



ENERGY COMMUNITIES REPOSITORY

Cyprus



OVERVIEW OF THE POLICY FRAMEWORK

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DISCLAIMER

The content of this document aims to establish an overview of the national legal developments in the context of the Clean Energy Package for the Member State mentioned above. **The document includes only final legislation which was published before the end of March 2023. It does not include provisions that are not yet applicable under law (i.e., currently drafted or discussed).**

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Overview

According to the Energy Communities Repository (ECR), Cyprus has included provisions for both Renewable Energy Communities (RECs) and Citizen Energy Communities (CECs) in their national legislation. Law 130(I)/2021 for the Regulation of the Electricity Market has been published transposing the provisions of the Electricity Directive 2019/944. This Law includes a definition for CECs and RECs and lays down the responsibilities of the Cyprus Energy Regulatory Authority (CERA), one of which is to draft an enabling framework for CECs with regulatory decisions so that they are able to participate in the market without discrimination. The Renewables Directive (RED II) has been partly transposed with the Law 107(I)/2022 on the Promotion and Encouragement of the Use of Renewable Energy Sources. This Law includes the definition of RECs and mentions that CERA should draft regulations setting an enabling framework for RECs. CERA is also mentioned in the law as the responsible body to conduct the assessment for barriers and potential for RECs in Cyprus and it should also take the specificities of RECs into account when developing support schemes.

1. Definitions

Cyprus has transposed both CEC and REC definitions with two different laws in its national legislation. The laws do not specify a dedicated authority to oversee that energy communities comply with the legislation, however under the Law on the regulation of the Electricity Market, the Cyprus Energy Regulatory Authority (CERA) should specify the enabling framework for CECs through a regulatory decision. The Law on the Promotion and Encouragement of the Use of renewables specifies that for the purpose of the provisions that touch upon the enabling framework and the assessment of barriers and potential, the issues that have to do with the development of electricity generation projects from renewable sources from RECs will be regulated by the CERA.

1.1. Renewable Energy Community definition

The national legislation on the promotion of renewable energy defines a REC as a legal entity¹:

- (a) which is based on open and voluntary participation, is autonomous and is under the effective control of shareholders or members close to the renewable energy projects owned and developed by that legal entity;
- (b) whose shareholders or members are natural persons, small and medium enterprises (SMEs) or local authorities;
- (c) whose primary objective is to provide to its shareholders or members or to local areas where it operates environmental, economic and social benefits at the community level and not financial gains.

¹ Article 2 of Law 107(I)/2022.



The law does not specify what legal forms a REC can take.

1.2. Citizen Energy Community definition

The national legislation regulating the electricity market defines CECs as a legal entity which²:

(a) is based on open and voluntary participation and is under the effective control of partners or members who are natural persons, local authorities, including municipalities, or small businesses;

(b) has as its primary purpose the provision of environmental, economic and social benefits at the community level for its members or partners or the local areas where it operates and not the generation of financial profits, and

(c) may be active in production, including production from renewable sources, in distribution and supply of electricity, services of consumption, cumulative representation, energy storage, energy efficiency services, in electric vehicles charging services, or providing other energy services to its partners or members.

The law does not specify what legal forms a CEC can take.

2. Rights and obligations

2.1. Renewable Energy Community

The national legislation specifies that the end customers, especially residential customers, have the right to participate in a REC while maintaining their rights or obligations as end customers and without being subject to conditions or procedures that are not justified or introduce discrimination and would prevent their participation in a REC. Specifically for private enterprises, their participation should not constitute their main commercial or professional activity.³

The law also states that the competent authority (CERA) will issue a regulatory decision to make sure that a REC has the right to:

- i) produce, consume, store and sell renewable energy, including through PPAs;
- ii) share, within the REC, the energy from renewable sources produced by community-owned renewable generation units, subject to the other requirements of this article and the safeguarding of the rights and obligations of members of the REC as end consumers;
- iii) have access to all appropriate energy markets both directly and through aggregation in a non-discriminatory manner.⁴

² Article 2 of the Law 130(I)/2021.

³ Article 37(1) of the Law 107(I)/2022.

⁴ Article 37(2)(a) of the Law 107(I)/2022.



2.2. Citizen Energy Community

The national legislation mentions that the enabling framework for CECs should ensure that the membership in a CEC is open and voluntary and also that the partners or members of a CEC have the ability to leave the community.⁵ Moreover, the partners or members of the CEC should not lose their rights and obligations as residential customers or active customers.⁶

According to the same provision, CECs should be able to have access to all electricity markets, directly or through cumulative representation, in a non-discriminatory manner, and shall be treated in a proportionate manner that does not result in discrimination in terms of activities, rights and their obligations as end customers, producers, suppliers, system administrators distribution or market participants who are active in cumulative representation. At the same time, they should be responsible for imbalances caused in the power system and are subject to the corresponding financial responsibility. Finally, as already indicated in the definitions section, CECs may be active in production, including production from renewable sources, in distribution and supply of electricity, services of consumption, cumulative representation, energy storage, energy efficiency services, in electric vehicles charging services, or providing other energy services to its partners or members.

