

Úrad pre reguláciu sieťových odvetví Regulatory office for network industries



RONI



A Table of Contents

Introduction	62
Electricity Industry	65
Gas Industry	79
Thermal Energy	95
Water Management	101
Regulation Pursuant to the Standars of Quality and Analytical Activities	108
Performance of Inspection	110
Motions, Complaints	114
Out-of-Court Dispute Settlement and Dispute Settlement Pursuant to the Article 38 of the Act on Regulation	115
Business Licences in the Network Industries	116



I firmly believe that no real expert can doubt the necessity of state regulation in the energy sector any longer. The invisible hand of the market simply does not work. This was evidenced throughout 2015 when tens of suppliers of electricity and gas failed to respond to a significant decrease in energy prices in the European markets by reducing prices for their Slovak customers. Once again, the Office had to intervene to adjust the prices of electricity and gas for households and small businesses. Whether somebody likes it or not, it has been confirmed that the energy regulation was, is and will most probably remain the absolute necessity in Slovakia for a long time in future. For this reason, the Office was consistently working to apply the regulation pursuant to the Act No. 250/2012 Coll. on Regulation in Network Industries ("Act on Regulation or Act No. 250/2012 Coll.") in full compliance with the applicable law of the European Union. At the same time, all the provisions of the Third Energy Package were successfully implemented in Slovakia.

In 2015, the Office faced new challenges arising from the changing regulatory environment in Slovakia. We focused on reviewing the compliance with the legal obligations that regulated entities are obliged to perform against Slovak taxpayers. The producers of electricity from renewable sources and high-efficiency combined production, which failed to apply for a subsidy as prescribed by the law, had to bear the consequences. The Office made it absolutely clear that it would not tolerate the producers that failed to meet their obligations, which we consider a gross disrespect for the citizens who support them by paying their electricity bills.

In addition, an extra emphasis was placed on the issue of the green energy last year. We have been constantly drawing attention to the adverse effects of non-systemic development and support at the European level. We insist that each member state of the European Union shall determine its own energy mix.

The process of creating the regulatory policy played a significant role in 2015, too. In order to ensure transparency, we approached the maximum possible number of market stakeholders, solicited the European Commission for an opinion and incorporated all relevant comments in the final draft.

The extent and list of activities carried out by the Office is truly extensive. It ranges from drawing attention to the use of assets for regulated activities and justification of investments to fostering the international cooperation with our foreign partners, especially from the V4 countries and the Agency for the Cooperation of Energy Regulators. We also assisted non-EU states in the form of twinning projects. Professional skills of our experts help to spread the reputation of Slovakia abroad as praised by the leading representatives of our partner agencies on a number of occasions.



Upper row from the left: Ing. Milan Krajčovič (member of the Regulatory board), JUDr. Ján Hijj, PhD. (member of the Board), Ing. Ján Horkovič (member of the Board), Ing. Vladimír Čepko (member of the Board), Ing. Viliam Mikuláš (member of the Board),
Bottom row from the left: Ing. Radoslav Naništa ((vice-chairman of the Board),
Ing. Jozef Holjenčík, PhD. (chairman of the Regulatory board and chairman of the RONI),
Ing. Miroslav Čelinský (vice-chairman of RONI, he isn't member of the Board)

We addressed hundreds of motions and requests for assistance from deceived citizens who complained about various malpractices of energy dealers. Thus, our priority was to resolve disputes and protect consumers, including application of the out-of-court dispute resolution regime pursuant to the Article 38 of the Act on Regulation.

In 2015, the Office continued to strengthen its transparency. Since this annual report is not intended solely for the professional audience, but also lay public, it contains the maximum amount of useful data and information. Anyone interested may find detailed facts, a method of obtaining applied factors (constants, variables, intervals, etc.) and justification for their use along with a description of the formulas used for calculating tariffs and final energy prices on our official website.

All in all, it is our great pleasure to conclude that the reputation of the Office has been growing not only in the eyes of experts, but also the general public. I do appreciate such trust and fully commit to continue to employ our skills and knowledge to the benefit of people living and working in Slovakia.

