

**Welcome Address by the Chairman
of the Cyprus Energy Regulatory Authority
Mr. George Shammas**

4th International Conference

‘Renewable Energy Sources and Energy Efficiency-New Challenges’

Hilton Hotel, Thursday 6 June 2013

Honorable Minister of Commerce, Industry and Tourism

Distinguished Guests and Participants,

On behalf of the Cyprus Energy Regulatory Authority (CERA) I would like to take this opportunity to welcome our guests to Cyprus as well as the participants to this important Conference on the challenges of Renewable Energy Sources (RES) and Energy Efficiency.

Setting ambitious and achievable targets related to renewable energy and energy efficiency is an essential element of achieving sustainable development and is fundamental in EU energy policy. Massive investment has taken place on a global scale, with costs for most technologies falling steadily and significantly. As a result, renewable energy technologies are becoming more attractive and competitive in an increasing range of countries.

The Cyprus Energy Regulatory Authority considers the development of the electricity system infrastructure and the gradual introduction of smart metering, in order to integrate properly the renewable energy sources in the electricity market as one of the main challenges towards developing the new regulatory regime of Cyprus energy sector.

Despite the rapid growth of renewable resources, many challenges could affect wider deployment of these resources. The intermittent nature of renewable sources presents technical challenges that must be addressed by the Transmission and Distribution System Operators, to ensure the security of the supply and the reliable and economic supply to the

consumers. Having in mind that Cyprus is a small and isolated island, integrating the intermittent renewable sources in the electricity system has increased technical and economic complexities, compared to European Union interconnected systems. Considering that generation adequacy is endangered if we do not act proactively, mechanisms for capacity payments to flexible and peaking conventional plants, as well as proper compensation of energy storage systems connected to the network, that could facilitate the integration of renewable sources in the system, are seriously considered by the regulators in Europe and definitely are being considered as an integral part of energy system planning in Cyprus.

However, developing only the infrastructure is not adequate. There is an urgent need to develop the electricity market model and the associated regulations, in a way that would facilitate competition development and the integration of renewable in the competitive market. The Cyprus Energy Regulatory Authority has set as a priority the achievement of these targets without affecting Security of Supply and at the same time minimizing the economic impact on the consumers.

In order to comply with the overall requirements of the 3rd Energy Package and taking into account the effects of the introduction of natural gas has on the investment decisions in generation capacity, as well as the need for a more effective and efficient integration and participation of Renewable in the electricity market, CERA has appointed an International Consultant to make a study in order to:

- (a) Evaluate the existing electricity market model and its suitability to support the development of competition and Renewable integration in the electricity market;
- (b) After analyzing various market models to suggest either improvements on the existing model or the adoption of a completely new market model together with an implementation program that will include a transitional period.

It is expected that by the end of this year the study will be concluded and the implementation phase will commence.

Ladies and Gentlemen,

This Conference will give the opportunity to participants to exchange views and ideas on the research and development about electricity sector in the region; the gradual development of smart grids; and the issues related to the market design and smart integration of renewable sources in the electricity markets.

I would like to take this opportunity to mention the three recent very important steps towards Renewable development in Cyprus.

- A) The successful auctioning for large PV parks with a total capacity of 50 MW with prices significantly lower than the grid parity
- B) The introduction of the scheme of domestic PVs with net –metering and
- C) the introduction of the scheme of Self Production for industrial and commercial enterprises.

We rely on these schemes to achieve the binding targets of Cyprus towards decarbonization of the energy sector.

I wish every success to the conference.

George Shammass

Chairman