Regulatory Decisions in previous years.

It is noted that despite all the delays that exist until today for the implementation of the competitive electricity market in Cyprus, which mainly concern the development of two software programs, that are prerequisites for the operation and monitoring of the electricity market, CERA anticipates, based on current data, the introduction of a healthy competition in the electricity market of Cyprus around the end of 2021 and the beginning of 2022.

To cover the time until the full commercial operation of the new electricity market model, a relevant Regulatory Decision is in force since 2017 for the introduction of a transitory regulation in the electricity market, including detailed Regulations. The transitory regulation in the electricity market refers to "Bilateral contracts between producers and suppliers" and, as it seems, it has already given the impetus that is required to start the licensing of independent suppliers. Specifically, during 2020, 3 independent suppliers were licensed, while a total of 16 independent suppliers have been licensed for the period of validity of the transitory regulation of the electricity market.

In the context of ensuring security of energy supply to the extent required for the country, CERA, noting that for the period from 1 June 2020 until 15 September 2020 there was a possibility of an electricity crisis in the Republic of Cyprus, and recognizing that, as competent authority, should take measures to prevent the electricity crisis, issued an early warning to the European Commission and successfully took the appropriate measures to prevent the energy crisis.

Besides the electricity sector, CERA gives high priority to the establishment of the regulatory framework of the natural gas market, which will guarantee its proper operation and the protection of consumers, as well as the smooth transition to a healthy market. To that end, CERA, by means of a relevant Decision, informed the Minister for Energy, Commerce and Industry how, according to CERA, should the natural gas market and the participants in the market operate for the period of validity of the derogations. During this period, the natural gas market in the Republic of Cyprus will be under a state monopoly status.

CERA also monitors the progress of the electrical interconnections EuroAsia Interconnector and EuroAfrica Interconnector. The implementation of these interconnections will provide to our country the infrastructure which is required so that the energy isolation be lifted and at the same time Cyprus become a hub for electricity transmission to and from Europe and to and from Israel and Egypt.

CERA will continue to work for the development of a human-centered and fair energy regulation, focusing on the consumers.

Finally, special thanks are expressed to the staff of the CERA Office, for the conscientiousness and diligence shown, facing very satisfactorily all the challenges that arose in 2020.

The Cyprus Energy Regulatory Authority (CERA) was established by law in 2003 in accordance with European Union Directives.

CERA is an independent authority governed by public law and its main purpose is to regulate and monitor the internal market for electricity and natural gas. In addition, CERA aims to ensure a competitive, secure and environmentally sustainable energy market with a primary concern to protect the rights of the consumers.

At the same time, CERA is responsible for advising the Minister for Energy, Commerce and Industry on all issues related to the energy market.

Based on the Laws Regulating the Electricity Market of 2003 to 2018, CERA shall submit by the end of June each year, an Annual Report of its activities to the President of the Republic of Cyprus and file a copy of the Annual Report to the Council of Ministers and the House of Representatives.

This Annual Report of the activities of CERA covers the year 2020 and is the seventeenth (17th) to be issued.

The Annual Report of the Transmission System Operator - Cyprus (TSOC) is also integrated in the Annual Report of CERA, as provided by the relevant legislation.

During the year under review, CERA issued 5 Regulatory Decisions:

- Regulatory Decision 01/2020 (KDP 52/2020) regarding the functional unbundling of the activities of EAC.
- Regulatory Decision 02/2020 (KDP 93/2020) designating the supplier of last resort in the electricity market.
- Regulatory Decision 03/2020 (KDP 165/2020) on the establishment of basic principles for the formulation of the Ten-Year National Development Plan.
- Regulatory Decision 04/2020 (KDP 344/2020), regarding the accounting unbundling of the activities of natural gas undertakings.
- Regulatory Decision 05/2020 (KDP 345/2020) regarding the regulatory accounting instructions for the preparation of separate accounts of natural gas undertakings.

At the same time, CERA issued a series of Decisions. The most important of them include:

- Decision 01/2020 - Consumer Fuel Clause Coefficients for the period January-June 2020
- Decision 05/2020 - Allowed Revenues and Regulated Basic Electricity Tariffs for the Year 2020
- Decision 24/2020 - Objection of the company ICR Cyprus Resort Development Co Limited regarding the sharing of the transmission system cost

- Decision 28/2020 - Charges for ancillary services, network use and other services for generation of electricity from Renewable Energy Sources for self-consumption under support scheme
- Decision 33/2020 - Basic Tariffs and Fuel Clause Coefficients for the purchase of energy from RES for the period January-June 2020
- Decision 34/2020 - Adjusted Electricity Tariff Plans for the year 2020 and 112/2020 - Revised Adjusted Electricity Tariff Plans for the year 2020
- Decision 73/2020 - Long-Term Annual Forecast of Maximum Total Electricity Capacity and Total Generated Electricity for the decade 2020-2029
- Decision 75/2020 - Dismantling of Inductor Array and Medium Voltage Switch Panel in the under-replacement Substation "Moni 132 kV"
- Decision 76/2020 - Conclusion of an agreement between the Electricity Authority of Cyprus and Primetel Ltd for the use of the distribution system for activities of telecommunication
- Decision 91/2020 - Supply Rules according to Article 46 of the Laws Regulating the Natural Gas Market of 2004 to 2018 (L. 183(I)/2004)
- Decision 92/2020 - Proposed draft of the Regulations on Regulating the Natural Gas Market (Operation of the Natural Gas Market for the Validity Period of Derogations)
- Decision 98/2020 - Tariff for the recovery of the Public Service Obligations
- Decision 104/2020 - Reduction in the final price of electricity
- Decision 105/2020 - Ten-Year National Development Plan 2020-2029
- Decision 127/2020 - Approval of amendments proposed to the Transmission and Distribution Rules by the Transmission System Operator - Cyprus - Amending Version 4.0.3 and Integrated Version 5.2.0
- Decision 132/2020 - Ensuring liquidity of the Core Regulated Activities of EAC
- Decision 141/2020 - Extension of the reduction in the final price of electricity
- Decision 174/2020 - Early warning and measures for the prevention of the electricity crisis
- Decision 190/2020 - Fuel Clause Coefficients and Basic Tariffs for the purchase of energy from RES for the period July-December 2020
- Decision 198/2020 - Exemption from the provisions of the Transmission and Distribution Rules
- Decision 222/2020 - Extension of the reduction in the final price of electricity
- Decision 228/2020 - Charging points for Electric Vehicles
- Decision 285/2020 - Tariff for the recovery of the Public Service Obligations
- Decision 309/2020 - Parameters of Trading and Settlement Rules defined by CERA
- Decision 317/2020 - Exemption from the provisions of the Transmission and Distribution Rules
- Decision 374/2020 - Separate Accounts of EAC for the year 2019
- Decision 432/2020 - Determination of National Crisis Scenarios in accordance with Regulation 2019/941 on risk-preparedness in the electricity sector

Electricity - Responsibilities and Powers of CERA

- Ensures genuine competition in the Electricity Market, avoiding adverse discrimination and aiming ultimately at reduced prices.
- Protects the interests of the consumers.
- 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 revokes licenses or grants exemptions from licenses.
- It is a single point of contact for informing consumers.
- 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.
- Ensures that licensees operate efficiently and are in a position to finance the business activities for which the license 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 licenses.
- Promotes the development of regional markets within the Community so that they can operate competitively and properly in order 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 enhances the integration of national markets.
- Ensures that the Rules governing the operation of electricity networks and the electricity market (Transmission and Distribution Rules and Trading and Settlement Rules) are prepared and approved in accordance with the Law.
- Imposes administrative fines in the event of violation of laws or regulations.
- Ensures the implementation of the provisions of Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency.
- Promotes Renewable Energy Sources (RES).
- Promotes 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 customer which include security of supply, energy efficiency/demand-side management and achievement of environmental objectives and targets for energy from renewable sources.

Natural Gas - Responsibilities and Powers of CERA

- Promotes the development of an economically robust and efficient natural gas market.
- Ensures the safety, continuity 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 security, 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 security 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 (LNG), to storage installations, to other transmission 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 end consumers.
- Promotes the development of regional markets within the Union so that they can operate competitively and properly 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 safeguarding security of gas supply.
- Resolves disputes on access to pipes of the upstream network, in connection with negotiations for access to the network.
- It is a single point of contact for informing consumers.
- 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.
- Sets the rules for the management and distribution of the interconnection capacity, 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 transmission 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. The long-term planning includes the security of supply, energy efficiency / demand-side management and the achievement of environmental objectives and targets for energy from renewable sources.

In addition to the above specific responsibilities and powers, during the execution of its duties and the exercise of its responsibilities and powers, CERA can:

- Take Decisions in accordance with the provisions of the Law and the Regulations issued thereunder.
- Take Regulatory Decisions to determine how it will regulate the electricity market and which licensees will be bound by such a Regulatory Decision.
- Issue Regulations based on the Law.

Actions to address the repercussions of the COVID-19 virus in the energy sector

In the context of addressing the COVID-19 virus pandemic, CERA took all the measures required to ensure the reliability and adequacy of the electricity system, after inviting all stakeholders to prepare specific staffing plans for their core services, in order to ensure the continuous and safe operation of their facilities and the uninterrupted supply of electricity to consumers.

Additionally, CERA, taking into account the political decision on reducing electricity prices and considering the cash reserves of EAC, decided to reduce by 10% the final electricity prices, for two months, without a right to future recovery. This reduction was extended for another four months, following a relevant recommendation from EAC.

In this context, CERA issued Decisions 104/2020, 141/2020 and 222/2020, by which it decided to reduce by 10 % the final electricity price, excluding VAT and RES and Energy Saving (ES) fee for a total period of 6 months. The aim was to support all consumers of electricity and the economy of Cyprus during the emergency caused by the COVID-19 virus.

The 10% reduction on all regulated electricity tariffs and fuel clause coefficients to adjust the wholesale tariff (T-W) was applied for six months, as follows:

- for monthly consumers, on the electricity bills where the corresponding consumption was measured at the end of March 2020 until the end of August 2020; and
- for bi-monthly consumers, on the electricity bills where the corresponding consumption was measured from 1 April 2020 until 30 September 2020.

The reduction that EAC has suffered in its revenue, resulting from the implementation of the above Decisions, and the reduction of regulated electricity tariffs and fuel clause coefficients for the adjustment of the wholesale tariff (T-W) will not be recovered during the rest of the current regulatory control period, nor during the next regulatory control period. However, they will be covered by cash revenues of EAC.

In addition to the above, CERA, following the emergency measures implemented by the competent bodies to deal with the COVID-19 virus and to limit its spread by any means necessary, adapted its operation in order to protect public health, employees and consumers or representatives of undertakings that come into contact with its services, while serving its mission.

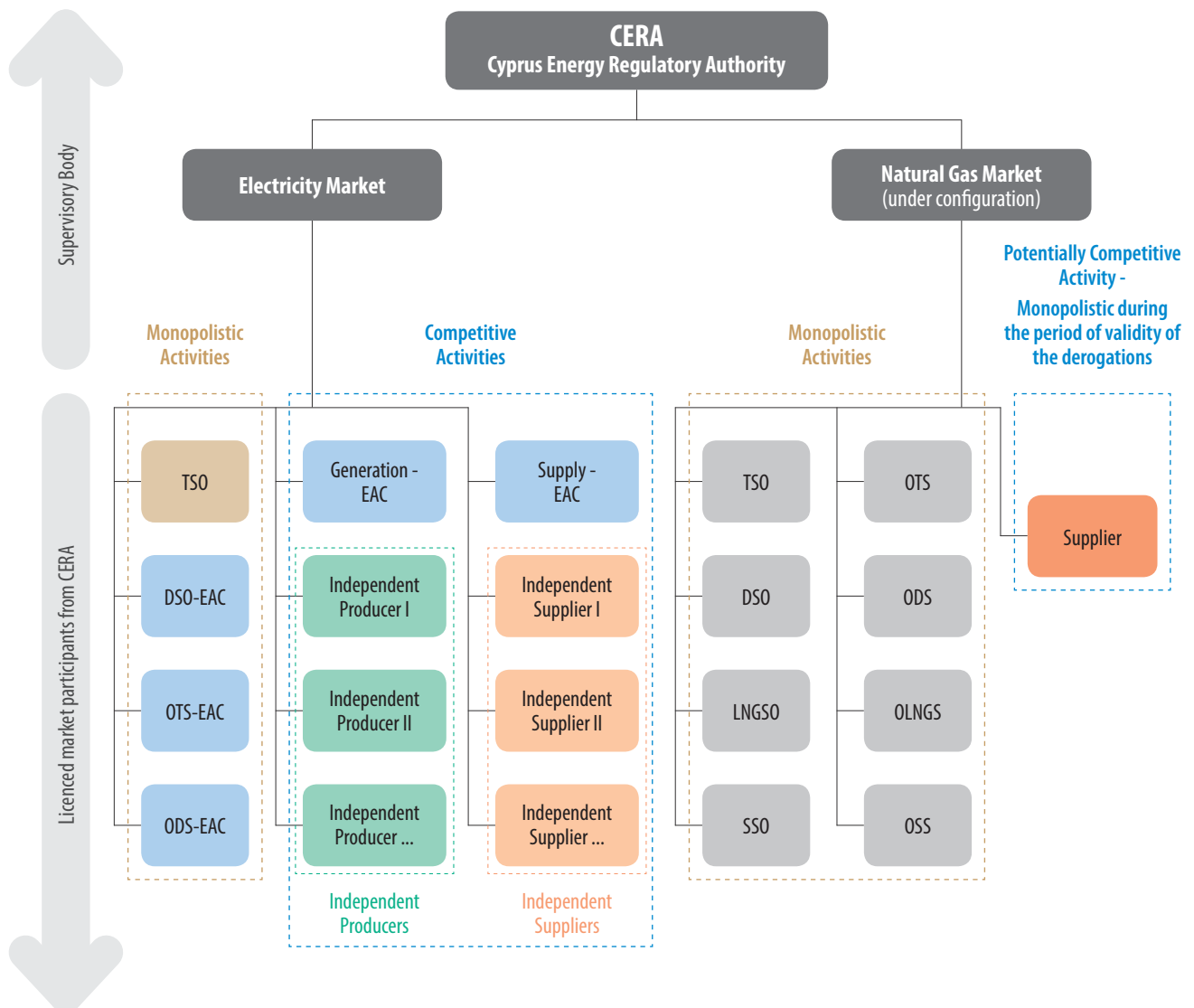
Given the need to continue to operate in order to ensure the public purposes that it pursues and serves, CERA adopted measures for the provision of electronic services to the public, shiftwork and remote work of the staff, during the period that emergency measures and restrictions in view of the COVID-19 virus pandemic were in force. During that period, no meetings of employees/executives of CERA with executives of companies or other bodies or consumers or any third party not belonging to the workforce of CERA were held inside or outside the building of CERA, apart from exceptional and urgent cases and after the Members of CERA evaluated and approved the necessity thereunder.

Members of CERA as well as the staff of CERA held meetings, taking appropriate security measures to prevent the spread of the COVID-19 virus, using a video conferencing platform.

In addition, CERA participated in online discussions both at European and Mediterranean level, in order to exchange views, good practices and know-how with other Member States and third countries regarding the measures that were and are taken to address the COVID-19 virus pandemic and the assessment of the repercussions in the energy sector.

REGULATION OF THE MARKET FOR ELECTRICITY AND NATURAL GAS

LICENSING OF ACTIVITIES



TSO	Transmission System Operator
DSO	Distribution System Operator
OTS	Owner of Transmission Systems
ODS	Owner of Distribution System
LNG Operator	Liquefied Natural Gas System Operator
SSO	Storage System Operator
LNG Owner	Liquefied Natural Gas System Owner
SS Owner	Storage System Owner

ADMINISTRATIVE ORGANIZATION

MEMBERS OF CERA

CHAIRMAN

Dr. Andreas Poullikkas
Mechanical Engineer

VICE-CHAIRMAN

Philippos (Alkis) Philippou
Business Management

MEMBER

Neophytos (Akis) Hadjigeorgiou
Electrical Engineer

CONSULTANTS

LEGAL CONSULTANT

Orphanides, Christofides & Co LLC
Stelios Amerikanos & Co LLC

ACCOUNTANTS

Alliot Partellas Kiliaris Limited

CONTACT INFORMATION

CYPRUS ENERGY REGULATORY AUTHORITY

20 Agias Paraskevis St.
2002, Strovolos
Nicosia
P.O. Box: 24936
1305 Nicosia

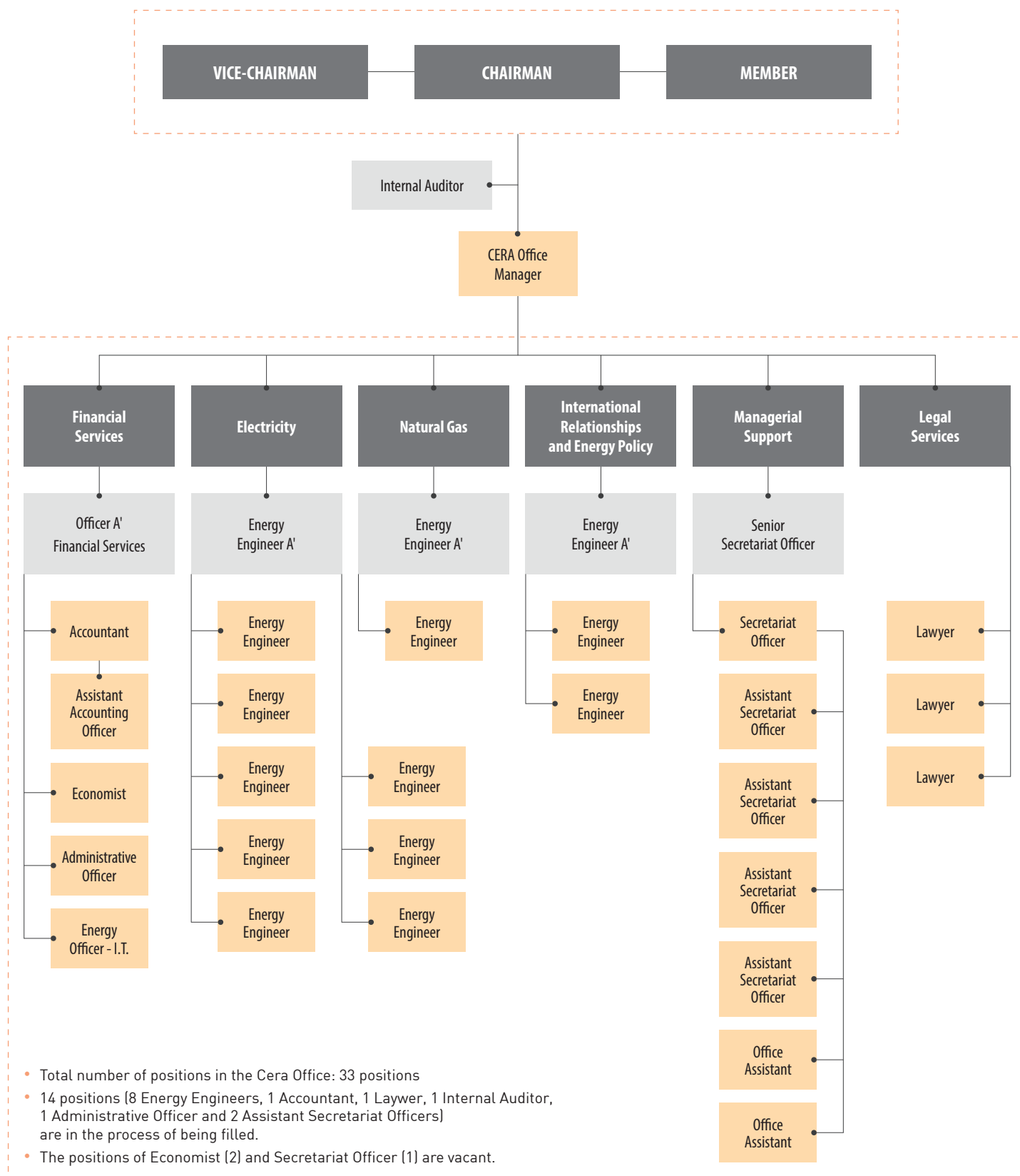
Telephone: **+357 22 66 63 63**

Fax: **+ 357 22 66 77 63**

E-mail: **regulator.cy@cera.org.cy**

Website: **www.cera.org.cy**

ORGANISATION STRUCTURE OF CERA



OFFICE OF CERA

At the beginning of 2020, the Office of CERA had 17 staff members and by the end of the year 19.

On 3 March 2020, CERA filled the vacancy of Energy Officer (Information Technology) and the vacancy of Assistant Accounting Officer, after completing the selection process which had started upon publication of the vacancy notice on 7 June 2019.

On 18 December 2020 and 23 December 2020, CERA published a vacancy notice for 3 Energy Engineer posts and 1 Lawyer post. These vacancies were under a process to be filled since 2019, after the suspension of their filling had been approved, as well as the Job Descriptions for the positions. CERA is at the final stage of filling 2 more Energy Engineer vacant posts as well as 1 Accountant post which were announced on 6 September 2019. The process is expected to be completed in early 2021. The date of commencement of work of the candidates who will be selected for the above 7 positions, is expected to be 1 March 2021.

On 22 May 2020, CERA published a vacancy note for 7 first appointment posts (3 for Energy Engineers, 1 for Internal Auditor, 1 for Administrative Officer, 2 for Assistant Secretariat Officers). Before 7 May 2020, the appointing authority had approved the suspension of filling, the Job Description for the vacancies and the vacancy notice. The above 7 positions are under a process to be filled, which is expected to be completed within 2021.

By the end of 2021, the Office of CERA will have 31 staff members.

The delay in filling the above vacancies is due to the measures taken to prevent the spread of the COVID-19 virus pandemic.

In order to fulfill the duties and responsibilities under the Law as an Independent Authority, in accordance with the obligations enforced by national and European legislation in the context of the supervision of the electricity and natural gas market, as well as the protection of consumers, CERA has requested in its Budget for 2021 the elimination of 1 Administrative Officer position and the creation of 1 new first appointment position for an Economist who will be responsible for the tariffs. This is to complete its organizational structure.

Until the filling of the above Economist position, CERA will buy consulting services in order to perform its duties in accordance with the relevant legislation and the protection of consumers.

TRAINING

Figure 1 shows the training of the staff of the Office of CERA by field of activity during the year 2020.

Due to the measures for the containment of the COVID-19 pandemic, participation in educational programs in 2020 was heavily reduced compared to previous years.

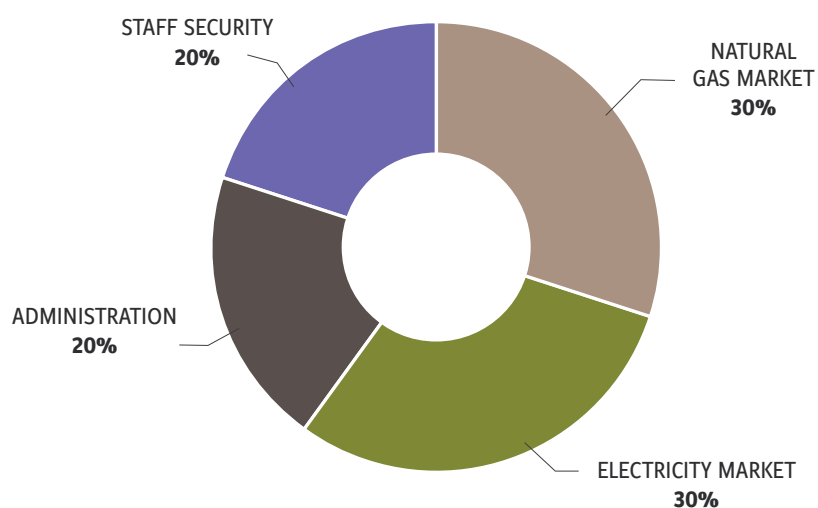


Figure 1 - Training of the staff 2020

National Legislative Regulations

The following section presents the Laws and Regulations that have been amended, the bills that are under discussion, the most important Regulatory Decisions and Decisions of CERA and, finally, the developments in the Trading and Settlement Rules and the Transmission and Distribution Rules.

Laws and Regulations

Draft bill entitled "The Law regarding the Natural Gas Public Company of 2020"

The Ministry of Energy, Commerce and Industry (MECI) conducted a public consultation from the 8 May 2020 until 8 June 2020 on the draft bill entitled "The Law regarding the Natural Gas Public Company of 2020". The purpose of the bill is to adopt legislation which establishes a Legal Person governed by Public Law under the name "Natural Gas Public Company". This is necessary because the company, established under this form, will be able to exercise a monopoly activity of supply of natural gas for as long as the emerging market lasts and to pursue its purpose which is mainly:

- to import natural gas to meet the needs of the Republic in natural gas;
- to ensure the transmission, storage and distribution of natural gas in the territory of the Republic;
- to ensure the supply of natural gas to customers;
- to develop, operate and manage all the relevant infrastructure that is required to exercise its duties.

At the current stage, the public consultation of the bill has been completed and the results have been announced.

Draft bill entitled "The Law regarding the establishment and operation of the Cyprus Energy Regulatory Authority of 2020"

The MECI conducted a public consultation from 14 September 2020 until 19 October 2020 on the draft bill entitled "The Law regarding the establishment and operation of the Cyprus Energy Regulatory Authority of 2020". The MECI states that the draft bill was prepared in order for the national legislation to be aligned with:

- Article 57 of the European Union act entitled "Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU";

- Article 39 of the European Union act entitled "Directive (EU) 2009/73/EC of the European Parliament and of the Council of 13 July 2009, on common rules for the internal market in natural gas and repealing directive 2003/55/EC".

At the current stage, the bill is at the House of Representatives for consultation and voting.

Draft bill "The Law Regulating the Electricity Market of 2020"

The MECI conducted a public consultation from 14 September 2020 until 19 October 2020 on the draft bill entitled "The Law Regulating the Electricity Market of 2020". MECI states that the draft bill was prepared for the following purposes:

- harmonization with the European Union act entitled "Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market in electricity and amending Directive 2012/27/EU (recast)";
- partial harmonization with Articles 2, 15, 16, 17, 21 and 24 of the European Union act entitled "Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018, on the promotion of the use of energy from renewable sources";
- effective implementation of the European Union act entitled "Regulation (EU) 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency";
- independence of the existing legal person governed by public law, known as "Transmission System Operator - Cyprus" from the Electricity Authority of Cyprus.

At the current stage, the bill is at the House of Representatives for consultation and voting.

Draft bill entitled "Law on the Promotion and Encouragement of the Use of Renewable Energy Sources of 202.."