Ing. Jozef Holjenčík, PhD.
Chairman of the Regulatory Office for Network Industrie



Electricity Industry

Right way

Suitable conditions for real development of the electricity market ("the market") in the Slovak Republic were significantly influenced in 2012 by adoption of a new legislation pursuant to the Directive 2009/72/EC of the European Parliament and of the Council. Subsequently, these changes had a positive impact on the scope and method of price regulation in the following years and continued throughout 2015, too. This primarily owed to the fact that the secondary legislation issued by the Office clearly laid down the rules for all market stakeholders, essential requisites of contractual relations, defined model business terms and conditions and limited speculations with service level agreements (service contracts on a regulated entity that performs a regulated activity in the electricity or gas industry and is a part of a vertically integrated company). At the same time, a venue for intensive development of international relations was created. The expansion of market coupling serves as an evidence of the positive development. All the aforementioned had a favourable impact on formation of the single electricity market.

Network regulation

Unbundling of production and supply of network services (transmission and distribution) was implemented in the Slovak Republic in 2007. This process was completed pursuant to the Directive 2009/72/EC of the European Parliament and of the Council by certifying an operator of the transmission system in 2014. In the same year, the implementation of the conditions of the certification of the transmission system operator was audited. No significant shortcomings were identified.

Ten-Year Network Development Plan

The transmission system operator, reporting regularly on network development plans to the Office and Ministry of Economy of the Slovak Republic, is held responsible for technical functionality of the transmission system. The Ten-Year Network Development Plan, which the transmission system operator submits to the Office for approval, is the most significant document. This obligation was implemented in the Slovak law during approximation with the relevant legal regulations of the European Union, namely the Regulation No 714/2009 of the European Parliament and of the Council on conditions for access to the

network for cross-border exchanges in electricity. The plan contains assessment of performance of the previous approved one and material planning of the network development to ensure the network stability and safety, which are the primary objectives of development of the single electricity market. The submitted plan is subject to consulting with network users that is managed by the Office and as a part of this process the Office may request that the transmission system operator amend it.

The results of the consulting are published on the official website of the Office. Slovenská elektrizačná prenosová sústava, a.s. ("SEPS"),has updated the Ten-Year Development Plan of the Transmission System for the Period 2015 – 2024. Information on the outcomes of the consulting, including the requirements of the current and potential users of the system on delivery of investments in the transmission system within the Ten-Year Development Plan of the Transmission System for the Period 2015 – 2024 was published by the Office on February 25, 2015.

Technical functionality of the system is further ensured by quality standards of electricity transmission and distribution set in the Office Decree. The Decree defines the quality standards and their indicators, a method of assessment, publishing, archiving, calculation and payment of compensation payments for non-compliance with these quality standards. The compensation payments are paid to an electricity market stakeholder by a regulated entity for a failure to comply with the quality standards. The paid out compensations do not represent economically eligible costs and affect the regulated price for transmission and distribution of electricity. Performance of the quality standards, evaluated annually, encourages the regulated entity to improve the quality of delivered services.

Auxiliary and system services

Auxiliary and system services represent a key element ensuring security and stability of the transmission system. Upon the request for a specified range of individual types of auxiliary services, the Office sets total projected costs of purchasing all types of auxiliary services from certified auxiliary service providers. It also sets the maximum price for providing primary power control, secondary power control, tertiary power control

ELECTRICITY INDUSTRY

in EUR per unit of a disposable electric capacity, the maximum annual cost of ensuring the provision of remote voltage control and reactive power and the blackstart in EUR, the maximum price of offered positive regulatory electricity and the minimum price of offered negative regulatory electricity with activation of a particular type of auxiliary service.

The price for acquired regulatory electricity per unit of electricity in EUR was set on the basis of bid prices of used electricity installations submitted by providers of auxiliary services as follows:

- the highest price of a source providing regulatory electricity per quarter-hour, if the regulatory electricity is positive, but not more than the maximum price set in a price decision per unit of electricity in EUR,
- the lowest price of a source providing regulatory electricity per quarter-hour, if the regulatory electricity is negative, but not less than the minimum price set in a price decision per unit of electricity in EUR.

In Slovakia, the basic range of electricity consumption is ensured between a producer and customer or via an electricity trader. The regulatory electricity is purchased by a transmission system operator.

The transmission system operator purchases various types of auxiliary services required to deliver system services from auxiliary services providers by choosing from their bids pursuant to the Operational Order. The providers must meet the conditions set in the technical specifications and business terms and conditions specified therein to achieve the minimum costs of the provision of auxiliary services, whereas the purchase is carried out in an open, transparent and non-discriminatory manner to all providers. The transmission system operator shall preferably use bids from installations within a defined territory while observing the principle of minimizing costs of purchasing them.

