

SPEECH BY THE CHAIRMAN OF CERA MR GEORGE SHAMMAS

CONFERENCE ON THE

“PROMOTION OF PV TECHNOLOGY-CHALLENGES AND OPPORTUNITIES”

8TH OF MAY, 2015

VENUE: STOA LEFKOSIAS, OLD MUNICIPALITY SQUARE

Your Excellency Minister of Agriculture Mr Kouyialis,

Your Excellency Ambassador of France Mr Florent,

Distinguished guests,

Ladies and Gentlemen,

I am delighted to be joining you today and I wish to thank the organizers for giving me the opportunity to address the Conference on the Promotion of PV Technology.

The European Union is currently facing various challenges. EU Member States are called upon to proceed with coordinated actions to increase the Union’s energy security, to enhance competitiveness, to move forward towards a transition to a low carbon economy by 2030 and to take measures to improve energy efficiency. That is why the Cyprus Energy Regulatory Authority has set at the core of its regulatory objectives the security of supply, the competitiveness and sustainability of the energy field and the economy in general, the protection of the energy customers and the protection of the environment.

At present, the energy sector in Cyprus is undergoing fundamental transformations concerning its structure and organization, its institutional framework and the diversification of its energy mix.

The Cypriot electricity sector is today 100% covered on the supply side and more than 90% on the generation side, by the state-owned Electricity

Authority of Cyprus. In an effort to open up the market to new participants, CERA has proposed the Net-Pool model as being the most appropriate trading arrangement approach for the Cyprus electricity market, setting mid 2016 as the milestone for its commercial operation. The formulation of a net-pool incorporates both, a bilateral contracts market and a central Day Ahead Market. In the near future, an Intra-Day Market would be organized. The proposed design includes also a real time Balancing Mechanism that provides the TSO with the ability to purchase the required operational reserves, activate balancing services, and settle imbalances.

It is of paramount importance to put in place the soonest the new Market Rules in order to facilitate the entrance of new players in the generation and supply of electricity. Most importantly the new rules would allow for Renewable Energy Sources, especially photovoltaics to be integrated into the market, by competing equal terms with conventional electricity generation. Photovoltaic systems, whose capital cost has declined significantly in the last years, are considered to be in a position to compete successfully with conventional fuel generators, without any governmental support. Obviously this ambitious target is fully in line with EU energy policy.

A technical major challenge that the electricity sector in Cyprus faces is the isolation of the electricity system (no interconnection with neighboring countries) while at the same time the system is very small and lacks any energy storage infrastructure. This fact imposes serious technical limitations on the amount of energy that can be absorbed in the network from intermittent Renewable Energy Sources (RES), as the intermittency can have an impact on the reliability, security and stability of the system. The potential for base-load renewable energy sources (i.e. hydro and biomass) is limited, due to resource constraints.

Furthermore, I can mention that a number of big Photovoltaic parks above 1 MW, that won the tendering procedure for a total capacity of 50 MW PV systems carried out in 2013, with a FiT per kilowatt-hour between 7.41 and

9.99 eurocent have been constructed or are in the process of being implemented.

On this occasion I would also like to refer to the very important steps taken towards the development of photovoltaic in Cyprus on which CERA has substantial contribution. These steps were the implementation of Net Metering and Self-production schemes after a CERA decision in 2013, whereby our country is a pioneer in this field at a European level. Taking into account the evolution of the Schemes, the very positive response of the public, especially in the middle of the economic crisis, it can be said that the whole effort has been crowned with success, resulting in the creation of numerous jobs, the growth of the economy and reducing the cost of electricity for thousands of residential, commercial and industrial consumers.

Dear Participants,

CERA will continue to perform its duties having as its top priority the development of an anthropocentric and smart energy strategy focusing on the consumer. The proper functioning of the energy market is of critical importance to the economy and stability of the country as well as the welfare of its citizens.

Once again, I would like to thank the organizers and to extend a warm welcome to our guests from abroad.

In closing, I wish you every success in the Conference.

Thank you for your attention.

Cyprus Energy Regulatory Authority (CERA)