At the request of MECI on 4 December 2020 and in the context of a relevant preliminary consultation between CERA and MECI, CERA started to consider and prepare its preliminary views on the preliminary draft bill entitled "Law on the Promotion and Encouragement of the Use of Renewable Energy Sources of 202..".

The preliminary draft bill was prepared in order to partially align the national legislation with the European Union act entitled "Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources". The proposed Law will replace the "Laws on the Promotion and Encouragement of the Use of Renewable Energy Sources of 2013 to 2018".

The MECI conducted, from 10 February 2021 until 10 March 2021, a public consultation on the draft bill entitled "Law on the Promotion and Encouragement of the Use of Renewable Energy Sources of 2021" and the results have been announced.

Draft Regulations entitled "Regulations on Regulating the Natural Gas Market (Operation of the Natural Gas Market for the validity period of derogations) of 2020"

CERA prepared and notified the MECI of the proposed Regulations on the operation of the market for natural gas during the period of derogations. Relevant is CERA's Decision 92/2020 of 6 March 2020.

The Regulations concerned, lay down provisions on how, according to CERA, should the gas market and the participants of the market operate for the period of validity of the derogations. In this period the natural gas market in the Republic of Cyprus will be under a state monopoly status.

At the current stage, the public consultation on the bill has been completed and the results have been announced.

Regulatory Decisions, Draft Regulatory Decisions and important CERA Decisions of 2020

During 2020 CERA took Regulatory Decisions and other Decisions of which the most important are the following:

REGULATORY DECISIONS AND DRAFT REGULATORY DECISIONS

Regulatory Decision 01/2020 (KDP 52/2020) - Functional unbundling of the activities of the Electricity Authority of Cyprus (EAC)

By Regulatory Decision 01/2020 (KDP 52/2020), CERA decided to amend Regulatory Decisions 04/2014 (KDP 372/2014) and 05/2019 (KDP 419/2019) regarding functional unbundling of the activities of EAC, by removing entirely the term "Business Unit (BU)" and replacing it with the term "Core Regulated Activity (CRA)", as well as deleting the provision "MRTC" from paragraph B.1.6.

Regulatory Decision 01/2020 was published in the Official Government Gazette on 14 February 2020.

Regulatory Decision 02/2020 (KDP 93/2020) designating a supplier of last resort in the electricity market

By Regulatory Decision 02/2020 (KDP 93/2020), CERA decided the following until full implementation of the competitive electricity market:

- to designate the Electricity Authority of Cyprus - Supply (EAC-Supply) as the supplier of last resort in the electricity market;
- to define the prices at which consumers will enjoy the right of universal service under the status of the supplier of last resort as the corresponding pricing categories of EAC-Supply. These prices shall be invoiced on the basis of the approved regulated tariffs in accordance with Regulatory Decision 02/2015 (KDP 208/2015) and the current amendments or revisions that apply to the other customers of EAC-Supply, who belong to the same category of consumers.

In addition, CERA decided that after the full implementation of the competitive electricity market in Cyprus, the selection of the supplier of last resort in the electricity market should be made by CERA following a relevant call for expression of interest and defined the guidelines on which the call for expression of interest will be based. CERA decided to notify the European Commission of this Regulatory Decision.

Regulatory Decision 02/2020 was published in the Official Government Gazette on 13 March 2020.

Regulatory Decision 03/2020 (KDP 165/2020) on the establishment of basic principles for the formulation of the Ten-Year National Development Plan

By Regulatory Decision 03/2020 (KDP 165/2020), CERA decided that each Ten-Year National Development Plan (TYNDP), should include, besides the provisions of the Law, the most important transmission infrastructure that have to be built or upgraded in the next ten years. This includes the infrastructure that is required for the penetration of RES and electricity storage systems, all the investments that have already been included in previous TYNDP and new investments, the implementation of which is expected to start within the next three years, techno-economic analysis of the feasibility of the transmission projects and detailed timetables for the implementation of the transmission projects, as well as corresponding estimated cash flows of the transmission projects.

In addition, the TYNDP that starts in January of the following year shall be submitted to CERA for approval, within six months from the end of each calendar year. Before TYNDP is submitted to CERA, TSOC shall conduct a public consultation thereon. This consultation shall last at least one month from the date of its publication on the TSOC website, in order for the interested parties to submit comments, objections and/or representations. The final approved TYNDP shall be published on the TSOC website in the context of full transparency and information of all interested parties.

Regulatory Decision 03/2020 was published in the Official Government Gazette on 15 April 2020.

Regulatory Decision 04/2020 (KDP 344/2020) - Accounting unbundling of the activities of natural gas undertakings

By Regulatory Decision 04/2020 (KDP 344/2020), CERA, having considered that the separate accounts by activity of natural gas undertakings are the basis for calculating the tariffs of the natural gas, based on which their customers are charged and therefore such undertakings are required to create, maintain and implement separate accounts, issued instructions and guidelines regarding the accounting unbundling of the activities of natural gas undertakings.

Regulatory Decision 04/2020 was published in the Official Government Gazette on 7 August 2020.

Regulatory Decision 05/2020 (KDP 345/2020) - Regulatory accounting instructions for the preparation of separate accounts of natural gas undertakings

By Regulatory Decision 05/2020 (KDP 345/2020), CERA issued regulatory accounting instructions for the preparation of separate accounts of natural gas undertakings. These instructions provide guidelines to the liable organizations on preparing separate accounts, to ensure unhindered approval of tariffs by CERA and avoiding discrimination among consumers of the same category. More specifically, it was specified how the liable organizations should prepare, monitor and submit the separate accounts and what information to include in these separate accounts.

Regulatory Decision 05/2020 was published in the Official Government Gazette on 7 August 2020.

DECISIONS

Decision 01/2020 - Consumer fuel clause coefficients for the period January-June 2020

By Decision 01/2020, CERA approved the fuel clause coefficients for the adjustment of tariff T-W for the period January-June 2020, as shown in Table 1.

Fuel Clause Coefficients for the adjustment of T-W	
	€/kWh/1€c
Low voltage	0,00023628
Medium voltage	0,00023291
High voltage	0,00023001

Table 1 - Fuel Clause Coefficients for the adjustment of T-W

In addition, CERA instructed the CRA of EAC Supply to submit the fuel clause coefficients for the purchase of electricity generated from RES and the basic tariffs for the purchase of energy from RES.

Decision 05/2020 - Allowed revenues and regulated basic electricity tariffs for the year 2020

By Decision 05/2020, CERA approved the allowed revenues and the regulated basic electricity tariffs for the year 2020, as shown in Table 1. The allowed revenues for the year 2020, include cost-plus adjustments for the year 2018, based on the methodology of allowed revenue adjustments issued by CERA. According to those adjustments there was a decrease of 2.9%, on average, in the total of CRAs, for the year 2020.

Recovery from tariff	Initial Allowed Revenues 2020	Ex-post adjustments	Allowed Revenues 2020 approved by CERA
Wholesale electricity tariff (T-W) at basic price	€ 357.285.246	20.081.562	377.366.808
Purchase of RES energy at basic price	€ 46.236.097	-	46.236.097
Use of Transmission System Tariff (T-NH)	€ 40.898.681	(4.184.968)	36.713.713
Use of Distribution System Tariff (medium and low voltage) which includes a charging component related to the Distribution System Operator (T-NM, T-NL)	€ 84.833.359	(9.397.683)	75.435.676
Tariff for Business Management Services provided to customers (T-BM)	€ 16.946.802	349.396	17.296.198

Recovery from tariff	Initial Allowed Revenues 2020	Ex-post adjustments	Allowed Revenues 2020 approved by CERA
Tariff for the provision of Ancillary Services and long-term reserve (T-AS)	€ 31.225.457	(1.596.880)	29.628.577
Tariff for the recovery of expenses of the Transmission System Operator (T-TSO)	€ 7.391.000	(1.971.000)	5.420.000
Tariff for the recovery of expenses of measurements incurred by the Distribution System Operator (T-MET)	€ 3.644.509	-	3.644.509
Supply tariffs and electricity market charges to the end consumer (T-RET)	€ 588.459.151	3.280.427	591.739.577

Table 2 - Approved allowed revenues of regulated activities for the year 2020

Decision 24/2020 - Objection of the company ICR Cyprus Resort Development Co Limited regarding the sharing of the transmission system costs

By Decision 24/2020, CERA decided that the capital cost sharing coefficient that will be charged to the applicant in the context of its contribution to the transmission cost should be differentiated from the Preliminary Connection Terms. These terms were issued by the Distribution System Operator (DSO) to the applicant ICR Cyprus Resort Development Co Limited, for purposes of electricity supply of the Casino Resort in Limassol, at $c=0.121$.

Decision 28/2020 - Charges for Ancillary Services, Network Use and other Services for generation of electricity from Renewable Energy Sources for Self-Consumption under Support Scheme

By Decision 28/2020, CERA revoked Decisions 908/2013, 909/2013, 913/2013, 919/2013, 1527/2016, 124/2018 and 16/2019 and reviewed the method of calculating the fees for network use for customers participating in net-metering or net-billing schemes.

The new charging method eliminates completely the fee for network use on self-generated energy. The fees for network use shall be paid only for incoming energy, ensuring cost orientation, because it will not rise any discrimination between consumers operating net-metering systems and the rest, as the fees for network use are charged based on actual interaction with the network. This is also referred in Article 15(2)(e) of Directive 2019/944 on common rules for the internal market for electricity and amending Directive 2012/27/EU, "subject to cost-reflective, transparent and non-discriminatory network charges that account separately for the electricity fed into the grid and the electricity consumed from the grid." Sub-paragraph 4 states that "Member states that have existing schemes that do not account separately for the electricity fed into the grid and the electricity consumed from the grid, shall not grant new rights under such schemes after 31 December 2023. In any event, customers subject to existing schemes shall have the possibility at any time to opt for a new scheme that accounts separately for the electricity fed into the grid and the electricity consumed from the grid as the basis for calculating network charges".

The method of charging and allocation of the network charges through the network use fees is based on the interaction of each consumer with the grid. This interaction is calculated per phase since if at

the same time a specific energy amount is discharged into the grid in a single phase and the same amount of energy is consumed by the other two phases, the interaction with the grid is not zero but equal to the energy consumed from the grid. The new charging method results in the rationalization of network use charges for all consumers regardless of whether they have a photovoltaic system or not, based on the principle applicable in this case that depending on the actual network use there is a corresponding charge.

This Decision was entered in force on 1 March 2020.

Decision 33/2020 - Basic Prices and Fuel Clause Coefficients for the purchase of energy from RES for the period January-June 2020

By Decision 33/2020, CERA approved the Basic Prices and Fuel Clause Coefficients for the purchase of energy from RES for the period January-June 2020, as listed below.

Basic Energy Market Prices from RES	
	€/kWh
Low voltage	7,256
Medium voltage	7,169
High voltage	7,050

Table 3 - Basic Energy Market Prices from RES

Fuel Clause Coefficients for the purchase of energy from RES	
	€/kWh/1€c
Low voltage	0,00023291
Medium voltage	0,00023001
High voltage	0,00022603

Table 4 - Fuel Clause Coefficients for the purchase of energy from RES

Decision 34/2020 - Regulated Electricity Tariff Plans for the year 2020 and 112/2020 - Revised Regulated Electricity Tariff Plans for the year 2020

By Decision 34/2020, CERA approved the Electricity Tariff Plans for the year 2020, as they have been submitted by EAC Supply and instructed EAC to publish the approved Electricity Tariff Plans for the proper information of electricity consumers and other participants in the electricity market.

By Decision 112/2020, CERA approved the revised Electricity Tariff Plans which show the basic cost of purchasing energy from RES, RES with basic fuel price of €300/MT, at €c/6.28/kWh, as approved by CERA based on the Allowed Revenue Model of EAC.

Decision 73/2020 - Long-Term Annual Forecast of Maximum Total Electricity Capacity and Total Generated Electricity for the Decade 2020-2029

By Decision 105/2020, CERA approved the long-term forecast of annual maximum total capacity of electricity and total generated electricity for the decade 2020-2029 submitted by TSOC.

Decision 75/2020 - Dismantling of Inductor Array and Medium Voltage Switch Panel in the under-replacement Substation "Moni 132 kV"

By Decision 75/2020, CERA approved the request of the Transmission System Owner (OTS) for the dismantling of inductor array and medium voltage switch panel in the under-replacement substation "Moni 132 kV".

Decision 76/2020 - Conclusion of an agreement between the Electricity Authority of Cyprus and Primetel Ltd for the use of the Distribution System for Activities of Telecommunication

By Decision 76/2020, CERA, having verified that, according to the certificate of the Director of the DSO of EAC, the use of the distribution system for purposes not related to electricity for the agreement of EAC with the company Primetel Ltd, does not affect the fulfillment of the obligations of the Distribution System Owner (ODS) and the DSO, decided to approve the request of the ODS of EAC to conclude the agreement with Primetel Ltd regarding the provision of services and license for the use of stakes of the medium voltage air network of EAC.

Decision 91/2020- Supply Rules according to Article 46 of the Laws Regulating the Natural Gas Market of 2004 to 2018 (Law 183(I)/2004)

By Decision 91/2020, CERA recognized that the rights and obligations of the exclusive supplier and the customers, both during the stage of negotiations and the conclusion of the contract between them, as well as during the fulfillment of their contractual obligations should be regulated. Therefore, exercising its powers under Article 46 of the Law, CERA decided to approve the Natural Gas Supply Rules.

Decision 92/2020 - Proposed draft of the Regulations on Regulating the Natural Gas Market (Operation of the Natural Gas Market for the Validity Period of Derogations)

By Decision 92/2020, CERA taking into account that:

- the Council of Ministers decided to derogate from the application of Articles 18(2)(a) and (b), 24(1), only with regard to the obligation of the independent legal form (the derogation does not apply to the obligation of independence in terms of organization and decision-making), 24(2)(a) and (b), 30, 33 and 35 of the Law, for the period of validity of the emerging market or until a decision to terminate the derogations is made by Council of Ministers and within the obligation of the Council of Ministers for the issuance of a relevant Regulation;
- it is of the utmost importance that the State is aware of how, according to CERA, the natural gas market and the participants of the market should operate for the period of validity of the derogations, where the natural gas market in the Republic of Cyprus will be under a state monopoly status,

issued a proposed draft of the Regulations on Regulating the natural gas market (Operation of the natural gas market for the period of validity of derogations) and notified the Minister for Energy, Commerce and Industry of its actions.

Decision 98/2020 - Tariff for the recovery of the Public Service Obligations (PSO)

By Decision 98/2020, CERA approved the proposal of the EAC Supply for the approval of the tariff for the recovery of expenses of the PSO (T-PRC) at €0.00055/kWh (from €0.00071/kWh as from May 2019) and its application for the monthly consumers, based on the electricity bills where the corresponding consumption will be measured at the end of April 2020, and for the bi-monthly consumers, based on the electricity bills where the corresponding consumption will be measured from 1 April 2020.

Decision 104/2020 - Reduction in the final price of electricity

By Decision 104/2020, CERA, after estimating that a reduction in regulated tariffs for electricity will not affect the competition in the market for electricity and will not lead to exploitation of the dominant position of the EAC in the electricity market, because no other holder of license of supply of electricity is active currently in the electricity market, decided the following:

- A reduction by 10% in the final price of electricity, excluding VAT and RES and SE fees, for a total period of two (2) months.
- The reduced revenue that the EAC will suffer due to the reduction of regulated electricity tariffs and fuel clause coefficients for the adjustments of the wholesale tariffs (T-W) during the rest of the current regulatory audit period or during the next regulatory audit period, will not be recovered. They will be covered by cash reserves of EAC.
- The discount to be provided, shall appear distinctly on the electricity invoices issued by the CRA of EAC Supply.
- The 10% reduction on all regulated electricity tariffs and fuel clause coefficients for the adjustment of the wholesale tariff (T-W) shall be applied to monthly consumers, based on the electricity bills where the corresponding consumption is measured at the end of March 2020, as well as to the bi-monthly consumers, based on the electricity bills where the corresponding consumption is measured from 1 April 2020.
- This Decision will be re-evaluated before the end of the two-month period of its implementation, depending on developments in dealing with the COVID-19 pandemic.

Decision 105/2020 - Ten-Year National Development Plan 2020-2029

By Decision 105/2020, CERA approved the Ten-Year National Development Plan 2020-2029 (TYNDP) submitted by TSOC, making the following remarks:

- adoption of the proposal of TSOC to suspend the project A/A 112 "Relocation of part of the air Transmission line "Alampra-Athalassa", considering that the Ministry of Defense has requested OTS to suspend making a final decision regarding this relocation due to newer developments and until further evaluation of the new data that emerge;
- any references to the manner and/or the apportionment of the recovery of project costs in the TYNDP do not fall, in accordance with the provisions of the legislation, into the content of the approval of the TYNDP. Regarding the cost sharing issues of the project referred to in paragraph 5.2.3.2.5 "Establishment of New Closed Type GIS Substation "Zakaki" 2x40 MVA, 132/22-11 kV and connection with the Municipal Community with the Substation "Polemídia" (Project 123) in the Years 2020-2022", CERA Decision No 24/2020 is in force.

In addition, in the context of reducing costs to the extent that is possible and restraining financial costs, TSOC should be required to make an effort to reduce costs as much as possible during the implementation of the projects, taking into account the obligations arising from the legislation and the obligation for the operation of an efficient, coordinated, secure, reliable and economically viable transmission system.

Decision 127/2020 - Approval of amendments proposed to the Transmission and Distribution Rules by the Transmission System Operator - Cyprus - Amending Version 4.0.3 and Integrated Version 5.2.0

By Decision 127/2020, CERA approved the proposed versions of TDR 4.0.3 and 5.2.0. Given the time period required by TSOC to supply the relevant software and hardware for the implementation of the newly approved TSR, which is defined in Regulatory Decision 01/2017 (KDP 34/2017), regarding the implementation of a binding schedule for the full commercial operation of the new electricity market model, CERA will decide at a later stage the date of publication of the new approved TDR in the Official Gazette of the Republic of Cyprus. TDR will enter in force on that day of publication, according with the provisions of Article 76 of the Law.

The newly approved TDR 5.2.0 should be published on the website of TSOC without, however, having any force, in the context of full transparency, update and timely information of all interested investors for activity in the field of competitive electricity market but also for informing any other interested persons and/or participants in the electricity market. The Amending Version 4.0.3. of the TDR is to be applied immediately.

Decision 132/2020 - Ensuring Liquidity of the Core Regulated Activities of EAC

By Decision 132/2020, CERA instructed EAC to ensure for any transaction that it carries out with Non-Regulated Activities (Non-RA) and/or subsidiaries or affiliated companies, that it will not cause short-term or long-term liquidity problem in the CRA of EAC, and/or consequently any issue in the adequacy of electricity, and informed EAC that CERA will not approve any amount for recovery through regulated electricity tariffs, which may arise from any liquidity problem in the CRA due to EAC transactions of EAC with NRA and/or subsidiaries or affiliated companies.

Decision 141/2020 - Extension of the Reduction in the Final Price of Electricity

By Decision 141/2020, CERA determined the following:

- To approve EAC's proposal for an extension in the reduction by 10% in the final price of electricity, excluding VAT and RES and SE fees, for a total period of two (2) months.
- The reduced revenue that the EAC will suffer due to the reduction of regulated electricity tariffs and fuel clause coefficients for the adjustments of the wholesale tariff (T-W) during the rest of the current regulatory audit period or during the next regulatory audit period will not be recovered. They will be covered by cash reserves of EAC.
- The discount to be provided, shall appear distinctly on the electricity invoices issued by the CRA of EAC Supply.
- The 10% reduction on all regulated electricity tariffs and fuel clause coefficients for the adjustment of the wholesale tariff (T-W) shall be applied to monthly consumers, based on the electricity bills where the corresponding consumption is measured at the end of May 2020, as well as to the bi-monthly consumers, based on the electricity bills where the corresponding consumption is measured from 1 June 2020.

- To invite EAC to discuss the possibility of extending the reduction in regulated tariffs until the end of 2020, based on letter (File No 23.01), of the Chairman of the Parliamentary Committee on Finance and Budget, dated 30 April 2020, to EAC on "The Law of 2019 regarding the Electricity Development (Amending)".

Decision 174/2020 - Early Warning and Electricity Crisis Prevention Measures

By Decision 174/2020, CERA, after finding that due to the period from 1 June 2020 to 15 September 2020 there is a possibility of an electricity crisis in the Republic of Cyprus, and recognizing that as a competent authority should take measures to prevent the electricity crisis, decided:

- To revoke CERA's Decision 125/2019 of 17 May 2019 on "Capacity adequacy of the electricity generation system for 2020", due to changes in the conditions based on which it was issued.
- To issue an early warning to the European Commission in which CERA will inform and provide all relevant information on the possibility of an electricity crisis in the Republic of Cyprus for the period from 1 June 2020 to 15 September 2020 and on crisis prevention measures.
- To take the following measures for the period from 1 June 2020 until 15 September 2020 to prevent the electricity crisis:
 - The Production Directorate of EAC should ensure that the units of conventional production, which work and are connected to the system, are technically available for this period and shall make them available to TSOC to operate them, whenever this is required, in order to ensure that the demand for electricity and the margin of installed capacity for the electricity system of Cyprus is met.
 - TSOC should implement, whenever it deems necessary, in cooperation with the other management bodies of the electricity system the Contingency Plan of the summer period 2020 for the adequacy of the electricity generation and transmission system.
 - To inform consumers about the possible electricity crisis and the measures taken by CERA to deal with it effectively through the CERA website.
- That at the current stage the assistance from other Member States is not required to deal with a possible electricity crisis in the Republic of Cyprus.

Decision 190/2020 - Fuel Clause Coefficients and Basic Prices for the Purchase of Energy from RES for the Period July-December 2020

By Decision 190/2020 CERA approved the fuel clause coefficients for the adjustment of the wholesale tariff T-W and the fuel clause coefficients and the basic prices for the purchase of energy from RES for the period July-December 2020, as listed in Table 5.

Fuel clause coefficients for the adjustment of T-W		Fuel clause coefficients for the purchase of electricity from RES		Basic prices for the purchase of electricity from RES	
	€/kWh/1€c		€/kWh/1€c		€/kWh
Low voltage	0,00022690	Low voltage	0,00022351	Low voltage	7,016
Medium voltage	0,00022351	Medium voltage	0,00022058	Medium voltage	6,928
High voltage	0,00022058	High voltage	0,00021712	High voltage	6,824

Table 5 - Fuel Clause Coefficients

Decision 198/2020 - Exemption from the Provisions of the Transmission and Distribution Rules

By Decision 198/2020, CERA accepted the proposal of TSOC on the request of the company D.K. Windsupply Ltd to provide a two-year exemption [effective from 20 July 2020] and review the exemption upon expiry. However, it cannot be guaranteed that further compliance with the provisions of TDR will not be required in the future, due to the dynamic evolution of the system.

Decision 222/2020 - Extension of the Reduction in the Final Price of Electricity

By Decision 222/2020, CERA decided:

- To approve the reduction by 10% in the final electricity price, excluding VAT and RES and SE fees, for a further period of two months.
- The reduced revenues that the EAC will suffer due to the reduction of regulated electricity tariffs and fuel clause coefficients for the adjustments of the wholesale tariff (T-W) during the rest of the current regulatory audit period or during the next regulatory audit period will not be recovered. They will be covered by cash reserves of EAC.
- The discount to be provided, shall appear separately on the electricity invoices issued by the CRA of EAC Supply.
- The 10% reduction on all regulated electricity tariffs and fuel clause coefficients for the adjustment of the wholesale tariff (T-W) shall be applied to monthly consumers, based on the electricity bills where the corresponding consumption is measured at the end of July 2020, as well as to the bi-monthly consumers, based on the electricity bills where the corresponding consumption is measured from 1 August 2020.

Decision 228/2020 - Charging Points for Electric Vehicles

By Decision 228/2020, CERA approved the draft Contract for the Supply of Electricity and Services for the charging points of electric vehicles sent by the Director of the Non-RA of EAC and instructed the Directorate Non-RA of EAC not to include in the e-charge service invoices, information related to regulated electricity tariffs, to revise immediately the invoice, and no later than the invoices that will be issued from the end of August 2020.

Decision 285/2020 - Tariff for the recovery of the Public Service Obligations (PSO)

By Decision 285/2020, CERA approved the proposal of the EAC Supply for the approval of the tariff for the recovery of expenses of the PSO (T-PRC) at €0.00044/kWh (from €0.00055/kWh as from May 2020) and its application for the monthly consumers, based on the electricity bills where the corresponding consumption will be measured at the end of October 2020, and for the bi-monthly consumers, based on the electricity bills where the corresponding consumption will be measured from 1 October 2020.

Decision 309/2020 - Parameters of Trading and Settlement Rules (TSR) defined by CERA

By Decision 309/2020, CERA specified the parameters according to the TSR, version 2.0.0. These parameters are dynamic and depending on monitoring the operation of the market and the behavior of the participants, as well as any problems that may arise, CERA may review these parameters. Specifically, these parameters determine the following: Large Non-Household Consumers, Administratively Defined Maximum Reserve and Replacement Reserve Offer Price, Offer Price of each Restart Service Offer, Administratively Defined Maximum Contingency Reserve Offer Price, Administratively Defined Maximum Energy Offer Price, Administratively Defined Minimum Balancing Energy Offer Price,

Administratively Defined Maximum Energy Offer Price, Administratively Defined Maximum Reserve Offer Price, Administratively Defined Clearing Market Price, Small Suppliers, The tolerance of the Deviation Energy of the small Supplier, The minimum limit for the purchase of energy from day-ahead market from the CRA of EAC Supply.

Decision 317/2020 - Exemption from the Provisions of the Transmission and Distribution Rules (TDR)

By Decision 317/2020, CERA granted an exemption to TSOC and DSO from the provisions of paragraph T16.6.1 of the applicable TDR (Version 4.0.0 and Amendments 4.0.1, 4.0.2 and 4.0.3). This exemption is granted so that:

- the photovoltaic parks that have already been connected in a pilot phase with an installed capacity equal to or greater than 0.5 MW remain connected to the Supervisory Control and Data Acquisition (SCADA) of the distribution system;
- all photovoltaic parks with an installed capacity equal to or greater than 0.5 MW that will be connected from now on in the distribution system be connected to the SCADA of the distribution system.

Decision 374/2020 - Separate Accounts of EAC for the year 2019

By Decision 374/2020, CERA instructed EAC to publish the audited and approved by its Board of Directors, Separate Accounts for the year ended on 31 December 2019 on the EAC website, with explanations on how to calculate the return on average Regulated Asset Base (RAB) for the CRAs of Generation, Transmission and Distribution and the Cost Margin on the commercial and accounting management for the CRA of Supply.