Technical eligibility of auxiliary service providers is demonstrated by a certification measurement defined in the technical conditions. In 2015, auxiliary service of tertiary power control 30 min. + - was replaced with a faster auxiliary service of tertiary power control 15 min. + -. The competition in the auxiliary services market is sufficient.

Development of the provision of auxiliary services			
Indicator/year	2013	2014	2015
No. of auxiliary service providers	24	24	25
No. of bids submitted by auxiliary service providers	4 062	2 844	3422
No. of contracts concluded with auxiliary service providers	29	31	32

Type of regulatory electricity/year	2014	2015	y-o-y change 2015/2014 (%)
Primary power control +	6 800	6 853	0,78
Primary power control -	6 688	6 838	2,24
Secondary power control +	176 301	159 585	-9,48
Secondary power control -	210 182	197 181	-6,19
Tertiary power control 3 min. +	1 960	2 515	28,32
Tertiary power control 3 min	2 654	946	-64,36
Tertiary power control 10 min. +	2 473	2 929	18,44
Tertiary power control 10 min	607	876	44,32
Tertiary power control 15 min. +		1 440	
Tertiary power control 15 min		1 948	
Tertiary power control 30 min. +	850		
Tertiary power control 30 min	2 839		
Decrease in demand	301	2 194	628,90
Increase in demand	0	0	N/A
Import of emergency electricity supply	0	0	N/A
Non-guaranteed regulatory power +	0	0	N/A
Non-guaranteed regulatory power -	0	0	N/A
Positive regulatory power	188 685	175 516	-6,98
Negative regulatory power	222 970	207 789	-6,81

REGULATORY OFFICE FOR NETWORK INDUSTRIES ANNUAL REPORT 2015

Transmission and distribution, tariffs

In 2015, the Office set and defined tariffs pursuant to the Decree No. 221/2013 Coll. on establishing a price regulation in the electricity industry issued pursuant to the enabling Article 40 of the Act No. 250/2012 Coll. The practice proved that it is necessary to amend the Decree to implement several changes in response to the market development and system stability and safety in the following period. The Office addressed the key regulated entities to solicit their comments. Subsequently, a proposal for amending the Decree, which was subject to legislative proceedings where the regulated entities and obligatory subjects might have raised their comments on the draft amendment, was submitted. All comments were discussed and those contributing to development of the market were incorporated in the final draft of the amendment. The amended Decree was then discussed at a meeting of the permanent working committee of the Ministry of Finance for Financial Law. After incorporation of comments raised by the committee, the amended Decree was published in the Collection of Laws pursuant to the No. 143/2015 and became effective on July 1, 2015. The entire discussion and its outcomes were publicly available on the portal of the laws of the Slovak Republic. The amendment is related mainly to the adjustment of the eligible costs of performing regulated activities, purchase prices of electricity from renewable energy sources and highly efficient production of electricity and heat, adjustment of the transmission correction factor in the distribution and adjustment of formula used in calculation of the maximum price for access and distribution of electricity in the local distribution network. The amended Decree was applied to the price proceedings conducted by the Office in 2015 for the year 2016.

In 2015, a so-called price cap method pursuant to the approved regulatory policy for the period of 2012–2016 was applied in the electricity market. This incentive-based price regulation method provides system operators with an opportunity to retain a higher profit should they act effectively and optimize their costs.

The following network tariffs are applied to invoicing for the transmission of electricity to an electricity customer directly connected to the transmission system:

- a tariff for reserved capacity (€/MW/year),
- a tariff for transmitted electricity (€/MWh),

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- a tariff for losses in the transmission via electricity transmission system (€/MWh),
- a tariff for system services (€/MWh).

The following network tariffs are applied to invoicing for the distribution of electricity to an electricity customer directly connected to the distribution system at high and extremely high voltage level:

- a tariff for electricity distribution without losses including electricity transmission – a component for reserved capacity (€/MW/month),
- a tariff for electricity distribution without losses including electricity transmission – a component for distributed electricity (€/MWh),
- a tariff for losses in distribution via electricity distribution system (€/MWh),
- a tariff for system services (€/MWh).

The price regulation is also applied to an operator of a local distribution system and is performed by setting a method of calculation of the maximum price for electricity supply and a fixed tariff for access to the distribution system and electricity distribution.