With regards to the obligation to ensure third party access to grid managed by the CEC, the national legislation mentions that third party access provisions also apply to CECs that manage the distribution grid. CERA ensures the implementation of an access system by third parties in the transmission and distribution systems based on published invoices, which applies to all customers objectively and without discrimination between users of the system.⁷ The TSO/DSO (this includes CECs if they manage the grid) may refuse access due to lack of capacity by duly justifying the said refusal, which is based on objective, technical and economic reasons.⁸

3. Assessment of obstacles and potential and removal of unjustified barriers

The national legislation specifies that CERA is responsible to conduct an assessment of barriers and potential of the development of RECs at the national level.⁹ It is also highlighted that CERA is responsible for monitoring the removal of unreasonable obstacles and constraints on the development of consumption of self-generated electricity of RECs and CECs.¹⁰

⁵ Article 123 of the Law 130(I)/2021

⁶ Ibid

⁷ Article 97(5) and (1) of the Law 130(I)/2021

⁸ Article 97(3) of the Law 130(I)/2021

⁹ Article 37(4) of the Law 107(I)/2022

¹⁰ Article 5(1)(κστ) of the Law 130(I)/2021



4. Enabling framework

4.1. Renewable Energy Community

The national legislation highlights that for the purpose of the provision of an enabling framework for the promotion and facilitation of the development of RECs, CERA should issue a regulatory decision and ensure that unjustified regulatory barriers for RECs are removed.¹¹ The enabling framework should also ensure that¹²:

- RECs that provide energy or aggregation services representation or other energy-related commercial services are subject to regulations relating to those activities;
- The Distribution System Operator cooperates with RECs to facilitate energy transfers within such communities;
- RECs are subject to fair, proportionate and transparent procedures, including registration and licensing procedures, and to network fees that reflect costs, as well as fees, levies and taxes, ensuring that they contribute in an adequate, fair and balanced way to the overall cost sharing of the electrical system, according to a transparent costs and benefits analysis of distributed energy sources developed by CERA in accordance with the provisions of the Electricity Market Regulation Law. Also, the national law on electricity¹³ specifies that CERA ensures that RECs are subject to network charges which reflect costs, as well as fees, contributions and taxes so that these communities contribute in a way that is sufficient, fair and balanced in the overall cost sharing of the electrical system. For that purpose, CERA develops transparent cost-benefit analysis of distributed energy sources;
- RECs are not subject to discrimination in relation to their activities, rights and obligations as end customers, producers, suppliers or other market participants;
- Participation in RECs is accessible to all consumers, including consumers from low-income households or vulnerable households;
- Tools are available to facilitate access to finance and information. More specifically, the legislation states that the competent authority, with the participation of other government agencies, local and regional authorities, agencies, institutions and organizations, ensures that information on support measures is available to all concerned, including RECs. It should also make sure that information programs are drawn up, raising awareness, providing instructions or training for informing citizens about the ways they can exercise their rights as active customers and also in the context of RECs.¹⁴
- Regulatory and capacity building support is provided to public authorities to create renewable energy communities and facilitate direct involvement of the authorities. This includes rules that ensure equal and non-discriminatory treatment of consumers participating in the REC.

The main elements regarding the regulatory decision issued for the design of the enabling framework and/or the support regimes provided for in the national legislation and their implementation are included

¹¹ Article 37(2)(b) of the Law 107(I)/2022.

¹² The enabling framework for RECs is described in article 37(2) of the Law 107(I)/2022.

¹³ Article 22(13)(a) of the Law 130(I)/2021

¹⁴ Article 19 of the Law 107(I)/2022.



in the updates of the National Energy and Climate Plan and progress reports in accordance with Regulation (EU) 2018/1999.¹⁵

4.2. Citizen Energy Community

The national legislation states that CERA will develop with a regulatory decision the enabling framework for CECs.¹⁶ In more detail, CERA should ensure that:

- The DSO cooperates with CECs in order to facilitate electricity sharing in the CEC;
- Non-discriminatory, fair, proportionate, transparent procedures/charges for registration and licensing apply for CECs. The legislation specifies that CERA ensures that CECs are subject to network charges that are transparent, non-discriminatory and cost reflective, making sure that they contribute in an adequate and balanced manner to apportionment of the total cost of the system.¹⁷ It also ensures that, in terms of consumption of self-produced electricity, CECs pay cost-reflective network fees, which are transparent and non-discriminatory, with separate information about electricity that is fed into the grid and electricity that is consumed from the network, according to the provisions of subsection (9) of article 5 and the provisions of the article 18 of Regulation (EU) 2019/943, ensuring that they contribute in an adequate and balanced manner to apportionment of the total cost of the system;
- Are subject to exemptions around setting up and managing closed distribution networks;¹⁸
- With respect to self-produced electricity for consumption, CECs are treated as active customers and pay network fees in accordance with national provisions; and
- CECs have the right to organize within the community the shared use of electricity produced by the production units owned by the community, while maintaining the rights and obligations of community members as consumers.

The enabling framework for CECs analysed above also determines appropriate procedures, so that CECs are open to cross border participation and have the right to own, establish, purchase, or lease distribution networks and autonomously manage them subject to the obligations applicable to the managers of distribution systems, in a manner in which it is ensured that:

- I. They may enter into an agreement in respect of operation of their network with the relevant distribution or transport system operator with whom their network is connected;
- II. They are subject to appropriate network charges at the connection points between their network and the distribution network that is not managed by the CEC and that the said charges include separate information for the electricity fed into the distribution network and the electricity consumed from the distribution network that is not managed by the CEC; and
- III. CECs do not discriminate against or harm customers who remain connected to the distribution system.¹⁹

¹⁵ Article 37(3) of the Law 107(I)/2022

¹⁶ Article 123 of the Law 130(I)/2021

¹⁷ Article 22(10)(b) of the Law 130(I)/2021

¹⁸ The exceptions are further elaborated in article 56(3) of the Law 130(I)/2021

¹⁹ Article 123(2) of the Law 130(I)/2021



5. Access to financing and support for Renewable Energy Communities

The national legislation states that the competent authority, with the participation of other government agencies, local and regional authorities, agencies, institutions and organizations, ensures that information on support measures is available to all concerned, including RECs.²⁰ Furthermore, the same legislation mentions that, subject to the provisions of the Public Audit Reinforcements Law, the competent authority takes into account, in the context of planning support schemes, the particularities of RECs to allow them to compete for support on an equal footing with other market participants.²¹ In Cyprus there is a support scheme for renewables and a dedicated support scheme for self-consumption/virtual net metering, but no specific measures for RECs.

6. Other provisions on energy communities

6.1. Renewable Energy Communities

The National Energy and Climate Plan of Cyprus includes references to energy communities. For CECs it mentions that in order to empower citizens, the national legislation will be amended, according to the Electricity Directive (recast), to provide a framework for the activation of citizen energy communities, ensure fair treatment, a level playing field and a well-defined catalogue of rights and obligation, such as the freedom of contracting, supplier switching rules, distribution system operator responsibilities, network charges and balancing obligation.

In addition, the national legislation states²² that all relevant authorities including governmental departments and services, independent authorities and organizations as well local authorities, should include provisions for the incorporation and development of renewable energy, among others for self-consumption of renewable energy and for RECs, as well as the use of the inevitable waste heat and cooling, in the organization of:

(a) spatial planning;

(b) urban planning, construction and renovation infrastructure, industrial, commercial and residential areas and energy infrastructure including of electricity, district heating and district cooling, natural gas and alternative fuels.

²⁰ Article 19 of the Law 107(I)/2022

²¹ Article 37(7) of the Law 107(I)/2022

²² Article 21(1) of the Law 107(I)/2022



6.2. Citizen Energy Communities

The national law states that the CERA has the duty to monitor the removal of unreasonable obstacles and constraints on the development of consumption of self-generated electricity and of RECs and CECs.²³

6.3. Other types of Energy Communities

The concept of energy communities is very new in Cyprus, so there is no other alternative concept. There is already self-consumption legislation and support measures for active consumers.

References

- Law 130(I)/2021 for the Regulation of the Electricity Market, published on the 7th of October 2021. Consolidated version:
[https://www.cera.org.cy/Templates/00001/data/nomothesia/ethniki/hlektrismos/Nomos/2021_130\(I\).pdf](https://www.cera.org.cy/Templates/00001/data/nomothesia/ethniki/hlektrismos/Nomos/2021_130(I).pdf)
- Law 107(I)/2022 on the Promotion and Encouragement of the Use of Renewable Energy Sources, published on the 15th of July 2022. Consolidated version:
http://www.cylaw.org/nomoi/arith/2022_1_107.pdf

²³ Article 5(1)(κστ) of the Law 130(I)/2021