Decision 432/2020 - Determination of National Crisis Scenarios in accordance with Regulation (EU) 2019/941 on risk-preparedness in the electricity sector

By Decision 432/2020, CERA having taken into account, among others, Decision ref.no. 88.943 of the Council of Ministers, dated 18 February 2020, by which CERA was designated as the competent authority to perform the duties provided by Regulation (EU) 2019/941, having verified that the national electricity crisis scenarios submitted by TSOC are consistent with the regional electricity crisis scenarios of the ENTSO for electricity, and having identified the need to publish the national electricity crisis scenarios of Cyprus until 7 January 2021, CERA decided the following:

- To approve scenarios of the national electricity crisis.
- To instruct the Office of CERA to publish them on the website of CERA.
- To instruct the Office of CERA to inform the Electricity Coordination Group (ECG) and the European Commission about their publication, in accordance with the provisions of Regulation (EU) 2019/941.

Actions taken in relation to previous Regulatory Decisions

Check of Compliance of the EAC mode of operation on the basis of the functional unbundling of its activities in accordance with the Regulatory Framework

Based on the provisions of Regulatory Decision 04/2014 "Functional unbundling of the activities of EAC", CERA hired under an open tender procedure, external consultants. The terms of mandate were to check the degree of compliance of the EAC operation mode based on the functional unbundling of its activities in accordance with the regulatory framework, by carrying out specialized controls in three different time periods.

All three (3) audits were carried out and completed based on the provisions of the tender procedure. The external consultants submitted to CERA a relevant comprehensive and detailed report, in which the findings of this audit were recorded.

Based on the above, the first phase of the evaluation of the functional unbundling was completed in accordance with the legal and regulatory framework, and it was found that the compliance of EAC was achieved.

In 2020, procedures were launched for the transition to a second phase where the implementation of functional unbundling of EAC is examined by an external consultant of CERA. This phase is expected to be completed by mid-2021. The aim of this project is to establish and confirm that the functional unbundling is still valid.

Trading and Settlement Rules

According to the Laws Regulating the Electricity Market of 2003 to 2018, Trading and Settlement Rules (TSR):

- Govern the mechanisms, prices and other terms and conditions that apply in cases where licensees buy or sell electricity based on arrangements made by TSOC.
- Ensure that licensees, who are required to participate in the purchase and sell of electricity, under these arrangements, will not be subject to discrimination.
- Promote efficiency and economy and facilitate competition in the purchase and sale of electricity under these arrangements.

TSR shall be complied by all licensees or by persons to whom exemptions have been granted, to the extent required by their licenses or exemptions.

During the year under review, CERA has not approved any revision of TSR. The last approved version of TSR is version 2.1.0. Given the time required by TSOC for the supply of the relevant software and hardware for their implementation, version 2.1.0. of TSR will be published in the Official Gazette of the Republic of Cyprus on a later date that, based on the provisions of Article 81(6) of the Law, they will enter into force, by CERA's Decision.

However, during the year under review, TSOC started the revision of TSR, complying with the provisions of the Regulatory Decision of CERA 03/2019 (KDP 224/2019), regarding the establishment of basic regulatory principles of the operation of electricity storage facilities in front of the meter in the wholesale electricity market. This work is expected to be completed within 2021.

Based on the provisions of the Laws Regulating the Electricity Market of 2003 to 2018 and specifically of Article 80, until the publication of the revised TSR on the Official Gazette of the Republic of Cyprus, the provisions which shall apply are those of the Regulatory Decision 04/2017 (KDP 223/2017), on the application of transitory regulation in the electricity market of Cyprus before the full implementation of the new model of electricity market and the Regulations of the transitory regulation of electricity market, which entered into force based on Decision 118/2017 of CERA. The last revised version of the Regulations of the transitory regulation of electricity market for the year under review, is version 1.5 [Decision 424/2020, dated 15 December 2020].

Transmission and Distribution Rules

According to the Laws Regulating the Electricity Market of 2003 to 2018, Transmission and Distribution Rules (TDR):

- Govern the technical requirements and restrictions applied by licensees whenever they want to connect to the transmission and/or distribution system or to use the transmission or distribution system for the transmission of electricity.
- Ensure that the technical terms applicable to licensees who want to connect or use the transmission or distribution system do not discriminate against licensees.
- Promote efficiency, reliability and economy in the use and development of the transmission and distribution system.

The provisions of TDR shall be complied by all licensees or by persons to whom exemptions have been granted, to the extent required by their licenses or exemptions respectively.

During the year under review, by Decision 127/2020 of 28 April 2020, CERA approved the proposed by TSOC integrated TDR version 5.2.0., as well as the amending version 4.0.3. These versions are aligned with the national legislation and the High Efficiency Combined Heat and Power Cogeneration Plants (HECHP).

In addition, during the year under review TSOC started the revision of TDR, complying with the provisions of the Regulatory Decision 03/2019 (KDP 224/2019), regarding the establishment of basic regulatory principles of the operation of electricity storage facilities in front of the meter in the wholesale electricity market. This work is expected to be completed within 2021.

Given the time required by TSOC for the supply of the relevant software and hardware for the implementation of the new revised approved TSR, CERA will decide at a later stage the date of the publication on the new revised approved TDR in the Official Gazette of the Republic of Cyprus. On the date of publication, according with the provisions of Article 76 of the Law, they will enter into force.

The amending version 4.0.3 - April 2020 is directly applicable and is the latest amendment of TDR in force.

3

ENERGY POLICY, INTERNATIONAL AND LOCAL ACTIVITIES

European Legislative Regulations

European Green Deal

On 11 December 2019, the European Commission presented the European Green Deal, which essentially provides a roadmap for promoting the efficient use of resources by moving to a clean, cyclical economy and halting climate change, restoring biodiversity and reducing pollution. It describes roughly the required investments and the available financial tools and explains how to ensure that the transition will be fair and without exclusions.

On 14 January 2020, the European Commission presented the Sustainable Europe Investment Plan of the European Green Deal and the Just Transition Mechanism. The investment plan will motivate public investments and help to release private funds through financial tools of the European Union, and mainly of the InvestEU, which will lead to investments of at least 1 trillion euros. The Just Transition Mechanism will provide adjusted financial and practical support to assist workers and make the necessary investments in regions that will be particularly affected and will undergo a profound economic and social transformation.

On 4 March 2020, the European Commission submitted a proposal to enshrine in law the European Union's political commitment to climate neutrality by 2050. By European Climate Law, the Commission proposes a legally binding zero greenhouse gas emission by 2050. European Climate Law includes measures to monitor progress and adapt actions accordingly to the existing systems, such as the governance process for Member States' national energy and climate plans, the regular reports of the European Environment Organization and the latest scientific data on climate change and its repercussions. The progress will be reviewed every five years, in accordance with the process of the global review under the Paris Agreement. The legislative proposal was submitted to the European Parliament, the Council, the Economic and Social Committee and the Committee of Regions for further consideration under the ordinary legislative procedure.

At the same time, the Commission launched a public consultation on the future European Climate Pact, which lasted from 4 March 2020 until 17 June 2020. The final European Climate Pact was presented on 9 December 2020. The European Climate Pact provides a space for people from all walks of life to come together, develop collectively and implement climate solutions, large and small. By exchanging ideas and inspiration with each other, we can multiply our collective impact. The Pact is an open, multifaceted and evolving climate action initiative. It calls on regions, local communities, industry, schools and civil society to exchange information on climate change and environmental degradation, and on how to address these existential threats. Through an online platform and through dialogue and exchange of view between citizens, the Pact will support the connection between digital and green transition.

Proposal for the revision of Regulation 347/2013 on guidelines for trans-European energy infrastructure

The European Commission approved on 15 December 2020, the proposal for the revision of Regulation 347/2013 on guidelines for trans-European energy infrastructure (TEN-E Regulation). The new TEN-E Regulation will contribute to achieve the European Union's reduction emission, by promoting the integration of RES and new clean energy technologies into the energy system. It will continue to connect regions currently isolated from European energy markets, strengthen the existing cross-border interconnections and promote cooperation with partner countries. It will contribute to the timely delivery of cross-border infrastructure, proposing ways to simplify and speed up the licensing and approval procedures.

The proposal of the Commission includes:

- An obligation that all projects must meet sustainability criteria and uphold the principle of "do no harm", as it is defined in the European Green Deal.
- Updating the categories of infrastructure eligible for support under TEN-E policy, terminating the ability to support for oil and natural gas.
- New emphasis on offshore electricity networks with provision that facilitate more integrated design and implementation of onshore and offshore infrastructure, with the establishment of one-stop offshore services.
- New emphasis on hydrogen infrastructure, including transmissions and certain types of electrolytic cells.
- Upgraded rules to promote the use of smart electricity networks, to facilitate rapid electricity generation and to escalate electricity generation from renewable sources.
- New provisions on investments in smart networks for the integration of clean gases (such as biogas and renewable hydrogen) into existing networks.
- Continued commitment to the modernization of electricity and storage networks and carbon dioxide transmission networks.
- New provisions on support for projects linking the European Union with third countries (Projects of Common Interest - PCI), that demonstrate the mutual benefit and their contribution to the Union's overall energy and climate goals, in terms of security of supply and decarbonisation.
- Revised governance framework to strengthen the infrastructure planning process and ensure its alignment with our climate goals and energy system integration principles, through increased stakeholder involvement throughout the process, strengthening the role of Agency for the Cooperation of Energy Regulators (ACER) and improved supervision by the Commission.
- Measures to simplify administrative procedures, speed up project implementation, shorten licensing procedures for PCI, in order to avoid delays in projects that facilitate energy transitions, and enhance transparency and participation in consultations.

The exact schedule for the entry into force of the new TEN-E Regulation will depend on the negotiation process with the European Parliament and Council. The new Regulation is intended to enter into force in time for the sixth PCI list.

Strategy for energy system integration

On 8 July 2020, the European Commission presented the European Union's strategy for the integration of the energy system, which will create the framework for the transition to green energy. The current model where energy consumption in transport, industry, natural gas and buildings, cannot contribute to the achievement of climate neutrality by 2050 in a cost-effective way. Energy system integration

means that the system is programmed and operates as whole, connecting different energy sources, infrastructure and consumption sectors.

Main pillars of this strategy are:

- A more "circular" energy system, focusing on energy efficiency. The strategy will identify specific actions for the practical application of the principle of priority to energy efficiency and for the more efficient use of local energy sources in our buildings or communities.
- Increase of the direct electrification of end-use sectors. Given that the electricity sector has the highest share of RES, electricity should be used more and more, wherever this is possible. Among the visible results will be a network of one million charging points, along with the expansion of the use of solar and wind energy.
- In the case of sectors, where electrification is a difficult task, the strategy promotes clean fuels, such as renewable hydrogen, sustainable biofuels and sustainable biogas. The Commission will propose a new system for the classification and certification of renewable fuels and fuels with low carbon emissions.

The strategy sets out 38 actions for the creation of a more integrated energy system. These include reviewing of the existing legislation, funding or researching and developing new technologies and digital tools, providing guidance to Member States on fiscal measures and the phasing out of fossil fuel funding, the market governance reform and infrastructure design, and improving consumer information. The analysis of the existing barriers in these sectors will be taken into account in drafting our new specific proposals, for example the revision of the TEN-E Regulation, the energy tax Directive and the regulatory framework for the natural gas market.

Hydrogen strategy for a climate-neutral Europe

On 8 July 2020, the European Commission presented the hydrogen strategy of the European Union. In an integrated energy system, hydrogen can support the decarbonisation of industry, transports, energy production and buildings across Europe. The hydrogen strategy of the European Union specifies how these potentials can become reality through investments, regulation, markets creation, and research and innovation.

Hydrogen can power non-electrified sectors and provide storage capacity to balance fluctuations in renewable energy flows. However, it can only be achieved through coordinated public and private action at a European Union level. Priority is the development of renewable hydrogen, which will be produced mainly using wind and solar energy. However, in the short and medium term, other forms of low-carbon hydrogen are needed to rapidly reduce emission and support of the development of a sustainable market.

This gradual transition will require a gradual approach:

- From 2020 to 2024, the installation of renewable hydrogen electrolytic cells with a capacity of at least 6GW and production up to one million tons of renewable hydrogen in the European Union will be supported.
- From 2025 to 2030, hydrogen must become an integral part of the integrated energy system, in the context of which electrolytic cells will be installed, with a capacity of at least 40GW for the production of renewable hydrogen and up to 10 million tonnes of renewable hydrogen will be produced in the EU.
- From 2030 to 2050, renewable hydrogen technologies should mature and be developed on a larger scale in all areas that are difficult to get rid of carbon emissions.

To contribute to the implementation of this strategy, Commission is launching the European Clean Hydrogen Alliance, which includes industry leading players, civil society, national and regional ministers and the European Investment Bank. The Alliance will create an investment channel to increase production and support the demand for clean hydrogen in the European Union.

Projects of Common Interest (PCI)

In April 2020, the European Commission published the technical document for the 4th list of Projects of Common Interest (PCI), which provided a technical description of all 149 projects (100 for the transmission and storage, 6 for smart network development, 32 for natural gas, 6 for oil and 5 for cross-border dioxide transmission networks) as well as other information such as project start-up dates.

PCIs are benefited from faster licensing procedures and more favorable arrangements and may be eligible for financial support from the Connecting Europe Facility. The amount of 5.35 billion euros is available for trans-Europe energy infrastructure under the Connecting Europe Facility for the period 2014-2020, contributing to the faster implementation of PCIs and making them more attractive to investors.

In total, 998 million euros were allocated by the Connecting Europe Facility to 10 PCIs in 2020 (2 for electricity transmission, 1 for smart networks, 6 for cross-border carbon transmission (including 5 studies) and 1 for natural gas).

The list of PCIs is updated every two years, so that the projects that meet new needs be added and obsolete ones be deleted.

On 25 November 2020, a call for proposals for electricity and natural gas PCI candidates was announced, which will last until 7 January 2021. Calls for PCI candidates for smart networks, transmission networks of cross-border carbon dioxide and oil will follow.

Eligible projects will be evaluated by the European Commission to be determined if they meet a European need that can be addressed through infrastructure development. The 5th PCI list will be approved by the European Commission by the end of 2021 in accordance with the current Regulation 347/2013, on the guidelines for trans-European energy infrastructure. At the end of 2020, the European Commission submitted legislative proposals for the revision of Regulation 347/2013, but the new rules will enter in force in time for the 6th PCI list.

The projects that concern Cyprus and have been included in the PCI list are the following:

- Israel - Cyprus - Greece cluster (currently referred to as the "EuroAsia Interconnector"). The cluster includes the following PCIs:
 - Electrical Interconnection between Hadera (Israel) and Kofinou (Cyprus) and
 - Electrical Interconnection between Kofinou (Cyprus) and Korakia (Crete, Greece).
- Cluster of natural gas infrastructure and related equipment for the transmission of new gas resources from the offshore deposits of the Eastern Mediterranean, which includes the following PCI:
 - EastMed Pipeline - Natural gas pipeline outside Cyprus (offshore) to the mainland Greece via Crete.
- Development of gas infrastructure in Cyprus, the so-called "Cyprus Gas2EU".

Regarding the Euroasia Interconnector project and in particular the electric interconnection between Israel and Cyprus, it is worth mentioning that in 2020 systematic consultations started between CERA and Israeli Authorities, in order to determine the basis for the evaluation of this project and to delimit the discussion under the European framework, wherever this is possible.

In addition, it is noted that regarding the 'EastMed Pipeline' on 6 December 2019, the Implementing Body (IB) I.G.I. Poseidon S.A. notified the project to the Ministry of Energy, Commerce and Industry, which is the National Competent Authority under Regulation (EU) 347/2013 for Cyprus. Following the consultation with the competent authorities, including CERA, on 2 September 2020 the National Competent Authority accepted the notification of the project. It is, also, worth mentioning that the National Competent Authority of Greece accepted the notification on 4 March 2020.

In addition to the PCIs, which are included in the fourth list of key energy infrastructure projects, the implementation of the 2000MW electricity interconnection between Egypt and Cyprus of the so-called 'EuroAfrica Interconnector' is in progress. The project provides the implementation of the Egypt-Cyprus electricity interconnection, using high voltage continuous flow submarine cables (HVDV) with a transmission capacity of 2000MW. In addition, the project provides that the interconnection will be completed in two phases, with the first phase providing the capacity of 1000MW. The project EuroAfrica Interconnector has completed the preliminary cost-benefit studies and is expected to provide significant economic and geopolitical benefits to the countries involved and contribute to the goal of removing the energy isolation. In 2020, CERA was in close contact with the Egyptian Energy Regulatory Authority "EGYPTERA" in order to track all the required actions and define the necessary procedures at the level of regulatory supervision, so that the implementation of this project will be promoted.

International Activities

Agency for the Cooperation of Energy Regulators (ACER)



The Agency for the Cooperation of Energy Regulators (ACER) (<https://www.acer.europa.eu>) is a community body with legal personality and was established under the provisions of Regulation 713/2009 of the European Parliament and of the Council of 13 July 2009, establishing an Agency for the Cooperation of Energy Regulators. ACER started to operate officially in March 2011 and is headquartered in Ljubljana, Slovenia.

The main objective of the Agency is to support and coordinate the actions of national regulatory authorities at the EU level, ensure the completion of the market for electricity and natural gas, and to align the regulatory frameworks within the framework of EU energy policy objectives.

ACER, also, advises the European Commission to take binding decisions for the Member States. ACER intervenes with suggestions for resolving disputes between regulators and it contributes to the creation of common pan-European codes (Network Codes).

ACER plays a key role in developing a European-level network and market rules aimed at the enhancement of the competition. ACER coordinates regional and interregional initiatives that contribute to the integration of the market. ACER monitors the work of the European Network of Transmission System Operators (ENTSOs) as well as the overall operation of the markets for natural gas and electricity and in particular the operation of the wholesale energy trade.

ACER consists of the Administrative Board, whose members are appointed by European institutions, the Board of Regulators, which is composed by senior representatives of the regulatory authorities of

the EU and the Board of Appeal, which is affiliated with ACER, but it is independent of its administrative and regulatory structures and before which appeals against ACER decisions are brought to be heard.

Cyprus is represented in the Board of Regulators by the Chairman and the Vice-Chairman of CERA and/or authorized staff of the sector of International Affairs and Energy Policy. During 2020, CERA participated in the 88th, 89th, 90th, 91st, 92nd, 93rd, 94th, 95th and 96th Board of Regulators' meetings of ACER. Due to the measures for the containment of the COVID-19 pandemic, apart from the 88th Board of Regulators' meeting of ACER, all other meeting were held online.

Besides the Board of Regulators' meetings, CERA participated in various institutionalized working groups related to electricity and gas infrastructure, cross-border issues, operation of the energy market, pandemic management, consumers and more.

Council of European Energy Regulators (CEER)



The Council of European Energy Regulators (CEER) (<http://www.ceer.eu/>) was established in 2000 and was the first autonomous community of independent energy regulators in Europe. CEER is a non-profit organization based in Brussels.

The main objective of CEER is to promote an integrated, competitive, efficient and sustainable internal market in natural gas and electricity in Europe. Through CEER national regulators have the opportunity to work together and exchange information and best practices. In addition, CEER provides assistance to the national regulatory authorities of Europe and represents their voice in the European Union as well as internationally.

CEER works very closely with ACER. CEER is also a member of the International Confederation of Energy Regulators (ICER), which brings together similar organizations from around the world, including NARUC (America), ERRA (Central/Eastern Europe) and MEDREG (Mediterranean region).

The Council consists of the General Assembly and the Board of Directors. CEER organizes its work through Working Groups, which can be supported by Work Streams that are in charge of specific matters. CERA participated in various institutionalized working groups related to electricity and gas infrastructure, cross-border issues, operation of the energy market, consumers and more.

The Council meets regularly, usually in Brussels. Members of CERA and/or authorized staff of the sector of International Affairs and Energy Policy represent Cyprus in these meetings. During 2020, CERA participated in the 152nd, 153rd, 154th, 155th, 156th, 157th, 158th and 159th General Assembly of CEER. Due to the measures for the containment of the COVID-19 pandemic, apart from the 152nd General Assembly of CEER, all other General Assemblies of CEER were held online.

Association of Mediterranean Energy Regulators (MEDREG)



Association of Mediterranean Energy Regulators (MEDREG) (<http://medreg-regulators.org/>) was established in 2007, under Italian law and is headquartered in Milan. It currently consists of 27 Energy Regulators originated from 22 countries, (Albania (ERE), Algeria (CREG and ARH), Bosnia and Herzegovina (SERC), Croatia (HERA), Cyprus (CERA), Egypt (EgyptEra and GASREG), France (CRE), Greece (RAE), Israel (PUA and NGA), Italy (AEEGSI), Jordan (EMRC and MEMR), Lebanon (LCEC), Libya (ME), Malta (REWS), Montenegro (REGAGEN), Morocco (ANRE and MEM), Palestine (PERC), Portugal (ERSE), Slovenia (AGEN-RS), Spain (CNMC), Tunisia (MIT) and Turkey (EMRA)).

MEDREG promotes a transparent, stable and harmonised regulatory framework in the Mediterranean region, with an emphasis on market integration and infrastructure investment, as well as consumer protection and stakeholder cooperation in the Mediterranean basin, with a view to implementing the conditions to create a future Mediterranean Energy Community (bottom-up approach).

MEDREG is actively supported by the EU and CEER. The General Assembly of MEDREG meets twice a year.

During 2020, CERA participated in the 29th and 30th General Assembly of MEDREG. Due to the measures for the containment of the COVID-19 pandemic both General Assemblies of MEDREG were held online.

At the same time, CERA participated in institutionalized working groups on institutional issues, electricity, gas, renewable energy sources and energy efficiency and consumers. In 2020, CERA had chaired the Working Group on Renewable Energy Sources and Energy Efficiency and one of the main activities of that period was the preparation of a study entitled "New available regulatory options for integration of RES" (RES-WG.pdf (medreg-regulators.org)).

In addition, CERA in cooperation with the Portuguese National Regulatory Authority (ERSE) and MEDREG provided technical assistance in matters of transparency and good practices regarding tender mechanisms in the field of RES to the Lebanese authorities, that are active in the energy sector with main recipient the Lebanese Center for Energy Conservation (LCEC). In this context, a relevant seminar was organized in 2020 on issues of transparency and good practices in relation to tenders in the field of RES-E (Handbook-LCEC-modified-version.pdf (euneighbours.eu)).

Energy Community (European Community)



The Energy Community (European Community) (<https://www.energy-community.org>) was established by the International Treaty signed in Athens in 2005. The Treaty establishing the Energy Community unites the European Union and the countries of the region of Southeastern Europe and the Black Sea.

Main objectives of the Energy Community are to attract investments in energy generation and networks, to ensure a stable and sustainable energy supply, to contribute to the integration of the energy market, to enhance security of supply, to promote environmental protection and to strengthen the regional competition.

The Energy Community consists of nine Contracting Parties (Albania, Bosnia-Herzegovina, Kosovo, Northern Macedonia, Georgia, Moldova, Montenegro, Serbia and Ukraine), three Observers (Armenia, Norway and Turkey) and nineteen Participating EU Member States.

Energy Community Regulatory Board (ECRB)



The Energy Community Regulatory Board (ECRB) (<https://www.energy-community.org>) is the coordination platform for the exchange of knowledge and the development of best practices for the regulated electricity and natural gas markets in the Energy Community. The mission of ECRB is to facilitate the development of competitive and integrated electricity and natural gas markets for the benefit of the Energy Community, the businesses and the citizens.

According to the Treaty, the Regulatory Board:

- advises the Council of Ministers or the Permanent High-Level Group on the details of legal, technical and regulatory rules;
- issues recommendations on cross-border disputes between two or more regulatory authorities, at the request of any of them;
- takes measures, if authorized accordingly by the Council of Ministers;
- adopts Procedural Acts.

ECRB is composed of representatives of the regulatory authorities of the eight Contracting Parties (Albania (ERE), Bosnia-Herzegovina (SERC), Former Yugoslav Republic of Macedonia (ERC), Montenegro (REGAGEN), Serbia (AERS), Moldavia (ANRE), Ukraine (NEURC) and Kosovo (ERO)). ECRB, also, includes ten representatives of non-voting regulators, the so-called Participants (Austria (E-Control), Bulgaria (SEWRC), Croatia (HERA), Cyprus (CERA), Germany (BNetzA), Greece (RAE), Hungary (MEKH), Italy (AEEGSI), Romania (ANRE) and one representative of ACER). In addition, the observer status has been assigned to two regulatory authorities (Georgia (GNERC) and Turkey (EMRA)).

European Commission Forum

The European Commission established in 1998 the European Electricity Regulatory Forum (Florence Forum) in order to create a common electricity market within the EU internal market. One year later, the European Natural Gas Regulatory Forum (Madrid Forum), equivalent of the Florence Forum for the natural gas sector, was established. The European Regulatory Forums are convened once or twice a year with the participation of the Commission, the Member States, the members of the European Parliament, representatives of energy regulators and transmission system operators, representatives of organizations of traders, consumers, transmission system users and organized energy markets and have now become informal Community advisory bodies and areas for highlighting internal market problems and promoting solutions to them. The European Regulatory Forums in Florence and Madrid were the basis for the establishment of the European Energy Forum of Citizens (London Forum), which provides support to the consumers for energy market problems and seeks solutions. They were also the basis for the establishment of the European Sustainable Energy Regulatory Forum (Bucharest Forum), which deals with the promotion of sustainable energy.

CERA regularly attends the European Energy Forums and participates in them. In October 2020, CERA participated in the 34th European Natural Gas Regulatory Forum, which was held online.

Other International Activities

During the year under review, due to restrictions and measures to contain the COVID-19 pandemic, many of the international activities, in which CERA participates, and consequently trips abroad were cancelled. CERA participated with presentations in the following international activities:

- Speech by Dr. Andreas Poulikkas, Chairman of CERA, "Future challenges for SE Mediterranean region natural gas reserves", at Athens Energy Dialogues, on 23 January 2020, in Athens.
- Presentation of Ms Maria-Eleni Delenta, Energy Engineer A CERA, «RES-E auctions in the Mediterranean Region» in the context of the three-day web seminar 'MEDREG Experts Exchange for the Lebanese Centre for Energy Conservation (LCEC) -Transparency and accountability in renewable energy auctions' on 27-29 July 2020.