The following network tariffs are applied to an electricity customer or producer directly connected to the distribution system at low voltage level:

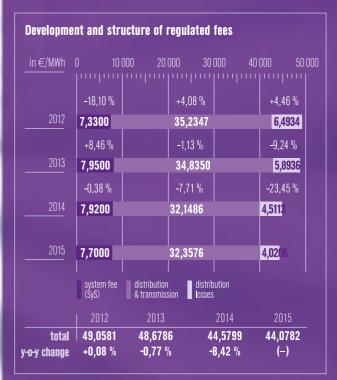
- a tariff for electricity distribution without losses including electricity transmission a component for reserved capacity (€/kWh/month).
- for reserved capacity (€/kWh/month),

 a tariff for electricity distribution without losses including electricity transmission a component for distributed electricity (€/kWh),
- a tariff for losses in distribution via electricity distribution system (€/kWh),
- a tariff for system services (€/kWh).

In the area of price regulation of the respective activities, the Office issued in 2015:

- 318 price decisions on access to the transmission system and electricity transmission, access to the distribution system and electricity distribution, network connection, household electricity supply and the last resort electricity supply,
- 84 decisions on electricity price to set an extra fee for electricity producers using combined heat and electricity production,
- 167 decisions on electricity prices to set an extra fee for electricity producers using renewable energy sources.

The final amount of the network fees is primarily affected by the regulatory asset base (a set of assets used to perform regulated activities) and the amount of eligible operating costs set in the Decree. When setting these tariffs, the Office proceeded correctly, whereas a regulated entity was requested to clarify or supplement the submitted price proposals and, prior to issuing a decision, it was requested in writing to study the supporting materials on the basis of which the Office shall issue a final price decision. All decisions are published without delay, including justification and the entire decision-making process on the official website of the Office. Following the issuance of the decision, each regulated entity is entitled to appeal the decision to the Regulatory Board in the second instance. Should the entity lose the appeal, it may appeal to the court.



In 2013, regulated fees began to decline and this trend continued throughout 2014 and 2015. The falling prices of electricity as a commodity in the electricity market and the subsequent impact on covering losses in the systems and system operators' own consumption played a significant role in

reduction of the regulated fees. In addition, a method of the regulation and implemented amendments to the regulatory legislation, namely the Office Decree No. 221/2013 Coll. also affected the fee reduction. It is expected that the rising energetic efficiency of the system operators followed by further lowering of the eligible costs pursuant to the price decree will continue.

In addition to the tariffs listed above, a final price invoiced to a customer also includes other fees unrelated to the system operation, but collected by a system operator pursuant to the applicable law.

Levy to the National Nuclear Fund

Pursuant to the Article 7 Section 1 Letter b) of the Act No. 238/2006 Coll. on the National Nuclear Fund for the decommissioning of nuclear installations and the management of spent fuel and radioactive waste ("Nuclear Fund Act") as amended, a levy to the National Nuclear Fund is collected. The levy is not a revenue arising from the system operators' business pursuant to the Article 7 Section 6 of the Nuclear Fund Act.

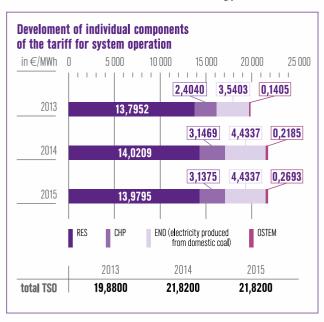
Excise duty

The amount of excise duty is not set by the Office. It is not subject to regulation within the responsibility of the Office, but it is included in a final price listed in an electricity invoice.

Tariff for system operation ("TSO")

A tariff for system operation (€/MWh) is a fixed price tied to a technical unit considering a proportional part of costs of electricity produced from domestic coal, electricity produced from renewable energy sources, electricity produced from high-efficiency combined production and activities of an organizer of the short-term electricity market. The tariff applies to the final consumption of electricity. The Office promotes electricity produced from renewable energy sources and high-efficiency combined production by setting fixed prices for electricity produced from renewable energy sources ("RES") and high-efficiency combined production depending on the technological process of electricity production, a date of launching a facility into operation, an installed capacity and a mode

of financing. The set prices of electricity produced from RES and high-efficiency combined production have a major impact on the value of the applied tariff for system operation. With connection of each new facility producing electricity from RES or high-efficiency combined production of electricity and heat to the system, the tariff rises, which has had a material impact on the amount of the final electricity price for all electricity customers not only in 2015, but also at present. The Office has constantly drawn attention to the adverse effects of uncontrolled development of RES support and insists that every member state of the Union has to define its own energy mix.