Local Activities

During the year under review, due to restrictions and measures to contain the COVID-19 pandemic, several local activities were also cancelled. CERA received invitations for speeches and presentations in Cyprus in order to present issues related to energy and to contribute to the global and unrestricted information on the issues of electricity, natural gas, licensing, etc. More specifically, CERA participated with presentations at the following local activities:

- Speech by Ms. Pantelitsa Papachristou, Lawyer, CERA, "Powers and responsibilities of the Cyprus Energy Regulatory Authority", within the course "European Energy Law" at the Law Department of the University of Cyprus, on 7 February 2020.
- Opening Speech by Dr. Andreas Poulikkas, Chairman of CERA at the "12th Mediterranean Conference and Exhibition on Power Generation, Transmission, Distribution and Energy Conversion (MedPower2020)", on 9 November 2020, at the Annabelle Hotel in Paphos.
- Greeting by Dr. Andreas Poulikkas, Chairman of CERA, at the 8th Energy Symposium on 15 December 2020, in Nicosia.
- Speech by Dr. Andreas Poulikkas, Chairman of CERA, "Cyprus Strategies Towards Decarbonization", at CSP4Climate 2020 International Conference, on 15 December 2020, in Nicosia.

Co-financed projects in which CERA participates

Integrated Platform for Increased FLEXibility in smart TRANSmision grids with STORage Entities and large penetration of Renewable Energy Sources (FLEXITRANSTORE)

The FLEXITRANSTORE research project is an EU-funded project under HORIZON 2020 (Grant Agreement No. 774407), which started on 1 November 2017 and will last 48 months, namely until 31 October 2021.

The project consortium consists of 30 partners, including transmission and distribution system operators, energy regulators, service providers and manufacturers. The partners of Cyprus are TSOC, DSO, the University of Cyprus and CERA.

The FLEXITRANSTORE research project is essentially a platform that will offer flexibility in smart networks with storage and high infiltration of renewable energy sources. The program aims to contribute to the development of a pan-European transmission network with high flexibility and high levels of interconnection.

Through the program, innovative technologies, control and storage methods and new market approaches will be developed, installed and tested through 8 pilot installations (Greece, Bulgaria, Cyprus, Slovenia and Spain). One of these installations will take place at the substation in Cyprus. It is an Active Distribution Node (ADN) in the Athienou substation, with a storage system capacity of 1MW and energy up to 2MWhh, in combination with additional facilities related to hardware and software at various points for the integration, monitoring and control of systems. Most of them are installed at the substation as the boundary point between the transmission and distribution systems with the aim of utilizing the substation as an ADN by the system operators (TSOC and DSO). The installation was expected to take place in early 2020, however due to restrictions and measures to contain the COVID-19 pandemic, it was postponed. The installation is expected to conclude in early 2021, while its operation will continue at least until the end of the FLEXITRANSTORE project.

Empowering the Cyprus power system with sustainable and intelligent technologies (EMPOWER)

The EMPOWER project is part of the RESTART 2016-2020 programs of the Research and Innovation Foundation for Research, Technological Development and Innovation.

EMPOWER brings together all key stakeholders in the electricity sector in Cyprus with the aim of developing sustainable and intelligent technologies and tools for the electricity system of Cyprus. EMPOWER aims to improve the efficiency of research, technological development and innovation in Cyprus, focusing on the energy priority sector.

The general objectives of EMPOWER are:

- Evolution of the electricity system of Cyprus.
- Increase of the share of RES in the energy mix of Cyprus.
- Development of important links and synergies between the members of the quadruple propeller (research centers, higher education institutions, companies, policy makers and other stakeholders).

Integration of innovative green technologies on existing public transportation buses for 5 % to 30 % fuel savings (BUSFUELSAVINGS)

The BUSFUELSAVINGS project is part of the RESTART 2016-2020 programs of the Research and Innovation Foundation for Research, Technological Development and Innovation.

The public transport of Cyprus consists of 2600 buses, which consume approximately 60,000,000 liters of diesel per year. High fuel consumption is a significant cost for transport companies struggling to survive though government subsidies. Additionally, the massive use of diesel causes environmental pollution with all the negative effects on the quality of life of society.

The aim of the BUSFUELSAVINGS project is to reduce this problem by reducing bus fuel consumption by 5-30 % and reducing exhaust emissions (particles, unburnt hydrocarbons, CO₂, CO, NO_x) by >20 %. The only possible way to achieve this goal is to increase the engine efficiency of existing buses by integrating on existing engines an innovative, green technology, such as the HHO gas generator.

This is a project of large-scale and multidisciplinary collaboration, which aims at enhancing the effectiveness of the Research, Technological Development and Innovation system and the interconnection with the productive base in transport. It is expected to bring concrete results to strengthen the competitiveness of the economy and will have an impact on economic growth and quality of life. It will, also, create new businesses and jobs that are expected to contribute to address the unemployment.

Storage and Renewables Electrifying Cyprus (SREC)

The SREC project is part of the RESTART 2016-2020 programs of the Research and Innovation Foundation for Research, Technological Development and Innovation.

Energy storage is a methodology that necessarily accompanies the conversion and use of energy from renewable sources. It is a significant parameter in the effort to increase the share of RES injected into the networks. In isolated networks, such as the one in Cyprus, the need for storage is a high priority for reasons of security of supply, utilization of infrastructure, inflow of RES, reduction of emissions, domestic added value and sustainability.

During the implementation of the SREC project, the storage/hybridization technologies with RES will be explored, new storage/hybridization combination suitable for Cyprus will be developed, the possibility

and effects of storage in different size scales and application will be examined in combination with "smart networks" and the results of the storage/hybridization in their cooperation with the networks, energy costs, utilization and development of infrastructure, domestic added value and sustainability will be quantified.

Additionally, the aim of the SREC project is the development and implementation of a regulatory framework that will allow the operation and integration into the network of aggregation projects, so that projects can be implemented. Locating storage projects throughout Cyprus in order to select 2 medium scale ones from them as prototypes is another aim of the SREC. These two model projects will be studied and licensed utilizing the procedures that will be developed in this project and will eventually be presented for implementation and operation to stakeholders.

At the end of the project, it is expected that there will be specific available energy storage and hybridization technologies suitable for application in Cyprus, proposals for their location, regulatory framework and two pilot projects ready for construction and operation.

Intelligent light sensing for next generation smart grids (LightSense)

The LightSense project is part of the RESTART 2016-2020 programs of the Research and Innovation Foundation for Research, Technological Development and Innovation.

The primary goal of the project is to holistically address the open challenges related to the availability, fault tolerance and security of energy distribution networks in Cyprus, with an emphasis on timely fault prevention and intrusion detection. In particular, it aims at:

- Exploit the optical sensing capabilities of the existing optical fiber, on-grid network, to enable the remote and automated, continuous, and timely monitoring of the grid infrastructure integrity of the principal energy supplier within Cyprus.
- Extract critical information, such as the locations of transmission inefficiencies, such as hot-spots, and provide predictive information regarding the emergence and location of possible faults, in order to ensure reliability and continuity of supply.
- Address the lack of informed policy with regard to issues of security and reliability in the context of actively monitoring future smart grids at the operations level, in real-time.
- Monitor unmanned or unsupervised critical infrastructure to prevent unauthorised interference and access.

Modernizing the distribution grid for enabling high penetration of photovoltaic electricity through Advanced data analytic operational observability and management (ELECTRA)

The ELECTRA project is part of the RESTART 2016-2020 programs of the Research and Innovation Foundation for Research, Technological Development and Innovation.

Solar energy is vital for the future energy mix of Cyprus and in order to enable a larger scale development and to increase the competitiveness of photovoltaic technology (technical and economical), it is important to ensure, above all, their optimal integration into the network by modernising and transforming the distribution grid.

This is in line with the objectives of this call for smart development, S3Cy, Priority Area 2. Energy, focus area: 2.4.3 Energy transmission and distribution networks.

This is the background under which this project was launched for the creation of a strong research network, which will actively participate in the goal of applied research and specifically ensure the

optimal integration of photovoltaic systems in the distribution network, securing high levels of penetration through the active participation of all the key components of the quadruple propeller (research, companies, end-user representatives, policy makers).

The integrated project is a project of large-scale and multidisciplinary collaboration that primarily addresses the timely challenge of reducing carbon in a holistic approach, allowing higher shares of photovoltaic systems in the distribution network. Coordinated and integrated project activities for the development and validation of an innovative adaptive multi-service distribution management architecture that enables the efficient, resilient and secure operation of future distribution systems with high distributed energy penetration.

Finally, the project will try to enhance the research activities for the actual release of the real potential of photovoltaic systems and their high penetration into the energy mix.

Introduction

CERA was established based on the provisions of the Law Regulating the Electricity Market of 2003. It is an independent public authority which is competent for granting licenses to participants involved in the generation, transmission, distribution and supply of electricity.

The activities of generation and supply of electricity concern competitive activities, meaning that the interested parties are given the opportunity, after obtaining the relevant licenses, to be involved and participate on a competitive basis in the electricity market and according to the regulations set by CERA, as independent producers and/or as independent electricity suppliers.

Although the activities of generation and supply belong to the competitive part of the electricity market, the EAC as producer and supplier, is regulated by CERA, because it occupies at this stage a dominant position in the market. More specifically, CERA controls and regulates its economic parameters, so as to achieve a healthy environment, allowing new independent producers and suppliers to enter in the market and compete on equal terms.

The activities of transmission and distribution of electricity are inherently monopolistic activities. These activities concern the operation and ownership of the transmission and distribution system. The transmission and distribution systems are overhead lines and/or underground cables for the transmission and distribution of electricity from power plants (power plants from conventional generating stations and RES stations) to the end consumers for consumption.

The ownership of the transmission and distribution systems belongs to EAC, which obtained the relevant licenses from CERA as OTS and ODS, respectively.

The transmission system is operated by the TSOC following the granting of the relevant license by CERA, which is a legal entity governed by public law. The distribution system is operated by the DSO, following the granting of the relevant license by CERA, which belongs to EAC.

Licensing and Exemption from License

The Licenses issued by CERA in accordance with Article 34 of Laws Regulating the Electricity Market of 2003 to 2018 concern the:

- Construction and operation of a power plant with conventional fuels for commercial purposes.
- Construction and operation of a power plant with conventional fuels for self-consumption and reserve purposes with a generating capacity greater than 1MW.
- Construction and operation of a power plant using RES with a generating capacity of more than 5MW.

- Supply of electricity.
- Execution of responsibilities of TSOC.
- Execution of responsibilities of DSO.
- Execution of responsibilities of OTS.
- Execution of responsibilities of ODS.

Exemptions from Licenses granted by CERA in accordance with Article 35 of the Laws Regulating the Electricity Market of 2003 to 2018 concern the:

- Construction and operation of a power plant using RES with a generating capacity of up to 5MW.
- Construction and operation of a power plant with conventional fuels for self-consumption and reserve purposes with a generating capacity up to 1MW.

License for supply of electricity

In 2020, 4 applications were submitted for the issuance of Licenses for supply of electricity to end consumers for the period of validity of the transitory regulation of the electricity market and 3 Licenses for supply of electricity have been granted to the end consumers for the period of validity of the transitory regulation of the electricity market.

For the period of validity of the transitory regulation of the electricity market CERA has granted a total of 16 Licenses for supply of electricity and has rejected one application.

License for the construction and operation of power plants for commercial use

Conventional Units

In 2020, no applications were submitted for a License for the construction of a power plant for commercial use. However, 1 License for the construction of a power plant for commercial use, with total electricity capacity of 130MWe was granted.

This License concerns the additional generating potential, which was decided to be installed for the period from 1 June 2020 to 15 September 2020. It was installed in case the existing licensed generation units would not be sufficient to meet the demand for electricity and the operational reserve margin would not be available and since Steam Unit 1 of the Vasilikos Power Plant (PP), with an installed capacity of 130MWe is not in operation due to the suspension of work on the construction sites of Vasilikos PP from 18 March 2020 to reduce the risk of infection of the personnel by the COVID-19 virus.

The installed capacity of electricity of conventional units did not change in the year 2020, it remains at 1478MWe, as it was in the previous year 2019. The geographical distribution of the power plants for commercial use is presented in Figure 2.

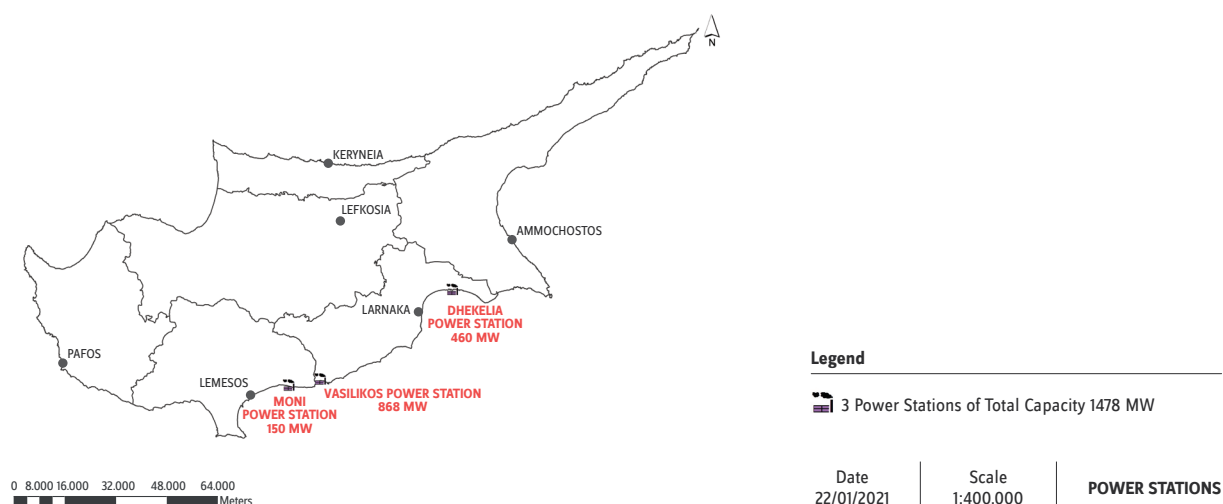


Figure 2 - Descriptive presentation and geographical distribution of installed conventional units for commercial use until 2020

Renewable Energy Sources (RES)

Wind Farms

In 2020, no Licenses have been granted for the construction and operation of wind farms. The installed capacity of wind farms did not change in the year 2020, it remains at 157.5MWe, as it was in the previous year 2019.

Photovoltaic Systems

In 2020, 11 applications were submitted for the issuance of a License for the construction of power plants for commercial use, with total electricity capacity of 163.12MWe. In 2020, 4 Licenses for the construction of a power plant for commercial use, with total electricity capacity of 108.2MWe and 1 License for the construction of a power plant for commercial use, with total electricity capacity of 8MWe were granted.

Solar Thermal Plants

In 2020, one application was submitted for the issuance of a License for the construction of a solar thermal plant, for the generation of electricity for commercial use, with total electricity capacity of 65MWe and 1 License for the construction of a solar thermal unit and combustion of natural gas, for the generation of electricity for commercial use, with total electricity capacity of 50MWe.

Kinematic-magnetic Plants

In 2020, 1 application was submitted for the issuance of a License for the construction of a power plant for commercial use, using kinematic-magnetic energy, with total electricity capacity of 2.5MWe and 1 application for the issuance of a License for the construction of a power plant for commercial use, using kinematic-magnetic energy, with total electricity capacity of 3,5MWe was rejected.

The following Figures 3, 4, 5 and 6 show statistical data on Licenses for the construction and operation granted by CERA for the generation of electricity from conventional units and RES units for the period starting from the establishment of CERA until the end of 2020.

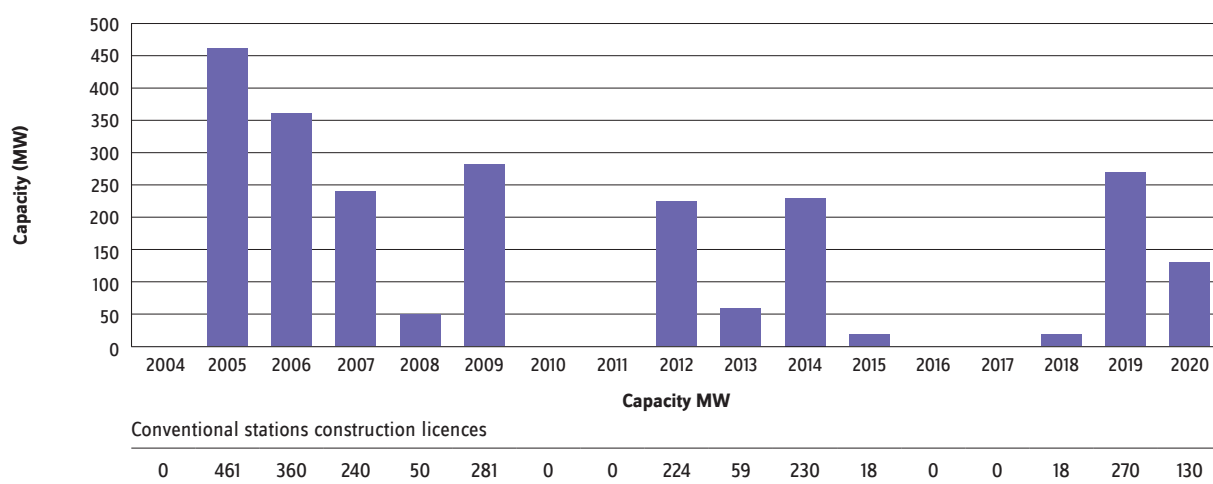


Figure 3 - Licenses for the construction of conventional plants for the generation of electricity granted between 2004 and 2020

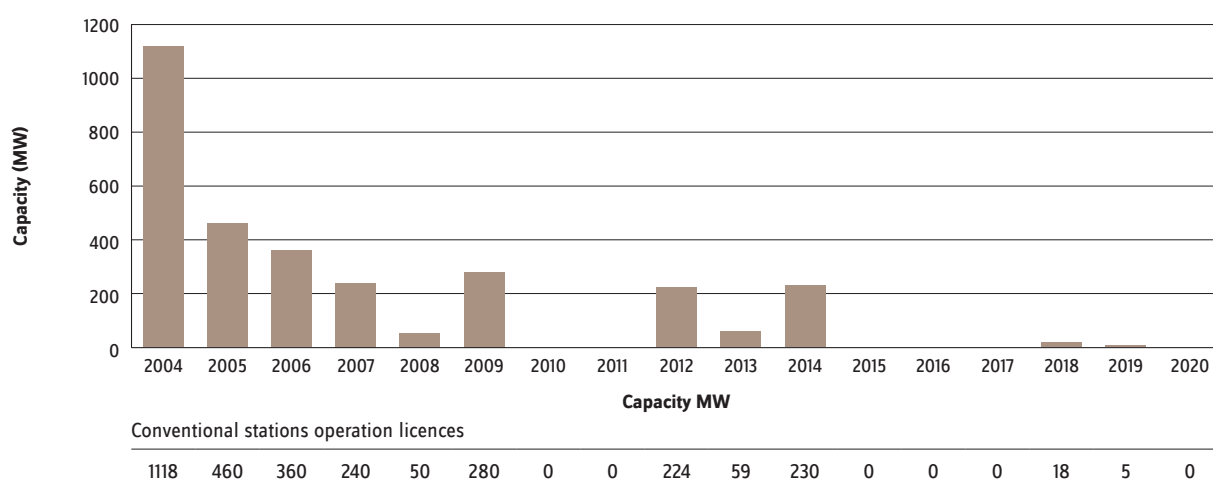


Figure 4 - Licenses for the operation of conventional plants for the generation of electricity granted between 2004 and 2020

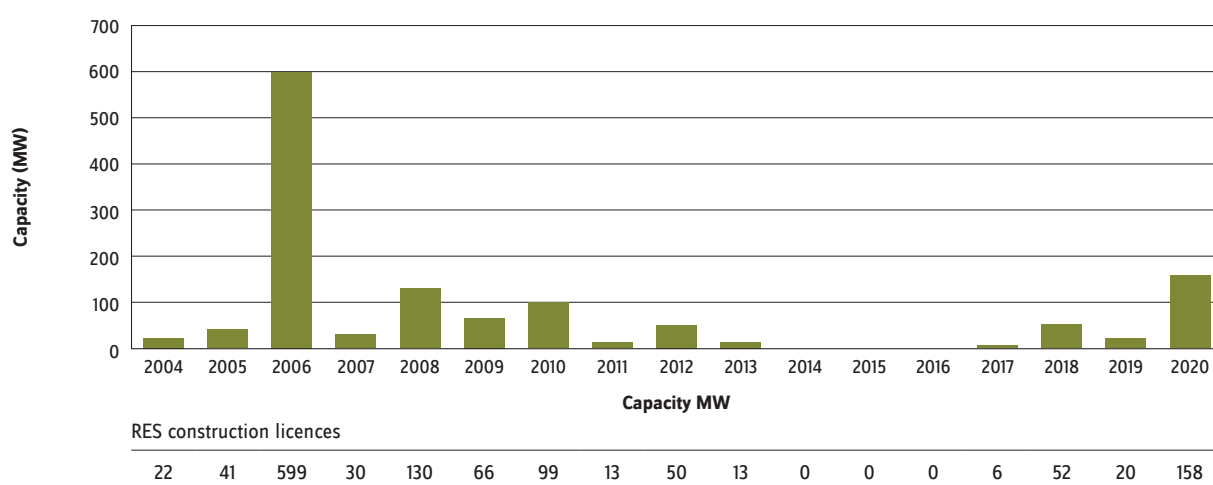


Figure 5 - Licenses for the construction of RES plants granted between 2004 and 2020

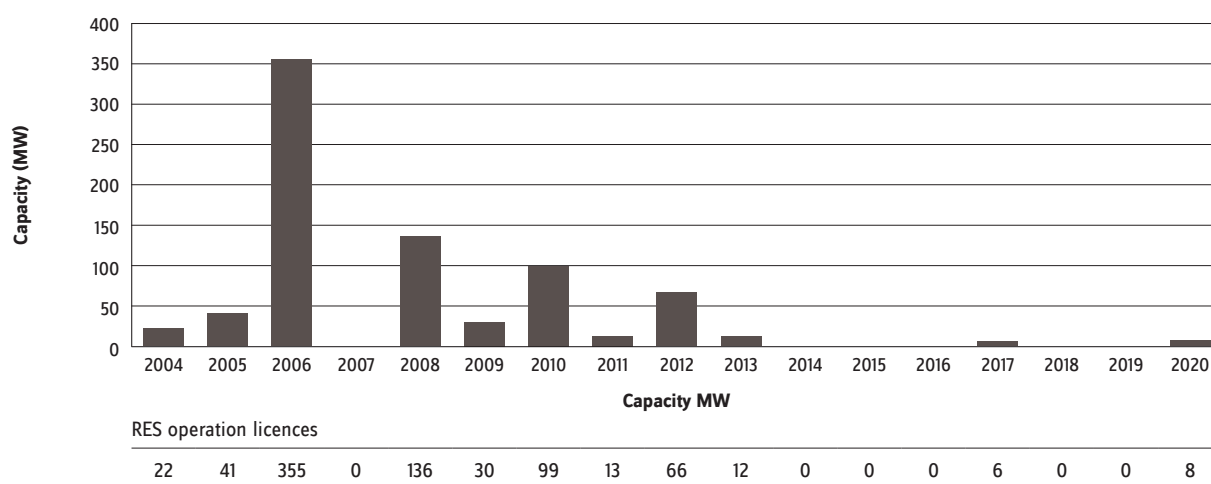


Figure 6 - Licenses for the operation of RES plants granted between 2004 and 2020

License for the construction and operation of power plants for self-consumption

Conventional units for self-consumption

In 2020, 3 Licenses for the construction and operation of power plants for self-consumption (self-generation), with conventional fuels, with total electricity capacity of 4MWe were granted and 2 Licenses for the construction and operation of power plants for self-consumption (self-generation), with conventional fuels, with total electricity capacity of 5.2MWe were revoked. The installed capacity of conventional units for self-consumption has been reduced in 2020 and is at 27.5MWe.

Renewable Energy Sources

No Licenses were granted for the construction and/or operation of power plants from RES for self-consumption in 2020.

Exemption from License for the construction and operation of power plants

Conventional units for self-consumption, autonomous self-generating systems or reserve purposes

In 2020, 114 Exemptions from Licenses for the construction and operation of power plants using conventional fuels for reserve purposes and autonomous systems of self-generation, with a total installed capacity of 21.44MWe were granted.

The total installed capacity of conventional units for reserve purposes and autonomous systems of self-generation is 223.54MWe.

Renewable Energy Sources (RES)

COMMERCIAL USE

Wind Farms

1 Exemption from License for the construction of a power plant, wind farm, with a capacity of 4.2MWe was granted in 2020.

Photovoltaic Systems

In 2020, 32 Exemptions from Licenses for the construction of photovoltaic systems, with capacity of 52.1MW and 30 Exemptions from Licenses with a total installed capacity of 42.2MW were granted.

The total installed capacity of photovoltaic systems for commercial use, which are included in the Support Schemes of MECl is 138.1MWe.

Biomass/Biogas Systems

In 2020, no Exemptions from Licenses for the construction and operation of power plants using biomass/biogas were granted. The installed capacity of biomass/biogas plants for commercial use did not change in the year 2020, it remains at 9.7MWe, as it was in the previous year, 2019.

SELF-CONSUMPTION

Photovoltaic systems with the method of self-generation/net-billing in commercial and industrial premises

In 2020, 89 Exemptions from Licenses for the construction of power plants, photovoltaic systems, with capacity of 12.5MWe and 74 Exemptions from Licenses with a total installed capacity of 7.26MWe were granted.

The total installed capacity of photovoltaic system with the method of self-generation/net-billing is 15MWe.

Biomass/biogas systems with the method of self-generation/net-billing

No Exemption from License for the construction of biomass/biogas systems was granted in 2020.

The installed capacity of biomass/biogas plants for commercial use did not change in the year 2020. It remains at 3.1MWe, as it was in the previous year 2019.

Figures 7 and 8 present the capacity of the Exemptions from Licenses for construction and operation of RES respectively, which were granted between 2005 and 2020.

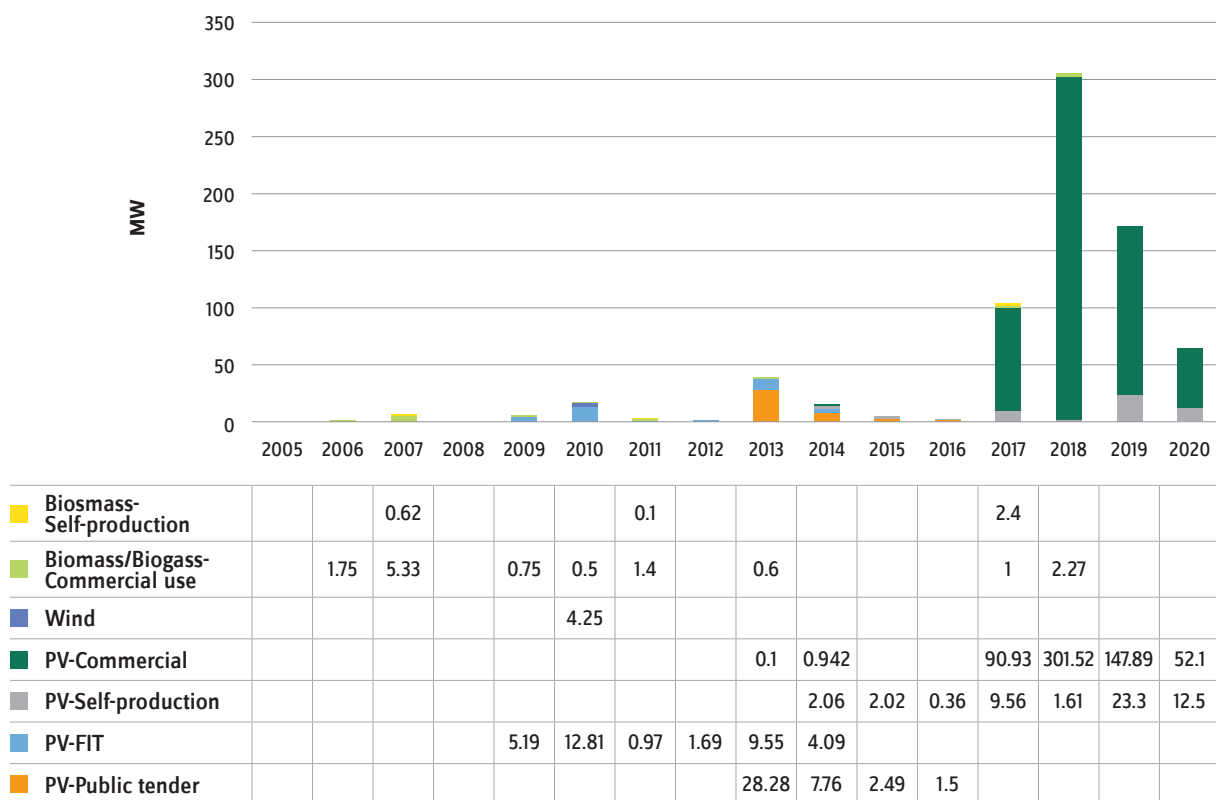


Figure 7 - Capacity (MW) of Exemptions from License for construction of RES for the period 2005-2020

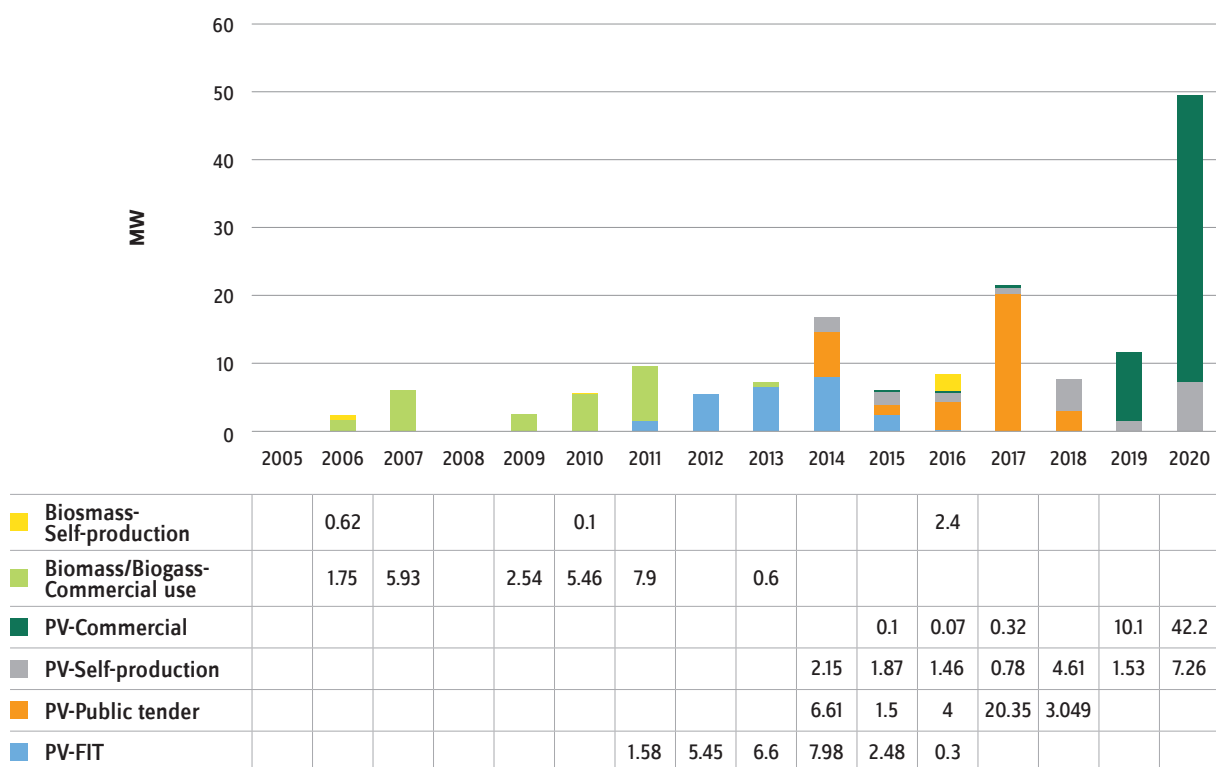


Figure 8 - Capacity (MW) of Exemptions from Licenses for operation of RES for the period 2005-2020

Photovoltaic systems with the method of net-metering

"Net-metering" is addressed to all consumers in whose premises a small photovoltaic system with capacity up to 10kWe is installed. According to this method, the difference is calculated between the electricity that is generated from the photovoltaic, which is installed in the premises, and is injected to the grid, and the electricity that is imported from the grid of electricity, to meet the demands of the premises.

DSO was appointed by CERA as the implementing body for the net-metering scheme. In 2020, 4,989 photovoltaic systems with a total installed capacity of 23.41MWe have been installed.

In 2020, the total installed capacity of the photovoltaic systems of the category of net-metering is 77.40MWe.

Figure 9 presents the number and capacity of installed photovoltaic systems with the method of net-metering for the period 2013-2020.

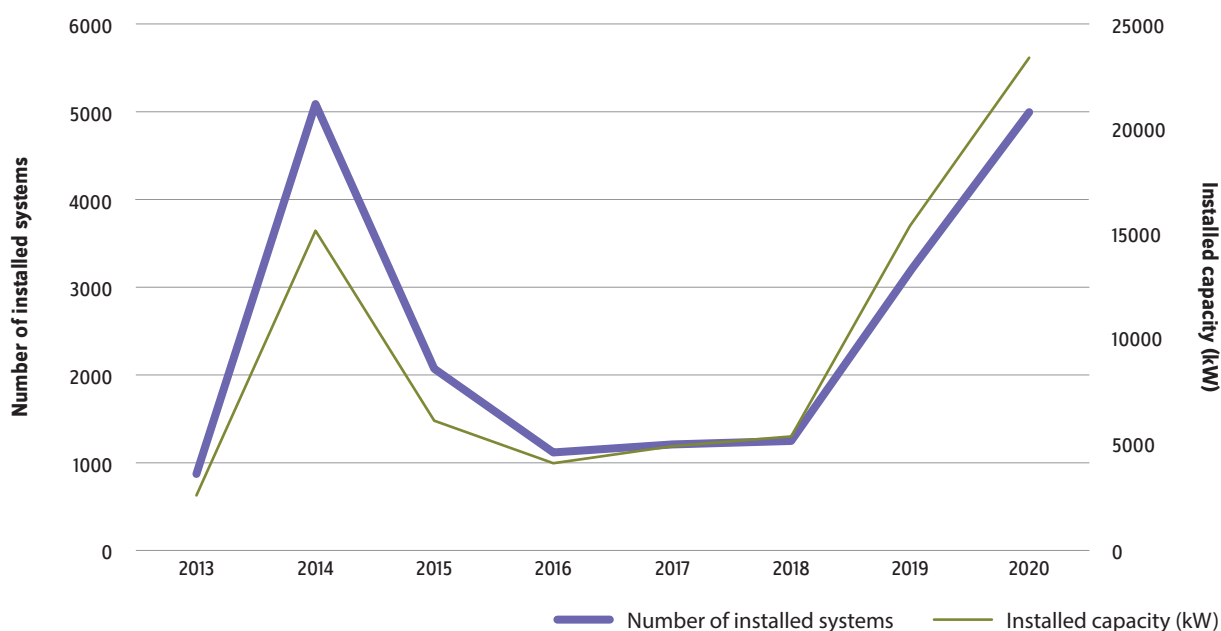


Figure 9 - Number of installed photovoltaic systems with the method of net-metering for the period 2013 - 2020

Pilot/Innovative systems

In 2020, no application was submitted in the context of the Decision 1494/2016 of CERA.

Figure 10 presents the geographical distribution of installed RES units with a capacity of more than 20kWp, until 2020. The Figure shows the equable distribution of RES units in the territory of the Republic of Cyprus.

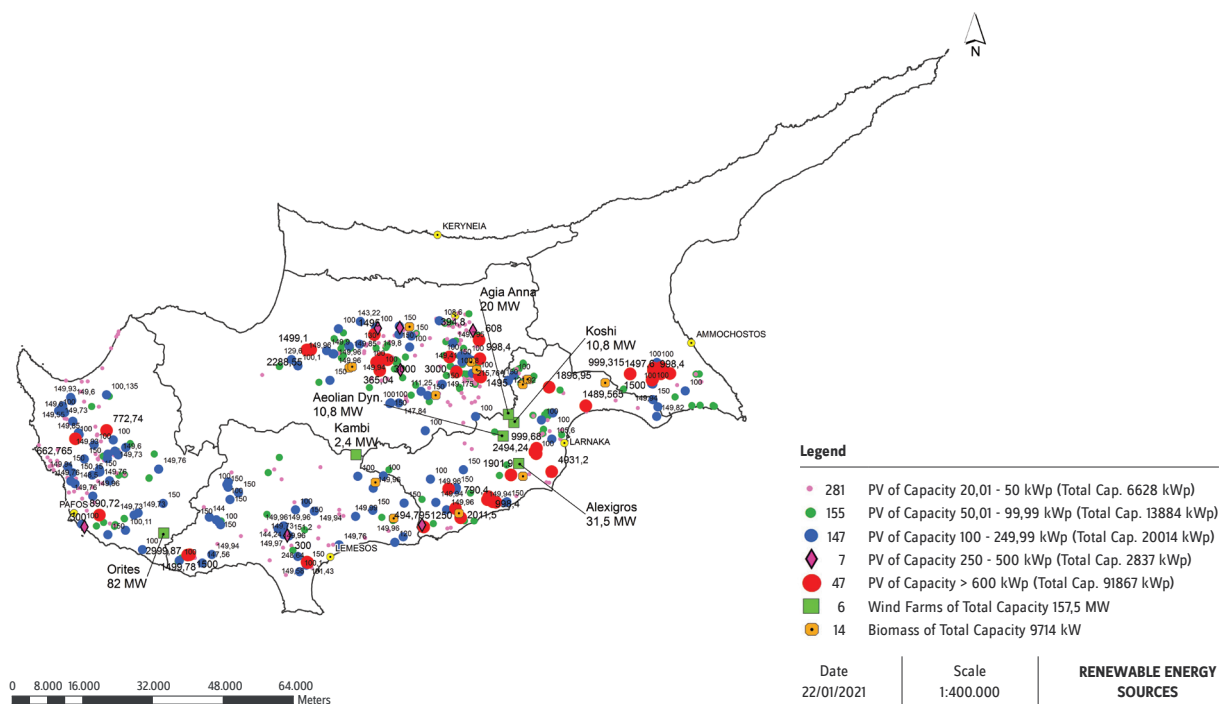


Figure 10 - Descriptive presentation and geographical distribution of installed RES units with capacity of more than 20kWp, until 2020

Registry of Applications for License and Issued Licenses

All lists of applications for Licenses as well as the issued Licenses/Exemptions from License, are registered on the website of CERA.

Data of generation of electricity during 2020

Total maximum generation of capacity and electricity

The maximum demand for 2020 occurred on Friday, 4 September 2020 at 14.22, where the total maximum generation of capacity was 1160 MW.

Total Generation of Energy (GWh)

Regarding the recorded total generation of electricity during 2020, the following important data have been registered:

- The total gross electricity generated reached 4,807,110 MWh.
- The EAC-Generation contributed with 4,246,106 MWh.
- The producers using RES generated 561,004 MWh.
- The power plants of EAC generated 198,885 MWh for their local needs.

- The energy from the conventional units of EAC-Generation, which was injected to the transmission system, reached 4,047,221 MWh.
- The energy that was exported from the transmission system to the substations of EAC and the large producers reached 4,275,959 MWh.
- The reported losses during the transmission amounted to 63,063 MWh, or 1.45%, of the energy that was imported in the transmission system.
- The reported losses during the distribution amounted to 176,700 MWh, or 4.0%, of the energy that was imported in the distribution system.

Load Factor

The load factor of the conventional unit for the generation of electricity was 47.4% in 2020, while in 2019 was at 52.6%.

Figure 11 shows the total generation of electricity for 2020.

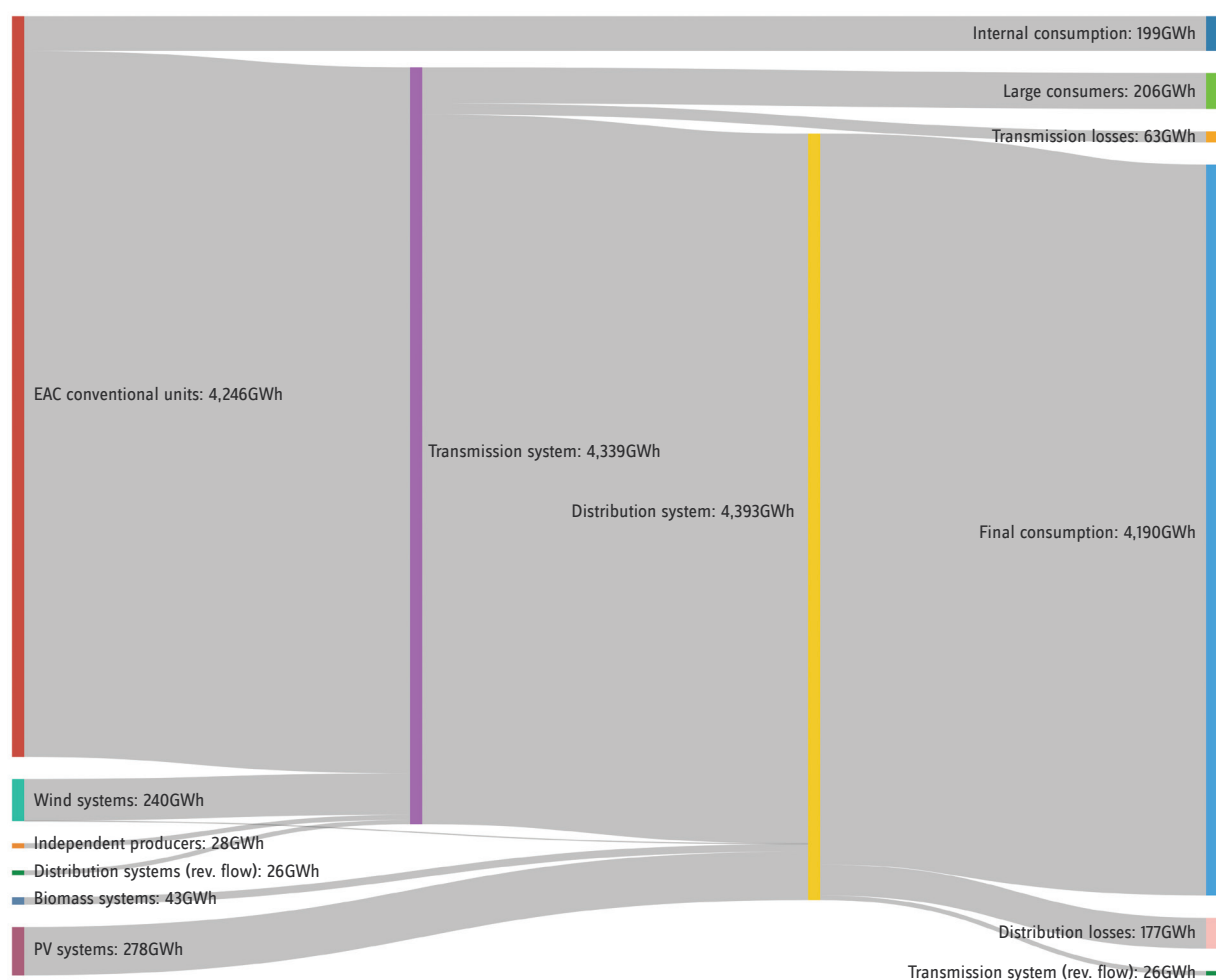


Figure 11 - Sankey diagram for the total generation of electricity (GWh) in 2020

Figures 12 and 13 present historical data of the generation from RES, which are connected to the network.

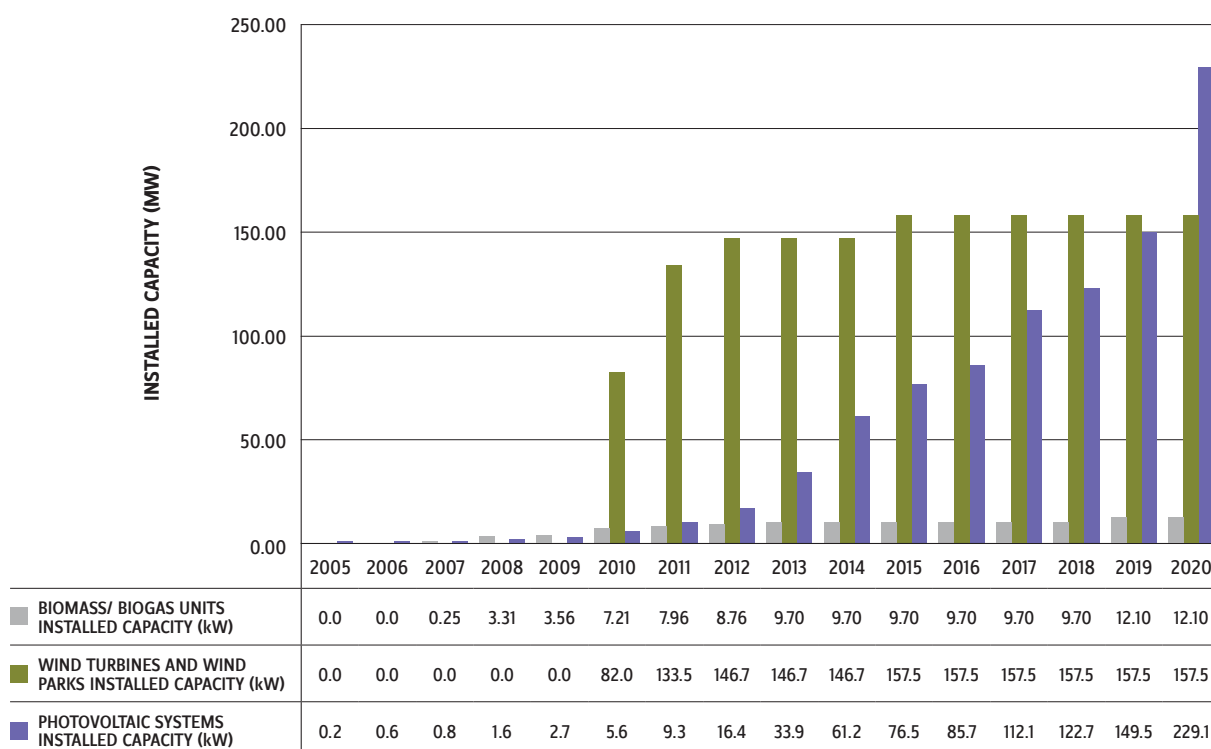


Figure 12 - Annually installed capacity (MW) of RES

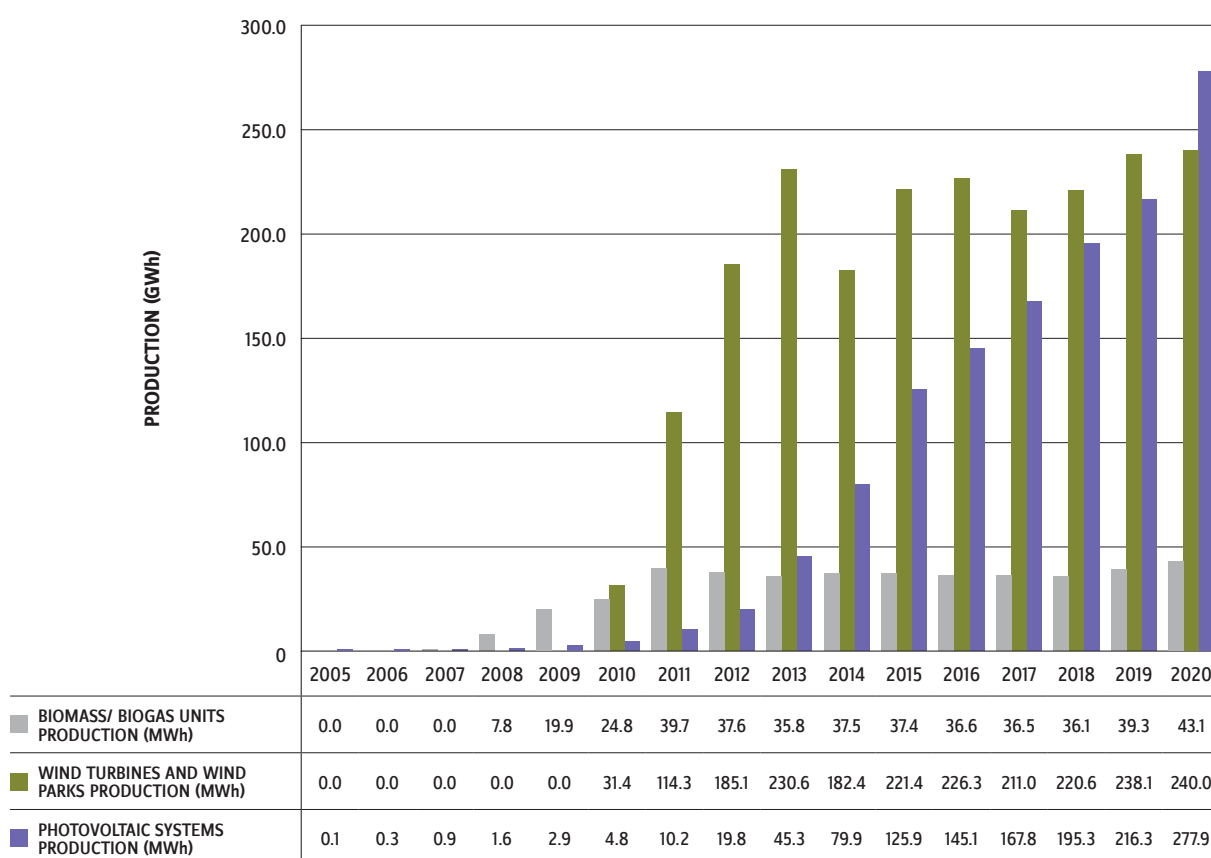


Figure 13 - Annually generation (GWh) of RES

Approved Forecast of Maximum Total Capacity (MW) and Total Generated Energy (GWh) for the decade 2020-2029

Figures 14 and 15 show the forecast of total generated energy (GWh) and maximum total capacity (MW) for the period 2020-2029. These forecasts were submitted on 13 February 2020 by the TSOC to CERA. CERA approved this proposal by Decision 73/2020.

The upper limit represents the expected demand in extreme conditions, that is conditions of prolonged heat wave in summer and low temperature in winter. The lower limit represents the expected demand in mild temperatures.