The reason for constantly growing tariff for system operation owes to continuous promotion of RES and combined high-efficiency electricity and heat production as well as an increase in the amount of electricity produced from facilities launched into operation in the previous years and the operation of which has not been fully utilized yet. A decrease in the price of active electricity on the world markets represents yet another important factor. Since all sources of RES and combined high-efficiency electricity and heat production are supported mainly by a so-called surcharge, which is a difference between the market price of electricity and the electricity price set for a particular technology, it is inevitable that with the falling world market prices, the surcharge rises, which results in a higher tariff for

system operation through which the sources for the payment of the surcharge originate. This factor has an impact not only on the promotion of electricity from RES and combined high-efficiency electricity and heat production, but also on the support of electricity produced from domestic coal. The increase in costs associated with OKTE, a.s., the organizer of the short-term electricity market, is related to new responsibilities that the organizer is obliged to implement in the electricity market in the Slovak Republic (central data warehouse, deviation settlement, etc.). In 2015, the Office appointed OKTE, a.s. to act as a nominated electricity market organizer performing a single connection of daily and intraday markets pursuant to the Regulation of the European Commission No. 2015/1222 as of July 24, 2015 laying down guidance for capacity allocation and congestion management.

Cross-border cooperation

In 2015, the Office continued the international cooperation with respective regulators and the Agency for Cooperation of Energy Regulators ("ACER") pursuant to the Directive No. 2009/EC/714 on conditions for access to the network for cross-border exchanges in electricity in the region of Central and Eastern Europe ("CEE region").

In the cross-border capacity allocation and congestion management on the cross-border profiles, SEPS, a.s., Slovak transmission system operator, complies with the rules governing the Electricity Market Rules and the Transmission System Operational Code approved by the Office. In 2015, the capacity of cross-border transmission system interties ensured sufficient stability and security of the system not only in the Slovak Republic, but also in the European Union. Revenues from congestion management fees collected by SEPS, a.s. totalled €35,207,961.67 in 2015. The Office monitored the use of the revenues pursuant to the Article 16 (6) of the Regulation No. 2009/EC/714 on conditions for access to the network for cross-border exchanges in electricity and concluded that all the revenues of the transmission system operator resulting from the allocation of interties were used to guarantee the actual availability of the allocated capacity and maintain or increase the capacity of interties via investments.

A problematic so-called green energy

With respect to ensuring stability and security of the transmission system, an issue of unplanned flows, socalled loop electricity flows, arising from the physical nature of the interconnected electricity systems, has become more challenging. These flows are caused by differences between the physical and trade flows on cross-border interconnections. The physical output flows are determined by a location of a production capacity and a place of electricity consumption. Electricity produced from RES in the Northwest Europe and mainly in Germany also flows through the transmission systems of neighbouring countries and, consequently, through the transmission system in Slovakia to the Southern Europe with a higher deficiency creating thus bottlenecks within the electricity infrastructure. Due to unpredictability of the loop and parallel electricity flows, safety of the transmission system operation with impending shortfalls is at risk as well as potential restriction of cross-border business opportunites, an increase in the internal load of transmission system and higher losses in the transmission system.

In 2015, optimal solutions to resolve the issue continued to be sought after. The issue has also been brought to the attention of the European Commission. Given that wind energy will continue to play an important role in meeting the objectives of the new energetic policy of the European Union, it is believed that effective international measures and solutions will soon be identified and implemented.

Market coupling

A market coupling project will result in formation of a pan-European electricity market. In the 4M market coupling project, systems developed for the target European model of daily electricity market have already been implemented. The European model of price coupling simultaneously sets the quantities and prices in all price bands based on the principle of a marginal pricing pursuant to the the ACER framework guidelines on capacity allocation and congestion management in the CEE region.

The method allows for simultaneous trading on power exchanges in participating countries up to the available transmission capacity. A more efficient allocation of available cross-border capacities represents the key benefit of the market coupling. The amount of electricity

traded on interconnected markets contributes to higher reliability of electricity supplies, higher market liquidity and optimal price volatility.

4M MC

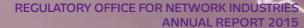
In 2015, organization, evaluation, clearing and settlement of spot market on a daily basis with the final monthly settlement was carried out. The volume of traded electricity on the spot market OKTE in 2015 marked a significant y-o-y increase. The total annual volume of electricity traded on the spot market amounted to 10,246 TWh in 2015, which is 3,565 TWh more than in 2014.