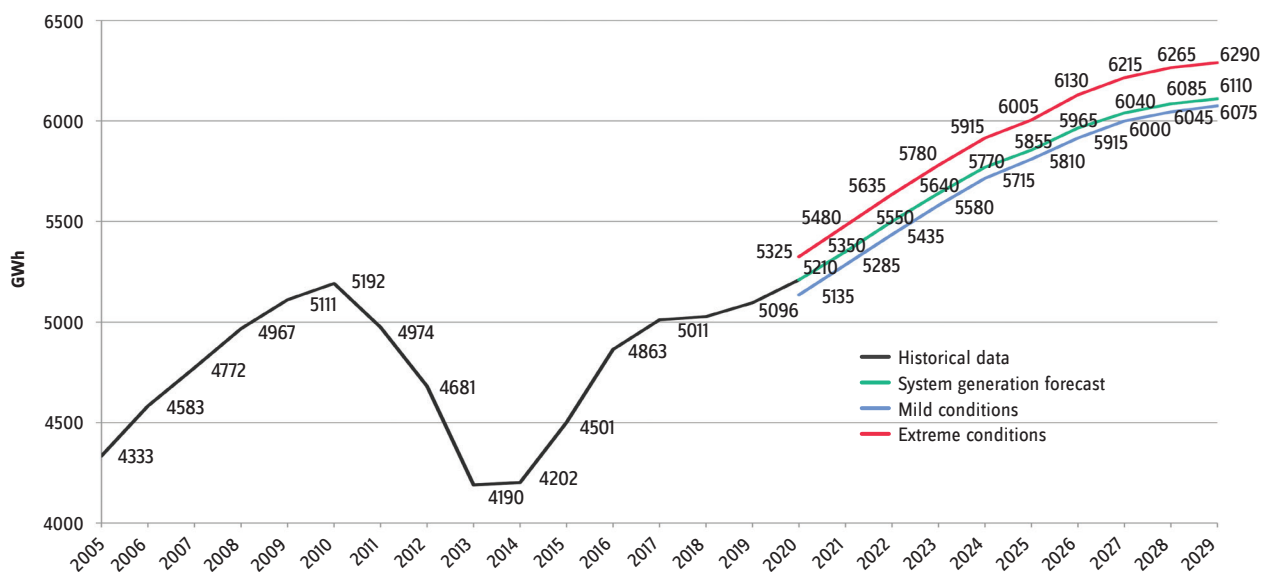


Figure 14 - Approved Forecast of Total Generated Energy (GWh) 2020-2029

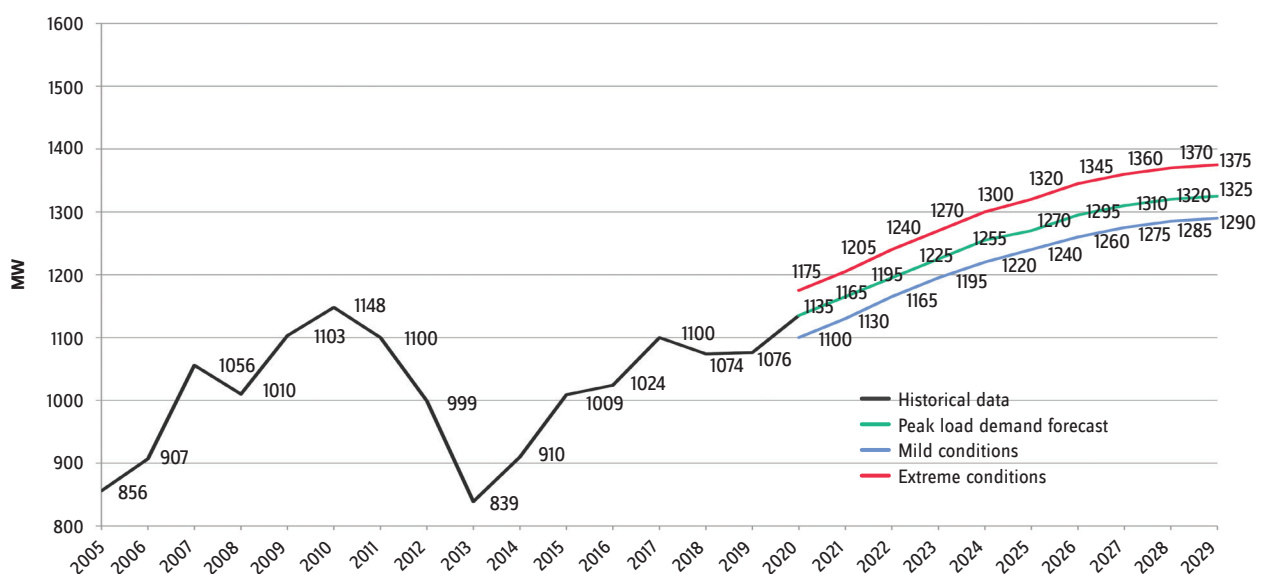


Figure 15 - Approved Forecast of Maximum Total Capacity (MW) 2020-2029

It is noted that, the approved long-term forecast of annual maximum total capacity and total generated electricity of TSOC for the decade 2020-2029, was drafted before the COVID-19 pandemic, so it was not considered that the pandemic would impact on the summer demand. In order to manage the adequacy, TSOC drafted a new preliminary forecast of maximum total capacity for the summer period of 2020, based on the data of the Ministry of Finance for the expected reduction of the Gross Domestic Product (GDP) due to the COVID-19 pandemic. According to the preliminary forecast of the TSOC the upper forecasted limit for extreme weather conditions was reduced by 125MW, i.e. from 1175MW to 1050MW.

Adequacy of Electricity Supply

Pursuant to the Laws Regulating the Electricity Market of 2003 to 2018, CERA is responsible for the adequacy of electricity in Cyprus, the reliability and security of the generation, transmission and distribution system, as well as the quality of electricity supply. CERA systematically monitors the adequacy, quality and reliability of the electricity supply and, whenever finds any shortfalls, informs the Minister of Energy, Commerce and Industry, who, after a consultation with CERA and TSOC, takes all indicated corrective measures.

As shown in Figure 16, during the year under review, the adequacy should be at sufficiently high level and within the reserve margin of installed capacity, between 20-40%, as provided by CERA's Decision 144/2017 of 17 July 2017, regarding the methodology for calculating the installed capacity reserve margin.

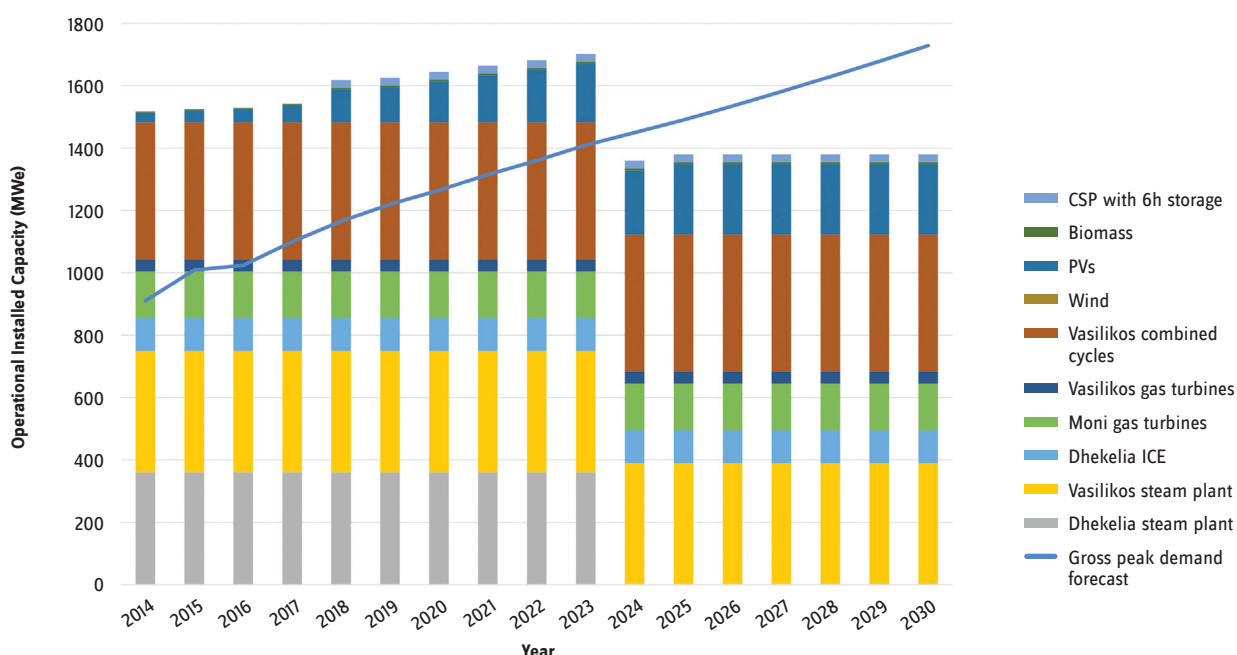


Figure 16 - Adequacy of Electricity Supply

During the summer period of 2020 measures were initially taken to satisfy the maximum capacity and to maintain the operating margin for the uninterrupted supply of electricity to consumers during the summer period. However, due to the adverse conditions caused by the pandemic the possibility of an electricity crisis was identified.

CERA as the competent authority to ensure the supply and implement the provisions of Regulation (EU) 941/2019, after evaluating the data, found, among others, that:

- The temporary generating potential of installed capacity of 130MWe could not practically operate commercially by the EAC-Generation for the critical period before 20 July 2020, due to the measures taken against the COVID-19 pandemic. The position of the TSOC was that this potential could not be installed and put into operation later than 20 July 2020 because, based on historic data, a decrease in demand of electricity is expected in August if the highest probability of maximum demand for electricity for the summer period is in July. Therefore, there is no reason for the EAC-Generation to continue the effort to install the temporary generation potential of installed capacity of 130MWe.
- According to historical data on the consumption of electricity, the highest probability of occurrence of the maximum total electricity capacity during the summer period is in July.
- Based on the approved forecast of maximum total capacity of electricity for extreme conditions, without the installation of the temporary generating potential and considering that the Steam Units 2 and 3 of the Vasilikos Power Plant are fully available, there will be marginal adequacy in the system, which will operate as in the previous years.
- If the temporary units and Unit 2 of the Vasilikos PP are not available, even with the reduction of the forecast of maximum capacity of electricity, there will be a problem of adequacy in the system of electricity. This is stated in the study for the adequacy of electricity of the TSOC based on the preliminary forecast that was drafted in the framework of the emergency action plan for the summer season 2020.
- Taking account of the fact that the additional generating potential of installed capacity of 130MW, which was decided to be installed for the period from 1 June 2020 to 15 September 2020 in case the existing licensed generating units of the EAC-Generation, which meet the requirements of the legislation regarding emissions of pollution, would not be sufficient to meet the demand for electricity and the operating reserve margin would not be available and given that Steam Unit 1 of the Vasilikos PP with an installed capacity of 130MW is not in operation due to the suspension of work on the construction sites of Vasilikos PP from 18 March 2020 to reduce the risk of infection of the personnel by the COVID-19 virus, while it is not expected to operate in the summer season of 2020, it is established based on Regulation (EU) 2019/941 that for the period 1 June 2020 until 15 September 2020 there is a possibility of an electricity crisis in the Republic of Cyprus.

Considering the above, CERA, as a competing authority under Regulation (EU) 2019/941 by decision 174/2020 decided to issue an early warning to the Commission and to plan and take measures to prevent the electricity crisis. It is noted that measures for the prevention of the electricity crisis taken by CERA, are not expected to have any impact on the internal energy market of Europe, because the electricity system of Cyprus is not interconnected with any other system of a Member State, nor are they expected to have any impact on the national electricity market because they do not affect the competition in any way.

Prices of electricity

Figures 17, 18, 19 and 20 present historical data for each year from 2016 until 2021 (in €/kWh):

- Network usage fees for consumers connected to low voltage (it includes the Transmission System Tariff, Medium Voltage Distribution System Tariff, Low Voltage Distribution System Tariff, Tariff for the Recovery of Expenses of the TSOC and the Tariff of Ancillary Services and Long-Term Reserve).
- The allowed revenue of EAC per unit sold.
- The average price of the basic wholesale tariff (T-W) per unit exported.
- The average price of the basic tariff of low voltage (Single rate domestic use tariff - Code 01).

It is noted that the new regulated tariffs of electricity of the EAC, which are based on the statement on the Regulatory Practice Statement and the methodology of electricity tariffs (Regulatory Decision 02/2015, KDP 208/2015), have entered into force since 2017.

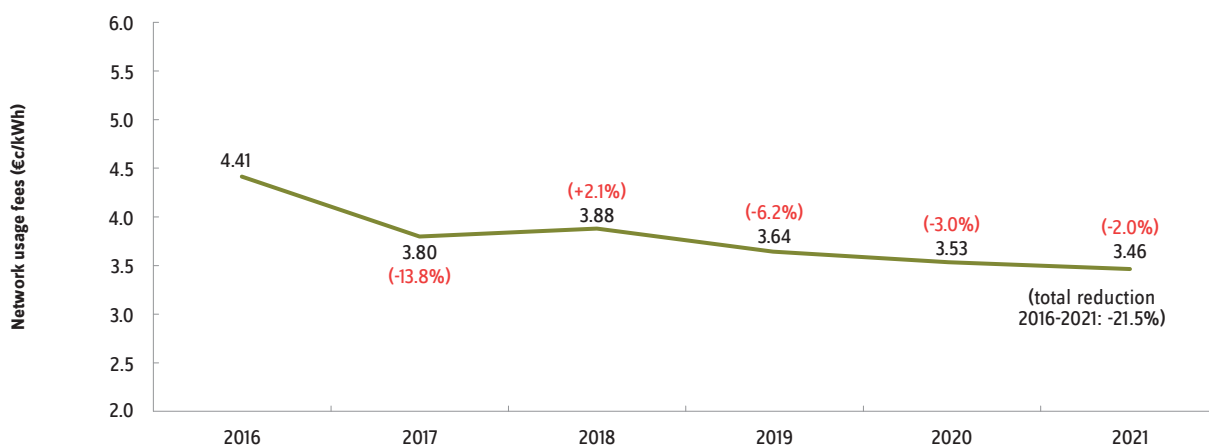


Figure 17 - Network usage fees for consumers connected to low voltage, for the years 2016-2021

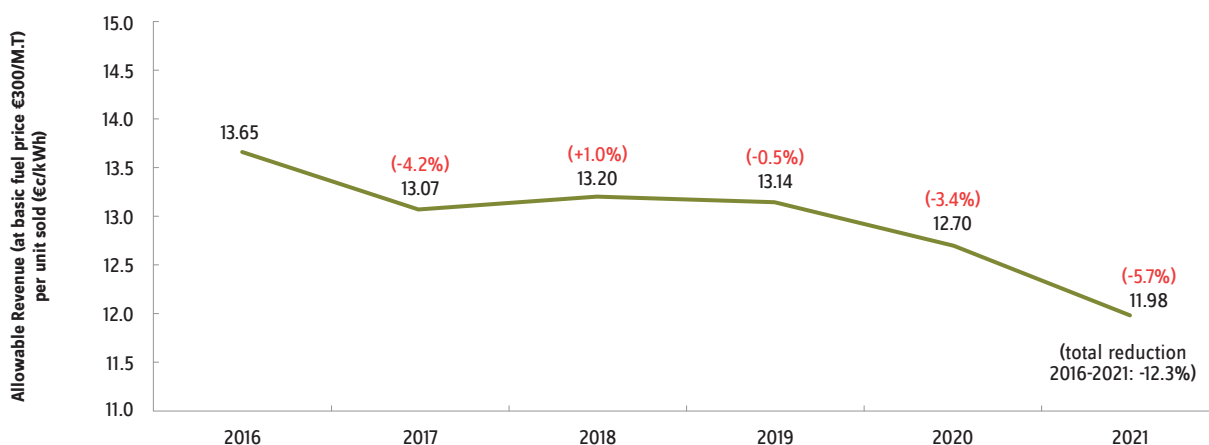


Figure 18 - The allowed revenue of EAC per unit sold, for the years 2016-2021

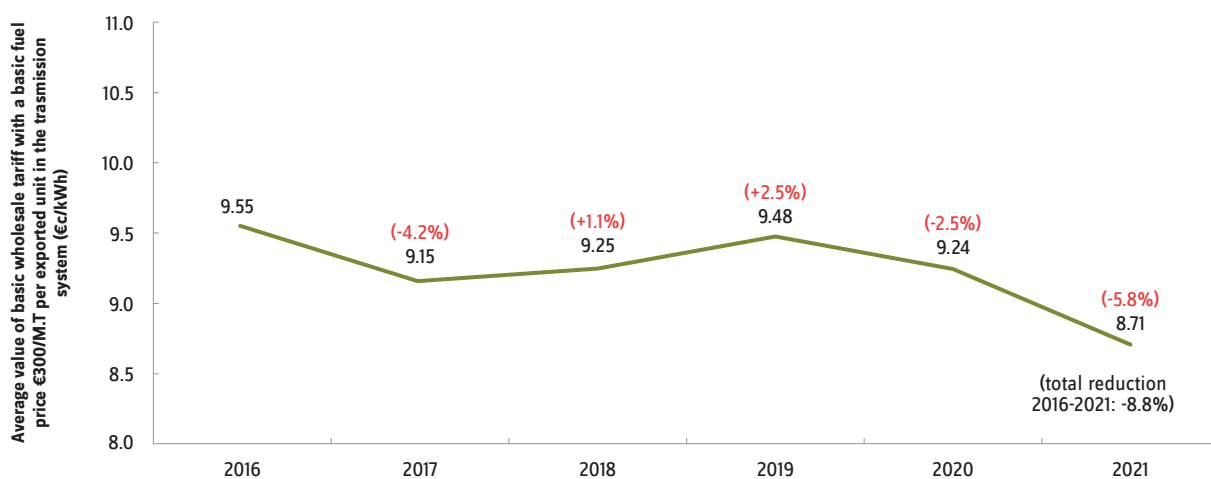


Figure 19 - Average price of basic wholesale tariff for the years 2016-2021

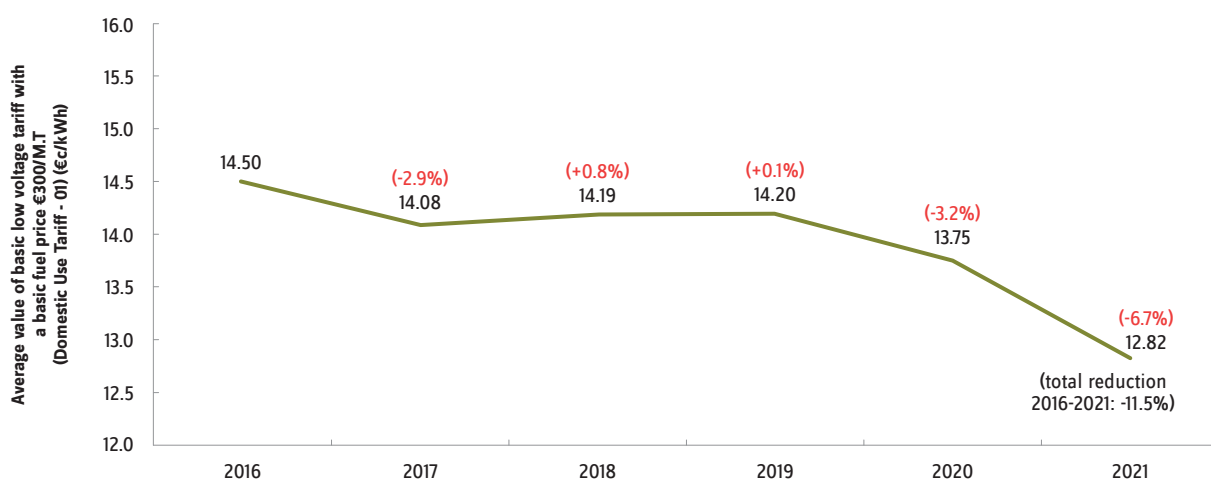


Figure 20 - Average price of the basic tariff of low voltage (Single rate domestic use tariff - Code 01), for the years 2016-2021

Figure 21 presents the average price of tariff per kWh sold, excluding the fee of RES and VAT for the years 2012-2020:

- 01: Single Rate Domestic Use Tariff
- 10: Bi-monthly Low Voltage Single Rate Commercial Use Tariff
- 20: Bi-monthly Low Voltage Single Rate Industrial Use Tariff
- 30: Monthly Low Voltage Seasonal Two-Rate Commercial and Industrial Use Tariff
- 40: Monthly Medium Voltage Seasonal Two-Rate Commercial and Industrial Use Tariff
- 50: Monthly High Voltage Seasonal Two-Rate Commercial and Industrial Use Tariff



Figure 21 - Average price of tariff, excluding the fee of RES and VAT

Figure 21 shows that the tariffs with code 01, 10, 20 and 30 (for domestic use, commercial and industrial use of low voltage respectively) are at higher levels than other tariffs, while the tariffs with code 40 and 50, which are Seasonal Time of Day (STOD) for industrial use of medium voltage and high voltage respectively, are at lower levels.

The decrease in the average price of all tariffs in 2020 is caused by the following:

- Reduction in the basic tariffs for the year 2020 compared to 2019 (CERA's Decision 05/2020).
- 10 % reduction in regulated tariffs for six months of 2020, because the emergency caused by the spread of COVID-19 continued in the Republic (CERA's Decisions 104/2020, 141/2020, 222/2020).
- Reduction in the cost of fuels in generation of electricity due to the reductions of costs globally.
- Slight reduction in the price for the recovery of expenditures of PSOs (CERA's Decisions 98/2020 and 285/2020).

Invoice Analysis of Supply of EAC

Figure 22 shows the analysis of the invoice of electricity per charge category, for a typical household consumer with bi-monthly consumption of 600kWh in December 2020, at the basic price (excluding the adjustment of fuels).

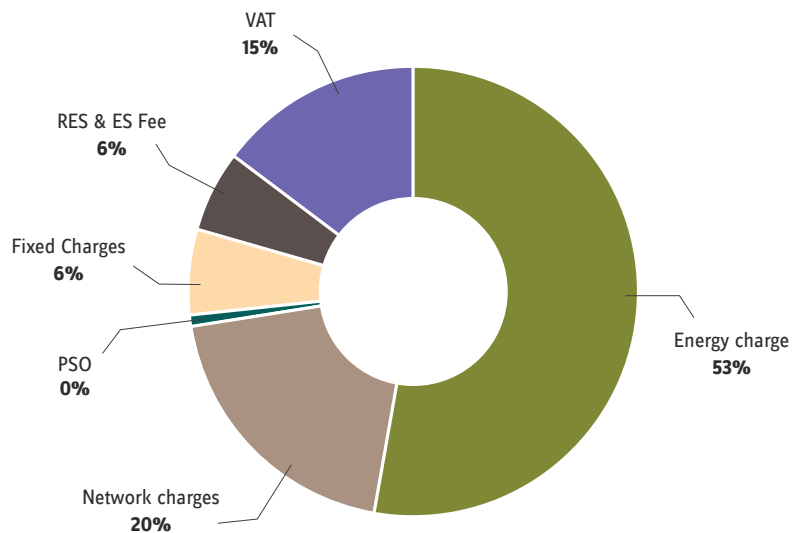


Figure 22 - Invoice analysis of electricity supply for a typical household consumer with bi-monthly consumption of 600 kWh (% on the final invoice), December 2020

Legislative framework for the Natural Gas Market

The current Laws Regulating the Natural Gas Market of 2004 to 2020, which embrace the important features of the Third Energy Package, provide for the regulation of the natural gas market in the Republic of Cyprus and, among others, establish rules for the transmission, distribution, supply and storage of natural gas. In addition, they specify the rules for the organization and operation of the natural gas sector, the access to the market, the exploitation of the networks and the criteria and procedures required to issue licenses for the transmission, distribution, supply and storage of natural gas. The Laws Regulating the Natural Gas Market of 2004 to 2020 describe also the duties and responsibilities of CERA and specify the range of activities and its role.

It is noted that the Laws Regulating Natural Gas Market of 2004 to 2020 contain the key provisions for the imminent introduction of natural gas in the energy balance of the country. However, they do not specify the model of the market and the organizational framework that will be used for the development of the market, providing, therefore, reasonable flexibility to decision-makers to make the right choices. Furthermore, they provide the possibility of derogations, in accordance with the provisions of Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas. However, they do not establish such derogations and leave to the discretion of the Council of Ministers the full definition of these derogations.

A key element of the new operating framework of natural gas and electricity markets, as it is described in the European legislative framework (Third Energy Package), is the separation of activities of generation and trade of natural gas. These activities should take place within a competitive environment, like the activities of transmission and distribution, for which the regulated access of third parties is allowed under the supervision of national regulatory authorities, ACER and the European Commission.

The Laws Regulating the Natural Gas of 2004 to 2020 provide for Cyprus the possibility of derogation from certain articles, because it can be considered either an isolated or an emerging market. In the case of Cyprus, it is possible, on one hand, to derogate from applying the competition in the supply of natural gas to end consumers, especially as long as the natural gas market of Cyprus is considered emerging. On the other hand, it is possible not to separate the activities of the operators of natural gas (transmission, distribution, storage, LNG, etc.) from those of trade and supply, in the manner described in the Directive 2009/73/EC, for example, as regards ownership unbundled transmission facilities.

By Decision 87649 of 5 June 2019, the Council of Ministers, in accordance with the provisions of the Laws Regulating Natural Gas Market of 2004 to 2020, specified the operating framework of the natural gas market for the period of validity of the emerging market or until the Council decides to terminate the derogations, and appointed Operators. More specifically, according to the Decision, the competition is not applied in the supply of natural gas to the end consumers as long as the market is emerging. The supplier is, therefore, responsible for concluding all the relevant contracts of natural gas import, including the LNG, as well as all contracts of supply of natural gas to consumers of all categories.

In addition, by this Decision, the Natural Gas Public Company (DEFA LTD) was appointed as a TSO, a DSO and an LNG Operator for thirty years, starting from the date of issuance of the corresponding licenses by CERA.

By Decision 91/2020 of 5 March 2020, CERA, recognizing the need for effective regulation of natural gas market in the Republic, issued the rules for supplying natural gas. These rules regulate the rights and obligations that natural gas suppliers and customers have, during negotiation and conclusion of contracts, as well as when fulfilling their contractual obligations, in accordance with the Articles 23 and 46 of the Laws Regulating the Natural Gas Market of 2004 to 2020.

CERA prepared and notified the MECL of the proposed Regulation on the operation of the market for natural gas during the period of derogations (CERA's Decision No 92/2020 of 6 March 2020). The Regulations concerned, lay down provisions on how, according to CERA, should the gas market and the participants of the market operate for the period of validity of the derogations. In this period the gas market in the Republic of Cyprus will be under a state monopoly status.

Organization and development of the natural gas market

In June 2016, following the report submitted by CERA regarding the options for the development of the natural gas market in Cyprus, the Council of Ministers decided on the arrival of LNG in Cyprus as soon as possible and before 2020. LNG will initially be the exclusive option of supplying the internal market with natural gas. Then, after supplying the internal market with natural gas from indigenous deposits, it will be an alternative option that will ensure the security of the energy supply.

Following the study conducted by DEFA LTD regarding the development of natural gas market in Cyprus, in order to make good use of the most suitable solution to import liquified natural gas by 2020 at the latest, the Council of Ministers decided, in June 2017, to assign to DEFA LTD the announcement of two invitations to tender for long-term supply of LNG and for a strategic investor for the required infrastructure.

Following a decision of the Council of Ministers of April 2018, a Special Purpose Vehicle - SPV under the name Natural Gas Infrastructure Company (ETYFA LTD) was established. This company will implement the required infrastructure for the arrival of LNG.

DEFA LTD, acting on behalf of ETYFA LTD, published in October 2018, an invitation to tender for the design, construction and operation of the terminal station of import of LNG in the bay of Vasilikos. The tender was awarded to an international consortium in December 2019.

The entry of natural gas in the energy balance, in the context of the objectives of the energy policy for the diversification of the energy sources of the country and the protection of the environment, is an important decision in the energy sector.

Considering that the natural gas market in Cyprus is developing, the main goal is to create an organized market, according to the standards of the advanced global markets, and the best practices of the European natural gas market, with the proper operation of all stakeholders in the market, whether they are gas undertakings or bodies established by law.

CERA gives high priority to the fast and effective penetration of natural gas on competitive terms in the market of Cyprus.

In the period leading up to the arrival of natural gas, CERA is working towards setting up the regulatory framework of the market, knowing that it will guarantee the operation of the market and the protection of the consumers during the derogations, as well as the smooth transition to a healthy open market.

In this context, CERA, following Regulatory Decision 01/2019 (KDP 203/2019), regarding the Regulatory Practice Statement and Gas Pricing Methodology during the validity period of the derogations on the basis of an emerging market, where all activities of supply, transmission, distributions, de-liquefaction and storage of natural gas are regulated, issued Regulatory Decisions 04/2020 (KDP 345/2020) and 05/2020 (KDP 346/2020), that concern the accounting unbundling of the activities of natural gas undertakings and regulatory accounting instructions for the preparation of separate accounts of these undertakings. These Decisions concern the issuance of instructions and guidelines regarding the accounting unbundling of the activities of natural gas undertakings, the provision of guidelines to the liable organizations on preparing their separate accounts, in order to ensure unhindered approval of tariffs by CERA and avoiding discrimination among consumers of the same category. More specifically, it was specified how the liable organizations should prepare, monitor and submit the separate accounts and what information to include in these separate accounts.

Applications submitted to CERA

Application of ETYFA LTF for a License for the construction, ownership and exploitation of an LNG facility

On 23 September 2019 ETYFA LTD submitted an application to CERA for a License for the construction, ownership and exploitation of an LNG facility, based on the Laws Regulating the Natural Gas Market of 2004 to 2018 and the Regulations Regulating the Natural Gas Market (Issuance of Licenses) of 2006.

After evaluating the undertaking's application for a License to supply natural gas to wholesale customers, and considering Decision 88671 of the Council of Ministers, of 4 December 2019, which determined the application by CERA of the derogation from the licensing procedure of ETYFA LTD for the construction, ownership and exploitation of an LNG facility, CERA, by Decision 77/2020 of 28 February 2020, decided not to grant the License to the applicant.

Application of Energean International Ltd for a License for the construction, ownership and exploitation of an LNG facility

On 19 November 2019 Energean International LTD submitted an application to CERA for a license for the construction, ownership and exploitation of an LNG facility, based on the Laws Regulating the Natural Gas Market of 2004 to 2018 and the Regulations Regulating the Natural Gas Market (Issuance of licenses) of 2006.

After evaluating the undertaking's application for a License for the construction, ownership and exploitation of a LNG facility, CERA, by Decision 15/2020 of 14 January 2020, decided not to grant the License to the applicant.

Application of Energean International Ltd for License for the supply of natural gas to wholesale customers

On 19 November 2019 Energean International LTD submitted an application to CERA for a license for the supply of natural gas to wholesale customers, based on the Laws Regulating the Natural Gas

Market of 2004 to 2018 and the Regulations Regulating the Natural Gas Market (Issuance of licenses) of 2006.

After evaluating the undertaking's application for a License to supply natural gas to wholesale customers, CERA, by Decision 236/2020 of 21 July 2020, decided not to grant the license to the applicant.

Application of Hoegh LNG Ltd for a license for the construction, ownership and exploitation of a LNG facility

On 31 March 2020 Hoegh LNG Ltd submitted an application to CERA for a license for the construction, ownership and exploitation of an LNG facility. CERA evaluated the application as to its completeness under regulation 4 of the Licensing Regulations and requested from the applicant to submit additional information in order to complete the application.

Application of the DEFA Ltd for a License for operating an LNG facility

On 24 April 2020, the DEFA Ltd submitted an application for a License for operating a natural gas facility. CERA evaluated the application as to its completeness under regulation 4 of the Licensing Regulations. The application was completed and it is currently being examined.

Application of the DEFA Ltd for a License for the construction, ownership, exploitation and operation of a natural gas transmission system

On 6 November 2020, the DEFA Ltd submitted to CERA an application for a License for the construction, ownership, exploitation and operation of a natural gas transmission system. CERA evaluated the application as to its completeness under regulation 4 of the Licensing Regulations. The application was then completed and is currently being examined.

Tender Procedures

Tender No 12/2020 for the conclusion of a framework agreement for the provision of consulting services to support CERA regarding issues related to the natural gas market of Cyprus

By Decision 246/2020 of 31 July 2020, CERA decided to award the framework agreement for the provision of consulting services to support CERA regarding issues related to the natural gas market of Cyprus to Grant Thornton Business Solutions.

6

PROTECTION OF CONSUMERS AND RESOLUTION OF COMPLAINTS

Protection of Consumers and Resolution of Complaints



The Council of European Energy Regulators (CEER), in cooperation with all national regulatory authorities, promote measures to implement the protection and upgrade of the rights of energy consumers and, in particular, vulnerable consumers. The support of CEER by

national regulatory authorities is a key measure. National authorities shall disclose the establishment of its new website which is intended solely to keep energy consumers updated.

The website of CEER is https://www.ceer.eu/energy_customers and focuses exclusively on energy consumers.



In order for CERA to ensure that consumers have access to all necessary information regarding their rights, current legislation and the means of appeal available in case of dispute, issued in 2016 "Informative Material", which is available in the Citizen Service Centers, in the District Offices of the MECI and the EAC.

According to the provisions of the Laws, CERA Office, Citizen Service Centers and the MECI are the single points for informing consumers.

Performance Indicators

CERA, exercising the powers conferred on it by the Laws Regulating the Electricity Market of 2003 to 2018, has adopted the Regulating the Electricity Market (Performance Indicators) Regulations of 2005 (KDP 571/2005), following the approval of the Council of Ministers and the submission to and approval by the House of Representatives of such Regulations.

Based on these Regulations, "Performance Indicators" are defined as the indicators of the electricity supply and include the obligations of the supplies and the ODS, the rights of the consumers, the performance standards and their performance levels, as well as the fine imposed if the supplier and/or the ODS fail to comply.

In the context of applying and complying with the above provisions, Figures 23 and 24, as well as Tables 6 and 7 present the amounts paid as fine to the consumers of electricity by EAC as ODS and licensed Supplier, for each Performance Indicator. These amounts have been recorded for the period from 1 January 2020 to 31 December 2020. These figures and tables present also, for purposes of comparison, the corresponding results of the previous years.

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

COMPARATIVE TABLE FOR THE YEARS 2007-2020

Fine paid by EAC (€) to electricity consumers

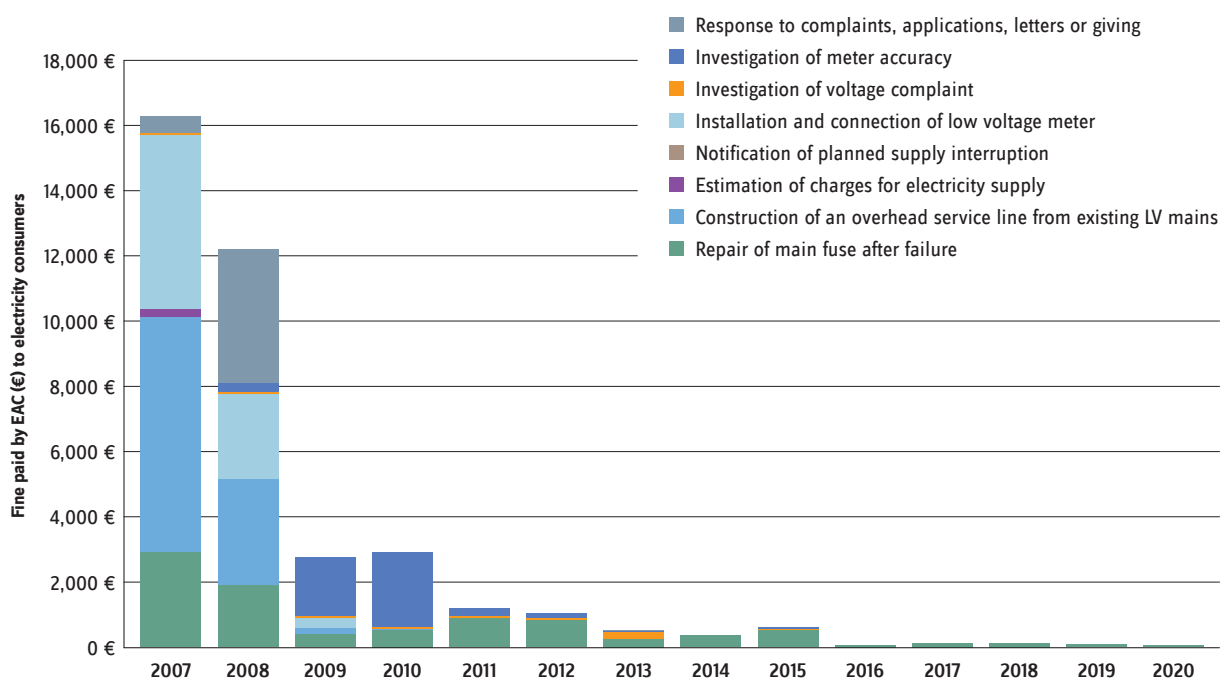


Figure 23 - Performance Indicators of ODS (EAC)

PERFORMANCE INDICATOR	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1 Repair of main fuse after failure	2.905€	1.896€	393€	529€	914€	828€	265€	367€	521€	60€	137€	137€	94€	34€
2 Installation and connection of low voltage meter	5.331€	2.605€	290€											
3 Construction of an overhead service line from existing LV mains	7.227€	3.264€	205€	17€										
4 Estimation of charges for electricity supply	239€													
5 Notifucation of planned supply interruption														
6 Investigation of voltage complaint	34€	34€	68€	68€	34€	68€	205€		34€					
7 Investigation of meter accuracy		308€	1.811€	2.289€	239€	137€	31€		34€					
8 Response to complaints, applications, letters or giving	530€	4.102€					17€							

Table 6 - Performance Indicators of ODS (EAC)

PERFORMANCE INDICATORS FOR THE SUPPLIER (EAC)

COMPARATIVE TABLE FOR THE YEARS 2007-2020

Fine paid by EAC (€) to electricity consumers

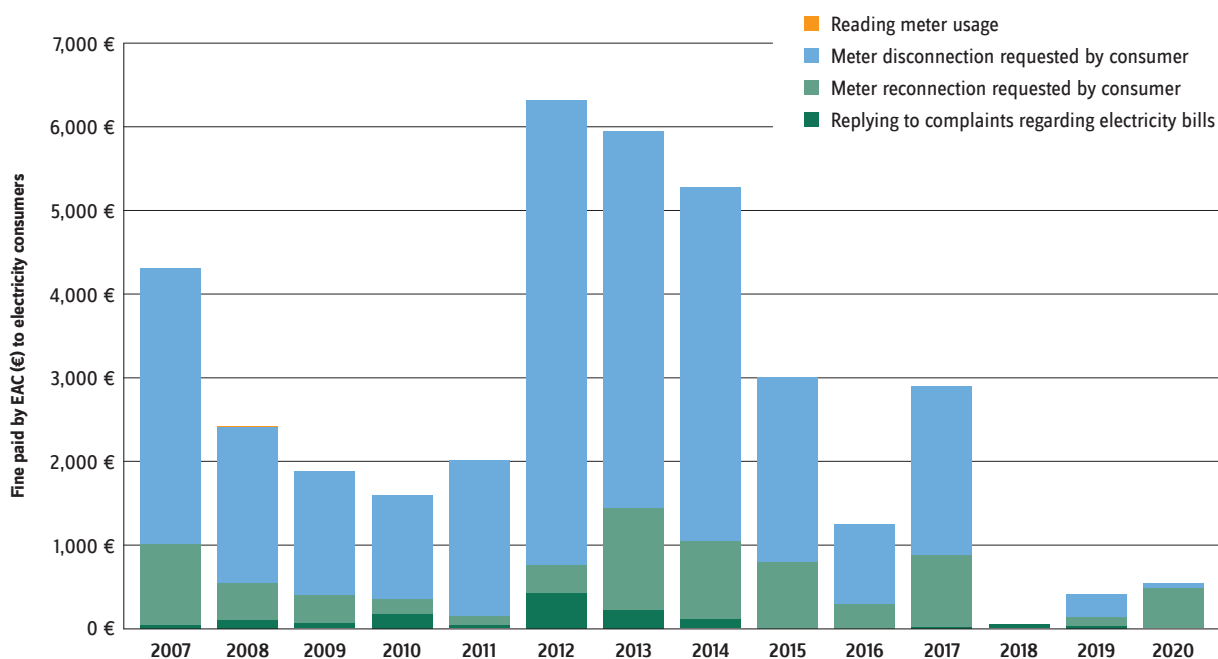


Figure 24 - Performance Indicators of EAC supplier

PERFORMANCE INDICATORS	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1 Replying to complaints regarding electricity bills	51€	103€	68€	171€	51€	427€	222€	120€			17€	51€	34€	
2 Arrangement of appointments														
3 Meter reconnection requested by consumer	957€	453€	333€	188€	111€	333€	1.230€	931€	803€	299€	868€		102€	470€
4 Meter disconnection requested by consumer	3.298€	1.853€	1.477€	1.238€	1.853€	5.551€	4.501€	4.231€	2.203€	948€	2.015€		273€	60€
5 Reading meter usage		9€												
6 Response to complaints, applications, letters or giving informations														

* This indicator is included in indicator (8) of EAC as ODS

Table 7 - Performance Indicators of EAC supplier

Tables 6 and 7 show that during the year under review, there was an improvement of the performance of EAC both as ODS and Supplier, compared to previous years. Therefore, its performance is considered satisfactory. However, CERA will continue to act, according to the powers provided by the legislation, in any way required to improve further the performance of EAC.

Complaints submitted to CERA

The following Figure 25 details the type and number of complaints submitted to CERA in 2020. It should be noted that all complaints have been examined and consumers have been informed accordingly.

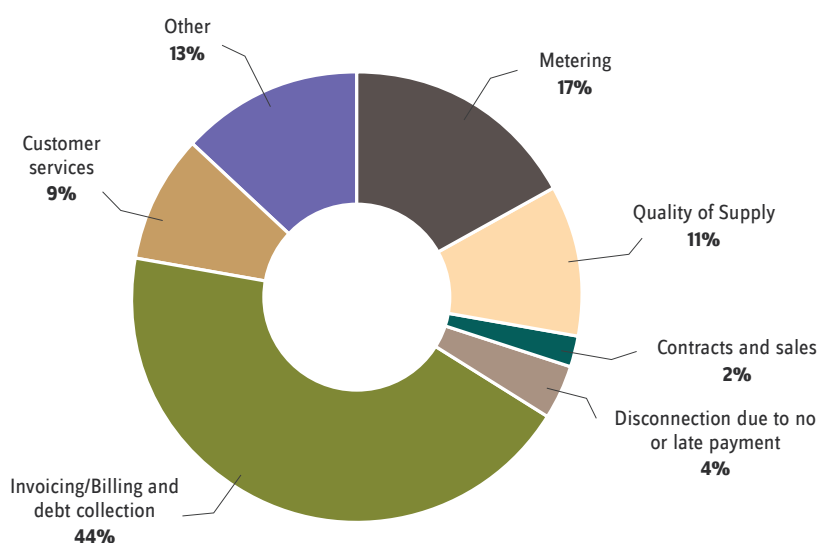


Figure 25 - Complaints submitted to CERA in 2020

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MEMBERS OF THE AUTHORITY

Members:

Dr. Andreas Poullikkas - Chairman
Philippos Philippou - Vice Chairman
Neophytos Hadjigeorgiou - Member

Independent Auditors:

VGDA Accountants Limited
(Contractor of the agreement EY 3/2020)
Coordinating Contracting Authority: Audit Office
of the Republic of Cyprus)
Certified Accountants and Registered Auditors
25th Martiou Street 35 (Kennedy corner)
2nd floor 1087 Nicosia Cyprus

Financial Advisors:

Alliott Partellas Kiliaris Ltd
Certified Public Accountants
77 Strovolos Avenue
Strovolos Center, Office 201
2018 Strovolos, Nicosia
Cyprus

Legal Advisers:

Orphanides, Christofides & Co LLC
41, Themistoclis Dervis, Hawai Tower
Offices 301-303, 3rd floor
1066 Nicosia, Cyprus

Stelios Americanos & Co LLC
12, Demostheni Severi Ave
Office 601, 6th Floor
1080 Nicosia
Cyprus

Registered office:

20, Agias Paraskevis
P.O.Box 24936
2002 Strovolos, Nicosia
Cyprus

Bankers:

Bank of Cyprus Public Company Ltd
Hellenic Bank Public Company Ltd
Eurobank Cyprus Ltd
RCB Bank Ltd
Housing Finance Corporation

REPORT TO THE MEMBERS OF THE AUTHORITY AND TO THE AUDITOR GENERAL OF THE REPUBLIC OF CYPRUS

The Members of the Cyprus Energy Regulatory Authority (CERA) present their report and the audited financial statements of the Authority for the year ended 31 December 2020.

Principal activities and nature of operations of the Authority

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.

Review of current position, future developments and performance of the Authority's business

The Authority's development to date, financial results and position as presented in the financial statements are considered satisfactory.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Authority are disclosed in notes 6, 7, 31, 33 and 34 of the financial statements.

Results

The Authority's results for the year are set out on page 82.

Members of the Authority

The members of the Authority's as at 31 December 2020 and at the date of this report are presented on page 76.

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

Mr. Andreas Poullikkas and Mr. Philippos Philippou were appointed on 5 October 2015 and Mr. Neophytos Hadjigeorgiou on 26 April 2016.

Operating Environment of the Authority

Any significant events that relate to the operating environment of the Authority are described in note 31 to the financial statements.

Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Related party transactions

Disclosed in note 32 of the financial statements.

Independent Auditors

The Auditor of the Authority is the Auditor General of the Republic who has assigned the independent auditors, VGDA Accountants Limited, the audit of the financial statements of the Authority and, will continue to provide their services for the next year.

By order of the Members of the Authority,



Dr. Andreas Poullikkas

Chairman

Nicosia, Cyprus, 11 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYPRUS ENERGY REGULATORY AUTHORITY (CERA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cyprus Energy Regulatory Authority (the "Authority"), which are presented in pages 82 to 119 and comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the law regulating the Electricity Market.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Members of the Authority are responsible for the other information. The other information comprises the information included in the report of the members of the Authority and the additional information to the statement of profit or loss and other comprehensive income in pages 120 to 123, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Members of the Authority for the Financial Statements

The Members of the Authority are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the law regulating the Electricity Market, and for such internal control as the Members of the Authority determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members of the Authority are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members of the Authority either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

The Members of the Authority are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Members of the Authority.
- Conclude on the appropriateness of the Members of the Authority use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Members of the Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Report to the Members of the Authority has been prepared in accordance with the requirements of the law regulating the Electricity Market, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we have not identified material misstatements in the Report to the Members of the Authority.

Other Matters

This report, including the opinion, has been prepared for and only for the Authority's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for the Auditor General of the Republic of Cyprus and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Comparative figures

The financial statements of the Authority for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 10 April 2020.



Antonis Antoniou

Certified Public Accountant and Registered Auditor
for and on behalf of

VGDA Accountants Limited
Certified Public Accountants

77 Strovolos Avenue
Strovolos Center, Office 201
2018 Strovolos, Nicosia
Cyprus

Nicosia, Cyprus, 11 June 2021



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

31 December 2020

	Note	2020 €	2019 €
Revenue	8	2,201,458	2,197,264
Other operating income	9	69,644	126,346
Administration expenses		(2,197,280)	(1,808,498)
Net impairment (loss) on financial and contract assets		(41,520)	-
Other expenses	10	(47,966)	(41,655)
Operating (deficit)/surplus	11	(15,664)	473,457
Finance income	14	40,930	28,479
Finance costs	14	(37,588)	(1,945)
(Deficit)/surplus before tax		(12,322)	499,991
Tax	15	(3,658)	(8,469)
Net (deficit)/surplus for the year		(15,980)	491,522
Other comprehensive income			
Remeasurements of post-employment benefit obligations		(446,181)	(347,609)
Financial assets at fair value through other comprehensive income - Fair value gains		289,693	-
Other comprehensive income for the year		(156,488)	(347,609)
Total comprehensive income for the year		(172,468)	143,913

The notes on pages 89 to 119 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

31 December 2020

	Note	2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	17	107,389	85,598
Right-of-use assets	18	634,948	-
Intangible assets	19	836	1,672
Financial assets at fair value through other comprehensive income	21	3,280,080	-
Financial assets at fair value through profit or loss	23	77,510	124,777
		<u>4,100,763</u>	<u>212,047</u>
Current assets			
Trade and other receivables	22	106,669	155,805
Cash at bank and in hand	24	7,487,370	10,020,394
		<u>7,594,039</u>	<u>10,176,199</u>
Total assets		<u>11,694,802</u>	<u>10,388,246</u>
RESERVES AND LIABILITIES			
Reserves			
Other reserves		289,693	-
Retained surplus		5,821,027	6,291,081
Total reserves		<u>6,110,720</u>	<u>6,291,081</u>
Non-current liabilities			
Lease liabilities	26	464,817	-
Provisions for other liabilities and charges	13, 27	2,698,178	1,906,179
		<u>3,162,995</u>	<u>1,906,179</u>
Current liabilities			
Trade and other payables	28	160,102	109,257
Deferred income	29	2,076,009	2,073,216

The notes on pages 89 to 119 form an integral part of these financial statements.

(continued)

	Note	2020 €	2019 €
Borrowings	25	-	5,522
Lease liabilities	26	184,976	-
Current tax liabilities	30	-	2,991
		<u>2,421,087</u>	<u>2,190,986</u>
Total liabilities		<u>5,584,082</u>	<u>4,097,165</u>
Total reserves and liabilities		<u>11,694,802</u>	<u>10,388,246</u>

On 11 June 2021 the Members of the Cyprus Energy Regulatory Authority authorised these financial statements for issue.



Dr. Andreas Poullikkas
Chairman



Philippos Philippou
Vice Chairman



Neophytos Hadjigeorgiou
Member

The notes on pages 89 to 119 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

31 December 2020

	Note	Fair value reserve - Financial assets at fair value through other comprehensive income €	Retained surplus €	Total €
Balance at 1 January 2019		-	6,156,727	6,156,727
Comprehensive income				
Net surplus for the year		-	491,522	491,522
Defence contribution on deemed distribution	16	-	(9,651)	(9,651)
Actuarial loss for the year		-	(347,517)	(347,517)
Balance at 31 December 2019/ 1 January 2020		-	6,291,081	6,291,081
Comprehensive income				
Net deficit for the year		-	(15,980)	(15,980)
Other comprehensive income for the year		289,693	-	289,693
Defence contribution on deemed distribution	16	-	(7,894)	(7,894)
Other movements				
Actuarial loss for the year		-	(446,180)	(446,180)
Balance at 31 December 2020		289,693	5,821,027	6,110,720

The fair value reserve for investments represents accumulated gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Companies and other organizations which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at the rate of 17% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the

The notes on pages 89 to 119 form an integral part of these financial statements.

profits refer, are Cyprus tax residents and domiciled. From 1 March 2019, the deemed dividend distribution is subject to a 1,70% contribution to the General Healthcare System, increased to 2,65% from 1 March 2020, with the exception of April 2020 until June 2020 when the 1,70% rate was applicable. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Authority.

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.

The notes on pages 89 to 119 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

31 December 2020

	Note	2020 €	2019 €
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit)/surplus before tax		(12,322)	499,991
Adjustments for:			
Depreciation of property, plant and equipment	17	219,220	27,739
Amortisation of computer software	19	836	836
Loss from the sale of property, plant and equipment		-	2,530
Fair value losses on financial assets at fair value through profit or loss		47,268	39,125
Actuarial (loss)/gain		(446,180)	(347,517)
Impairment charge - property, plant and equipment	17	699	-
Impairment charge - cash and cash equivalents	24	40,449	-
Impairment charge - trade receivables	22	1,071	-
Interest income	14	(40,930)	(28,479)
Interest expense	14	25,905	-
		(163,984)	194,225
Changes in working capital:			
Decrease/(increase) in trade and other receivables		48,065	(102,147)
Increase in trade and other payables		50,845	11,412
Increase in deferred income		2,793	6,867
Increase in provisions	27	791,999	461,755
Cash generated from operations		729,718	572,112
Tax paid		(6,649)	(10,159)
Net cash generated from operating activities		723,069	561,953
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	19	-	(2,508)
Payment for purchase of property, plant and equipment	17	(51,226)	(45,170)
Payment for purchase of financial assets at fair value through other comprehensive income		(2,990,387)	-
Interest received		40,930	28,479
Net cash used in investing activities		(3,000,683)	(19,199)

The notes on pages 89 to 119 form an integral part of these financial statements.

(continued)

	Note	2020 €	2019 €
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of leases liabilities		(198,000)	-
Interest paid		(3,544)	-
Defence contribution on deemed distribution paid		(7,894)	(9,651)
Net cash used in financing activities		(209,438)	(9,651)
Net (decrease)/increase in cash and cash equivalents		(2,487,052)	533,103
Cash and cash equivalents at beginning of the year		10,014,872	9,481,769
Impairment charge - cash and cash equivalents		(40,449)	-
Cash and cash equivalents at end of the year	24	7,487,371	10,014,872

The notes on pages 89 to 119 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1. Incorporation and principal activities

Country of incorporation

The Cyprus Energy Regulatory Authority (the "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. The CERA supervises and controls the Office of CERA. Its registered office is at 20, Agias Paraskevis, P.O.Box 24936, 2002 Strovolos, Nicosia, Cyprus. The financial statements relate to CERA and the Office of CERA.

Principal activities

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.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Law regulating the Electricity Market. The financial statements have been prepared under the historical cost convention as modified by the revaluation of, financial assets at fair value through other comprehensive income, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Members of the Authority to exercise their judgment in the process of applying the Authority's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on members' best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3. Adoption of new or revised standards and interpretations

During the current year the Authority adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2020. This adoption did not have a material effect on the accounting policies of the Authority.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Authority expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Authority includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Authority's experience with similar contracts and forecasted sales to the customer.

The Authority recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Authority can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Authority's future cash flows is expected to change as a result of the contract), it is probable that the Authority will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Authority's contracts with customers.

The Authority bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Authority considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by the Authority.

Identification of performance obligations

The Authority assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Authority's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

Revenue is measured based on the consideration to which the Authority expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Authority recognises revenue when it transfers control of a product or service to a customer.

- **Revenue from fees**

Income from fees consist of the invoiced amount for charges relating to granting of license. Fee income is recognized in the period to which the relevant license has been granted.

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee 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 Authority and its employees contribute to the Government Social Insurance Fund based on employees' salaries. In addition, the Authority provides its employees with retirement benefits in the form of a lump sum based on a defined benefit retirement plan. The Authority's contributions are expensed as incurred and are included in staff costs. The Authority has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

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.

Finance income

Interest income is recognised on a time-proportion basis using the effective method.

Finance costs

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

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 5 (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 12.5% and to defense contribution, after deducting any allowable deduction as provided by the Law.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

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 to its residual value over its estimated useful life.

The annual depreciation rates used are as follows:

	%
Computer hardware	20
Office equipment	10
Motor vehicles	20
Furniture, fixtures and equipment	10
Books	10

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are 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 the Authority. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Deferred income

Deferred income represents income received which relate to future periods.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Authority and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised 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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Leases

At inception of a contract, the Authority assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Authority assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Authority has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Authority has the right to direct the use of the asset. The Authority has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is pre-determined, the Authority has the right to direct the use of the asset if either:
 - the Authority has the right to operate the asset; or
 - the Authority designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Authority allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Authority has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Authority as lessee

The Authority recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Authority's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Authority is reasonably certain to exercise, lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Authority is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Authority's estimate of the amount expected to be payable under a residual value guarantee, or if the Authority changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Authority presents its right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' in the statement of financial position.

The lease liabilities are presented in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Authority has elected not to recognise the right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets (i.e. IT equipment, office equipment etc.). The Authority recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

Impairment of non-financial assets

Impairment of non-financial 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). Non financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

Financial assets - Classification

The Authority classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Authority's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Authority may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, the classification will depend on whether the Authority has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Authority has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Authority commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Authority measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets - impairment - credit loss allowance for ECL

The Authority assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and exposure arising from loan commitments and financial guarantee contracts. The Authority measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

The impairment methodology applied by the Authority for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

For trade receivables and contract assets, including trade receivables and contract assets with a significant financing component, and lease receivables the Authority applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.

For all other financial instruments that are subject to impairment under IFRS 9, the Authority applies general approach - three stage model for impairment. The Authority applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Authority identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Authority determines when a SICR has occurred. If the Authority determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Authority's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Additionally the Authority has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 6, Credit risk section for a description of how the Authority determines low credit risk financial assets.

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Authority exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Authority may write-off financial assets that are still subject to enforcement activity when the Authority seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets - modification

The Authority sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Authority assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Authority derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Authority also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Authority compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Authority recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Classification as financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Authority. They are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Authority holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Authority applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 6, Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Authority, and a failure to make contractual payments for a period of greater than 180 days past due.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities - Modifications

An exchange between the Authority and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. (In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss to be recognised directly to equity.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Authority has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Authority. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and

a reliable estimate of the amount can be made. Where the Authority expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

5. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Members of the Authority expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Authority.

6. Financial risk management

Financial risk factors

The Authority is exposed to market price risk, interest rate risk, credit risk, liquidity risk, other market price risk and reputation risk arising from the financial instruments it holds. The risk management policies employed by the Authority to manage these risks are discussed below:

6.1 Market price risk

The Authority is exposed to equity securities price risk because of equity investments held by the Authority and classified on the statement of financial position either as fair value through other comprehensive income or at fair value through profit or loss. The Authority is not exposed to commodity price risk.

6.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Authority's income and operating cash flows are substantially independent of changes in market interest rates as the Authority has no significant interest-bearing assets. The Authority is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Authority to cash flow interest rate risk. Borrowings issued at fixed rates expose the Authority to fair value interest rate risk. The Members of the Authority monitor the interest rate fluctuations on a continuous basis and act accordingly.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2020	2019
	€	€
Fixed rate instruments		
Financial assets	7,520,618	10,020,394
	<u>7,520,618</u>	<u>10,020,394</u>

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2020 would have increased/(decreased) equity and profit or loss 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 the profit and other equity.

	Profit or loss	
	2020	2019
	€	€
Variable rate instruments	75,206	100,204
	<u>75,206</u>	<u>100,204</u>

6.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets as well as lease receivables. Further, credit risk arises from financial guarantees and credit related commitments.

i. Risk management

Credit risk is managed on a group basis. For banks and financial institutions, the Authority has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of ['C'].

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, Members of the Authority assess the credit quality of the customer, taking into account its financial position, past experience and other factors. [Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Members of the Authority. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.]

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Authority's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

These policies enable the Authority to reduce its credit risk significantly.

ii. Impairment of financial assets

The Authority has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- financial assets carried at FVOCI
- cash and cash equivalents
- credit commitments

The impairment methodology applied by the Authority for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For trade receivables the Authority applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the financial assets.
- For all other financial assets that are subject to impairment under IFRS 9, the Authority applies general approach - three stage model for impairment. The Authority applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Authority identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Authority determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Impairment losses are presented as net impairment losses on financial and contract assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Significant increase in credit risk

The Authority considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Authority compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Authority and changes in the operating results of the borrower/counterparty.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Authority has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Low credit risk

The Authority has decided to use the low credit risk assessment exemption for investment grade financial assets. The Members of the Authority consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Default

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Write-off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Authority. The Authority categorises a debt financial asset for write off when a debtor fails to make contractual payments greater than 180 days past due. Where debt financial assets have been written off, the Authority continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Authority's exposure to credit risk for each class of (asset/instrument) subject to the expected credit loss model is set out below:

Trade receivables and contract assets

The Authority applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including those with a significant financing component, and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Authority has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Authority has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Authority always measures the loss allowance for trade receivables at an amount equal to lifetime ECL.

There were no significant trade receivable and contract asset balances written off during the year that are subject to enforcement activity.

Financial assets at amortised cost, debt investments carried at FVOCI

All of the entity's debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. Refer to section above for a description of how the Authority determines low credit risk financial assets.

There were no significant financial assets at amortised costs and debt investments carried at FVOCI written off during the year that are subject to enforcement activity.

The Authority does not hold any collateral as security for any financial assets at amortised cost and debt investments carried at FVOCI balances.

Cash and cash equivalents

The Authority assesses, on a group basis, its exposure to credit risk arising from cash at bank. This assessment takes into account, ratings from external credit rating institutions and internal ratings, if external are not available.

Bank deposits held with banks with investment grade rating are considered as low credit risk.

The gross carrying amounts below represent the Authority's maximum exposure to credit risk on these assets as at 31 December 2020 and 31 December 2019:

Authority's internal credit rating	External credit rating from Moody's agency	2020	2019
		€	€
Performing	Caa1	3,496,398	5,995,572
Performing	B2	-	2,009,831
Performing	B1	2,013,702	-
Performing	N/A	2,017,720	2,014,991
Total		7,527,820	10,020,394

The ECL on current accounts is considered to be approximate to 0, unless the bank is subject to capital controls. The ECL on deposits accounts is calculated by considering published PDs for the rating as per Moody's and an LGD of 40-60% as published by ECB.

The Authority does not hold any collateral as security for any cash at bank balances.

There were no significant cash at bank balances written off during the year that are subject to enforcement activity.

iii. Net impairment losses on financial and contract assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets and contract assets:

	2020	2019
Impairment losses	€	€
Impairment charge on cash and cash equivalents	(40,449)	-
Impairment charge - trade receivables	(1,071)	-
Net impairment (loss) on financial and contract assets	(41,520)	-

6.4 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. The Authority has procedures with the object of minimising 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 the undiscounted cash flows of financial liabilities based on the earliest date on which the Authority can be required to pay. The table includes both interest and principal cash flows.

31 December 2020	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €
Lease liabilities	649,793	649,793	44,738	140,238	395,233	69,584
Trade and other payables	108,086	108,086	108,086	-	-	-
	757,879	757,879	152,824	140,238	395,233	69,584

31 December 2019	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €
Bank overdrafts	5,522	5,522	5,522	-	-	-
Trade and other payables	82,108	82,108	82,108	-	-	-
	87,630	87,630	87,630	-	-	-

6.5 Other market price risk

The general economic environment prevailing in Cyprus and internationally may affect the Authority's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product (GDP) are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Authority.

6.6 Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Authority's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Authority. The Authority applies procedures to minimize this risk.

7. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires the Members of the Authority to exercise their judgment in the process of applying the Authority's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Members of the Authority's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Leases**

The Authority has an enforceable extension option in relation to the lease of three years. The Authority has assessed whether the extension option is reasonably certain to exercise by considering the terms of the agreement and has concluded that it is not reasonably certain to exercise.

- **Amount payable under residual value guarantees**

The Authority initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Authority does not expect to pay anything under the guarantees.

At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices.

- **Calculation of loss allowance**

When measuring expected credit losses the Authority uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Critical judgements in applying the Authority's accounting policies

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Authority uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Authority's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section.

- **Retirement benefits**

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of return on plan assets, future salary increases, mortality rates and future pension increases where necessary. The Authority sets these assumptions based on market expectations at the reporting date using best-estimates for each parameter covering the period over which obligations are to be settled. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- **Impairment of non-financial assets**

The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Authority estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Impairment of intangible assets**

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Authority estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Useful live of depreciable assets**

The Members of the Authority assess the useful lives of depreciable assets at each reporting date, and revises them if necessary so that the useful lives represent the expected utility of the assets to the Authority. Actual results, however, may vary due to technological obsolescence, mis-usage and other factors that are not easily predictable.

- **Provisions**

The amount recognised for provisions is estimated based on the Members' past experience and their future expectations. However, the actual outcome may vary from the amount recognised.

8. Revenue

	2020	2019
	€	€
Disaggregation of revenue		
Annual fees	2,040,582	2,015,577
Rendering of services	160,876	181,687
	<u>2,201,458</u>	<u>2,197,264</u>

9. Other operating income

	2020	2019
	€	€
Sundry operating income	69,644	126,346
	<u>69,644</u>	<u>126,346</u>

10. Other expenses

	2020	2019
	€	€
Loss on disposal of property, plant and equipment	-	2,530
Fair value losses on financial assets at fair value through profit or loss	47,267	39,125
Impairment charge of property, plant and equipment	699	-
	<u>47,966</u>	<u>41,655</u>

11. Operating (deficit)/surplus

	2020	2019
	€	€
Operating (deficit)/surplus is stated after charging the following items:		
Amortisation of computer software (included in "Administration expenses") (Note 19)	836	836
Depreciation of property, plant and equipment (Note 17)	219,220	27,739
Staff costs including Members in their executive capacity (Note 12)	1,405,304	1,046,291
Auditors' remuneration	<u>3,083</u>	<u>3,497</u>

12. Staff costs

	2020 €	2019 €
Salaries	909,024	829,140
Social security costs	135,289	119,094
Expenses related to defined benefits plan (Note 13)	360,991	98,057
	1,405,304	1,046,291

13. Employee benefits

The Authority provides retirement benefits in the form of lump sum amounts based on a fixed benefit retirement plan to its employees. The Authority's policy is to carry out every year an independent actuarial valuation of the liabilities with regard to the retirement benefit scheme.

The most recent actuarial valuation was made as at 31 December 2020 and it was based on the following assumptions:

	2020	2019
Discount rate	0.68%	1.28%
Expected return on assets	0.68%	1.28%
Inflation	1.50%	1.50%
General salary increase	0.50%	0.50%
Total salary increase	1.25% + for the general increase of salaries and incremental promotions	1.25% + for the general increase of salaries and incremental promotions
Percentage increase in pensions	1%	1%
Increase of pension insurable earnings	1.50%	1.50%
Increase of basic insurable earnings	2%	2%
Mortality table	60% of PA90 for men and 65% of PA90 for women	60% of PA90

During the year an amount of €360,991 (2019: €98,057) was charged to profit or loss based on the above actuarial valuation. Amounts charged to profit or loss are analysed as follows:

	2020 €	2019 €
Current service costs	77,087	65,382
Interest on obligation	24,795	32,675
Pre-service costs	259,109	-
	360,991	98,057

Movement in the accumulated provision with respect to the retirement plan liabilities as shown in other liabilities is as follows:

	2020 €	2019 €
Balance at 1 January	1,906,177	1,444,425
Provision for the year	360,991	98,057
Actuarial loss/(gain) on obligation	446,181	347,517
Payments of benefits	(33,270)	(2,674)
Contributions by members	18,099	18,852
Balance at 31 December	2,698,178	1,906,177

At 31 December 2020 the actuarial position in respect of the defined benefit plan was as follows:

	2020 €	2019 €
Present value of accrued plan obligations	2,698,178	1,906,177
Provision for plan liabilities recognised in the statement of financial position	2,698,178	1,906,177

14. Finance income/(costs)

	2020 €	2019 €
Finance income		
Bank interest	8,998	28,232
Other interest income	31,932	-
Interest on trade balances	-	247
	40,930	28,479
Finance costs		
Interest expense		
Interest expense on lease liabilities	22,361	-
Bank overdraft interest	3,544	-
Sundry finance expenses		
Bank charges	11,559	1,945
Other finance expenses	124	-
	37,588	1,945

15. Tax

	2020	2019
	€	€
Defence contribution	<u>3,658</u>	<u>8,469</u>
Charge for the year	<u>3,658</u>	<u>8,469</u>

Under certain conditions interest income may be subject to defense contribution at the rate of 30%.

According to the Laws Regulating the Electricity Market and related Regulations, the fees collected by the Authority by practising its supervisory role are not considered an income under the Law of Income Taxation and article 5 (1)(a), and are not subject to taxation. The same applies for the government grants the Authority receives in order to be able to perform its supervisory duties. Income from rent or other sources are subject to taxation at the rate of 12.5% and the Special Defence Contribution, after the discount deductions provided by the Legislation.

16. Dividends

	2020	2019
	€	€
Defence contribution on deemed distribution	<u>7,894</u>	<u>9,651</u>
	<u>7,894</u>	<u>9,651</u>

Deemed dividends are subject to special contribution for defence at 17% for shareholders that are both Cyprus tax resident and Cyprus domiciled.

17. Property, plant and equipment

	Computer hardware	Office equipment	Motor vehicles	Furniture, fixtures and equipment	Books	Total
	€	€	€	€	€	€
Cost						
Balance at 1 January 2019	96,983	89,734	47,812	86,222	5,401	326,152
Additions	13,298	10,463	-	21,319	90	45,170
Disposals	(3,908)	(1,027)	-	-	-	(4,935)
Balance at 31 December 2019/ 1 January 2020	106,373	99,170	47,812	107,541	5,491	366,387
Additions	16,768	22,167	-	11,654	637	51,226
Disposals	-	-	(22,844)	-	-	(22,844)
Impairment charge	-	(999)	-	-	-	(999)
Balance at 31 December 2020	123,141	120,338	24,968	119,195	6,128	393,770
Depreciation						
Balance at 1 January 2019	78,967	67,008	32,832	71,660	4,988	255,455
Charge for the year	12,282	5,218	4,993	5,174	72	27,739
On disposals	(2,302)	(103)	-	-	-	(2,405)
Balance at 31 December 2019/ 1 January 2020	88,947	72,123	37,825	76,834	5,060	280,789
Charge for the year	10,114	7,203	4,994	6,289	136	28,736
On disposals	-	-	(22,844)	-	-	(22,844)
Impairment charge	-	(300)	-	-	-	(300)
Balance at 31 December 2020	99,061	79,026	19,975	83,123	5,196	286,381
Net book amount						
Balance at 31 December 2020	24,080	41,312	4,993	36,072	932	107,389
Balance at 31 December 2019	17,426	27,047	9,987	30,707	431	85,598

18. Right-of-use assets

	Buildings €
Cost	
Additions	825,432
Balance at 31 December 2020	825,432
Depreciation	
Charge for the year	190,484
Balance at 31 December 2020	190,484
Net book amount	
Balance at 31 December 2020	634,948

19. Intangible assets

	Computer software €
Cost	
Balance at 1 January 2019	14,333
Additions	2,508
Balance at 31 December 2019/ 1 January 2020	16,841
Balance at 31 December 2020	16,841
Amortisation	
Balance at 1 January 2019	14,333
Amortisation for the year (Note 11)	836
Balance at 31 December 2019/ 1 January 2020	15,169
Amortisation for the year (Note 11)	836
Balance at 31 December 2020	16,005
Net book amount	
Balance at 31 December 2020	836
Balance at 31 December 2019	1,672

20. Available-for-sale financial assets

	2020 €	2019 €
Balance at 1 January	-	163.902
Transfer to financial assets at fair value through profit or loss (Note 23)	-	(163.902)
Balance at 31 December	-	-

21. Financial assets at fair value through other comprehensive income

	2020 €	2019 €
Balance at 1 January	-	-
Additions	2,990,387	-
Revaluation difference transferred to equity	289,693	-
Balance at 31 December	3,280,080	-

	Cost		Fair values	
	2020 €	2019 €	2020 €	2019 €
Bonds	2,990,387	-	3,280,080	-
	<u>2,990,387</u>	<u>-</u>	<u>3,280,080</u>	<u>-</u>

The details of the investments are as follows:

Name	Country of incorporation	2020 €	2019 €
Government bonds	Republic of Cyprus	3,280,080	-
		<u>3,280,080</u>	<u>-</u>

Disposal of debt investments

On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

22. Trade and other receivables

	2020 €	2019 €
Trade receivables	12,342	27,301
Less: credit loss on trade receivables	(1,071)	-
Trade receivables - net	11,271	27,301
Deposits and prepayments	63,898	117,274
Accrued income	31,500	9,971
Grant from University of Cyprus	-	1,043
Other receivables	-	216
	106,669	155,805

The Authority does not hold any collateral over the trading balances.

Movement in provision for impairment of receivables:

	2020 €	2019 €
Balance at 1 January	-	-
Impairment losses recognised on receivables	1,071	-
Balance at 31 December	1,071	-

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

The exposure of the Authority to credit risk and impairment losses in relation to trade and other receivables is reported in note 6 of the financial statements.

23. Financial assets at fair value through profit or loss

	2020 €	2019 €
Balance at 1 January	124,777	-
Transfer from available-for-sale financial assets (Note 20)	-	163,902
Change in fair value	(47,267)	(39,125)
Balance at 31 December	77,510	124,777

Financial assets at fair value through profit or loss represent 105.743 Class A shares of nominal value €0.10 each in Bank of Cyprus Public Company Ltd.

The above mentioned shares are listed in Cyprus Stock Exchange and London Stock Exchange and on 31 December 2020 their market value was €0.733 per share (2019: €1.18 per share).

The financial assets at fair value through profit or loss are marketable securities and are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices.

In the statement of cash flows, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of profit or loss and other comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

24. Cash at bank and in hand

Cash balances are analysed as follows:

	2020 €	2019 €
Cash in hand	2,199	2,390
Cash at bank	5,002	-
Current accounts	3,553,100	3,880,150
Bank deposits	3,967,518	6,137,854
Accumulated impairment losses on cash and cash equivalents	(40,449)	-
	<u>7,487,370</u>	<u>10,020,394</u>

The exposure of the Authority to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

25. Borrowings

	2020 €	2019 €
Current borrowings		
Bank overdrafts (Note 24)	<u>-</u>	<u>5,522</u>

26. Lease liabilities

	2020 €
Balance at 1 January	-
Additions	825,432
Repayments	(198,000)
Interest	22,361
Balance at 31 December	649,793

	Minimum lease payments	Interest	Principal
	2020 €	2020 €	2020 €
Within one year	201,960	16,984	184,976
Between one and five years	481,978	17,161	464,817
	683,938	34,145	649,793

All lease obligations are denominated in Euro.

The fair values of lease obligations approximate to their carrying amounts as presented above.

27. Provisions for other liabilities and charges

	Pension and other post retirement obligations €
Balance at 1 January 2019	1,444,425
Charged/(credited) to profit or loss	98,057
Payments of benefits	(2,673)
Contributions by members	18,853
Actuarial loss	347,517
Balance at 31 December 2019/ 1 January 2020	1,906,179
Utilised during the year	360,991
Payments of benefits	(33,270)
Contributions by members	18,098
Actuarial loss	446,180
Balance at 31 December 2020	2,698,178

28. Trade and other payables

	2020 €	2019 €
Trade payables	44,257	27,205
Prepayments from clients	1,918	454
Social insurance and other taxes	453	-
VAT	13,600	1,805
Sponsorship returned for staff training	793	5,409
Accruals	30,069	15,693
Other creditors	61,118	49,040
Defence tax on deemed distribution	7,894	9,651
	160,102	109,257

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

29. Deferred income

	2020 €	2019 €
Client advances	2,076,009	2,073,216
	2,076,009	2,073,216

30. Current tax liabilities

	2020 €	2019 €
Special contribution for defence	-	2,991
	-	2,991

31. Operating Environment of the Authority

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be directly disrupted significantly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.

In Cyprus, on 15 March 2020, the Council of Ministers in an extraordinary meeting, announced that it considers that Cyprus is entering a state of emergency considering the uncertain situation as it unfolds daily, the growing spread of COVID-19 outbreak and the World Health Organization's data on the situation.

To this end, certain measures have been taken with a view to safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large.

New entry regulations have been announced with regard to protecting the population from a further spread of the disease which tightens the entry of individuals to the Republic of Cyprus. Additionally, it was decided that a considerable number of private businesses operating in various sectors of the economy would remain closed for a certain period of time while lockdown measures like the prohibition of all unnecessary movements and the suspension of the operations of all retail companies (subject to certain exceptions), were effective throughout the year. The measures were constantly reviewed (removed or strengthened) by the Republic of Cyprus during the year taking into account the epidemiological situation of the country.

The objective of these public policy measures was to contain the spread of COVID-19 outbreak and are expected to result in minor operational disruption for the Company.

At the same time, governments, including the Republic of Cyprus, have introduced various financial support schemes to address the economic impact of the pandemic COVID-19. The Authority has not applied for such support. Details of all schemes that may be available and the period that they will remain available are constantly evolving and remain uncertain.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. The Authority's current expectations and estimates could differ from actual results.

Management has considered the unique circumstances and the risk exposures of the Authority and has concluded that there is no significant impact in the Authority's profitability position. The pandemic COVID-19 does not have material impact on business activities of the Authority.

The Members of the Authority believe that they are taking all the necessary measures to maintain the viability of the Authority and the smooth conduct of its operations in the current business and economic environment.

Management will continue to monitor the situation closely and assess/seek additional measures/committed facilities as a fall back plan in case the period of disruption becomes prolonged.

32. Related party transactions

Cyprus Energy Regulatory Authority is a public body entity that has been incorporated in Cyprus according to Law N. 122(I) of 2003. The following transactions were carried out with related parties:

32.1 Members' remuneration

The remuneration of Members and other members of key management was as follows:

	2020 €	2019 €
Members' remuneration	<u>261,690</u>	<u>261,098</u>
	<u>261,690</u>	<u>261,098</u>

33. Contingent liabilities

As at 31 December 2020 there were pending claims against the Authority in relation to its activities. Based on legal advice, the Members believe that adequate defences exist against any claim sought and do not expect the Authority to suffer any loss. Accordingly no provision has been made in these financial statements in respect of this matter.

34. Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2020 €	2019 €
Within one year	<u>352,731</u>	<u>318,620</u>
Between one and five years	<u>123,918</u>	<u>46,817</u>
	<u>476,649</u>	<u>365,437</u>

35. Events after the reporting period

Depending on the duration of the coronavirus (COVID-19) pandemic and the continuing negative impact on economic activity, the Authority may present negative results and limited liquidity and recognize impairments in its assets in 2021. The exact impact on the Authority's operations from 2021 onwards can not be predicted.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 79 to 81

DETAILED INCOME STATEMENT

31 December 2020

	Page	2020 €	2019 €
Revenue			
Annual fees		2,040,582	2,015,577
Rendering of services		160,876	181,687
Other operating income			
Sundry operating income		69,644	126,346
		2,271,102	2,323,610
Operating expenses			
Administration expenses	121	(2,197,280)	(1,808,498)
		73,822	515,112
Other operating expenses			
Loss on disposal of property, plant and equipment		-	(2,530)
Impairment charge of property, plant and equipment		(699)	-
Impairment charge on cash and cash equivalents		(40,449)	-
Impairment charge - trade receivables		(1,071)	-
Fair value losses on financial assets at fair value through profit or loss		(47,267)	(39,125)
Operating (deficit)/surplus		(15,664)	473,457
Finance income	122	40,930	28,479
Finance costs	122	(37,588)	(1,945)
Net (deficit)/surplus for the year before tax		(12,322)	499,991

OPERATING EXPENSES

31 December 2020

	2020	2019
	€	€
Administration expenses		
Members' remuneration	261,690	261,098
Staff salaries	647,334	568,022
Benefits in kind	-	20
Social security costs	111,966	104,973
Medical fund-General Healthcare System	23,323	14,121
Expenses related to defined benefits plan	360,991	98,057
Rent	-	163,280
Common expenses	-	1,393
Gifts and samples	-	1,776
Municipality taxes	1,000	-
Electricity	14,207	16,812
Water supply and cleaning	33,124	24,123
Insurance	1,841	2,085
Repairs and maintenance	4,082	9,373
Sundry expenses	547	776
Telephone and postage	2,553	2,159
Stationery and printing	5,436	6,723
Subscriptions and contributions	16,730	33,618
Equipment maintenance	4,778	5,113
Staff training	48,767	30,290
Computer software	10,675	7,380
Certification and legalisation expenses	-	3,287
Auditors' remuneration	3,083	3,497
Legal fees	17,445	6,105
Other professional fees	38,460	11,630
Revenue stamps	-	583
Fines	101	85
Overseas travelling	5,085	23,821
Inland travelling and accommodation	-	124
Irrecoverable VAT	83,446	70,046
Entertaining	3,327	6,532
Motor vehicle running costs	8,440	52,879
Carriage and clearing	4,016	840
Management fees	220,609	191,155
Announcements-publications	7,148	8,162
Sundry allowances and representation	20,910	20,910
Staff medical expenses	15,270	26,700
Events costs	840	1,625
Parking rent	-	750
Amortisation of computer software	836	836
Depreciation of right-of-use assets	190,484	-
Depreciation	28,736	27,739
	2,197,280	1,808,498

FINANCE INCOME/COST

31 December 2020

	2020	2019
	€	€
Finance income		
Bank interest	8,998	28,232
Interest from government bonds	31,932	-
Interest on trade balances	-	247
	<u>40,930</u>	<u>28,479</u>
Finance costs		
Interest expense		
Interest expense on lease liabilities	22,361	-
Bank overdraft interest	3,544	-
Sundry finance expenses		
Bank charges	11,559	1,945
Other finance expenses	124	-
	<u>37,588</u>	<u>1,945</u>

COMPUTATION OF DEFENCE CONTRIBUTION

31 December 2020

	Income €	Rate	Defence € c
INTEREST			
Interest from government bonds with deduction at source	31,932	3%	957,96
Bank interest with deduction at source	8,998	30%	2.699,40
	<u>40,930</u>		<u>3.657,36</u>
Less: deductions at source			<u>(3.657,36)</u>
DEFENCE CONTRIBUTION DUE TO IRD			<u>-</u>

COMPUTATION OF CORPORATION TAX

31 December 2020

	Page	€	€
Net loss per income statement	120		(12,322)
Add:			
Depreciation		220,056	
Fair value losses on financial assets at fair value through profit or loss		47,267	
Impairment charge of property, plant and equipment		699	
Impairment charge on cash and cash equivalents		40,449	
Impairment charge - trade receivables		1,071	
Fines		101	
Interest expense on lease liabilities		22,361	
			332,004
			319,682
Less:			
Interest income		40,930	
Lease payments for right of use assets		198,000	
Other non-taxable income		80,752	
			(319,682)
Chargeable income for the year			-