NEMO

On November 30, 2015, the Office nominated OKTE, a.s. to organize the electricity market ("NEMO") to carry out activities of daily single interconnection of daily and intraday electricity markets. The Office as the authority competent to act pursuant to the Directive 2015/1222 of the European Commission dated July 24, 2015 laying down guidelines for the capacity allocation and congestion management ("CACM Regulation") in relation to the Act on Regulation in Network Industries No. 250/2012 Coll. concluded that OKTE, a.s. fulfilled all the criteria to become NEMO. OKTE, a.s. as NEMO entity is actively involved in activities related to the development, implementation and operation of the single interconnection of daily and intraday electricity markets in the European Union pursuant to the CACM Regulation.

Intraday electricity market

OKTE, a.s. and SEPS, a.s. have been focused on building a platform for intraday electricity market when expanding portfolio of services delivered in the long term. The recently adopted CACM regulation explicitly imposes such obligation. With respect to the requirements and short implementation deadlines set in the CACM regulation, OKTE, a.s. and SEPS, a.s concluded a memorandum on joint action in developing the intraday electricity market. In the memorandum, the companies declared their intention to participate in the implementation and subsequent coordinated and reliable operation of the single European intraday electricity market. The project is presently in the testing



phase and the launch of the platform for the intraday electricity market into operation by OKTE, a.s. is scheduled for April 1, 2016.

Remit

On October 7, 2015, OKTE, a.s. started reporting data on transactions at its cross-border organized shortterm electricity market via a new information system RRM. The regulation on wholesale energy market integrity and transparency ("REMIT") requires that a participant in the organized market report the data to the system of the European Agency for the Cooperation of Energy Regulators ("ACER"). The transmission system operator ensures purchasing of regulatory electricity pursuant to a contract concluded with a provider of auxiliary services or a supplier of requlatory electricity. The transmission system operator may only supply regulatory electricity by automated activation of regulatory electricity with the parameters of the secondary output control via management information system of the transmission system operator's dispatching in cooperation with neighbouring transmission system operators within the GCC system and at a price set in a price decision of the Office or via emergency assistance from neighbouring transmission system operators.

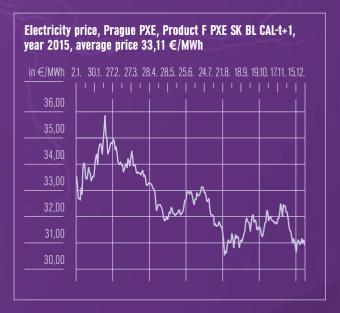
The regulatory electricity purchased by the transmission system operator in the GCC system is booked as secondary regulatory electricity at a special price set by the Office during evaluation, clearing and settlement of the deviation. The Office shall define a division of revenues from the introduction of GCC in price proceedings. A part of the revenues is kept with Slovenská elektrizačná prenosová sústava, a.s. and another part is used to decrease the tariff for system services. The actual impact of the regulatory electricity purchased in the GCC system in 2015 reached €7,216,902.92 as the revenue of the transmission system operator.

Competition Promotion

Wholesale market

The Office may only create the legislative conditions and monitor their compliance in the wholesale electricity market. Pursuant to the enabling provisions of the Act on the Regulation, the Office continued to apply related generally binding regulations of the Decree No. 221/2013 Coll., establishing a price regulation in the electricity sector as amended and the Decree No. 24/2013 Coll. laying down the rules for the functioning of the internal electricity market and rules for the functioning of the internal gas market as amended by the Decree No. 423/2013 Coll.

Electricity supply is not regulated on the wholesale market. A final price is solely shaped by the market forces.



Despite the wholesale market not being regulated, a market stakeholder with sufficient financial strength might be able to manipulate it. For this reason, REMIT was issued to control or rather monitor to help to detect and prevent such efforts. REMIT is the Regulation No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency that became effective on December 28, 2011 and the related implementing

regulation became effective on January 7, 2015. REMIT establishes a framework for monitoring wholesale energy markets and defines market abuse in the form of market manipulation or attempted market manipulation and insider dealing.

In 2015, the major electricity market stakeholders in the Slovak Republic were:

- Slovenské elektrárne, a.s. ("SE, a.s.") the most significant (dominant) electricity producer that generated 73.28% of electricity from its own sources in the Slovak Republic in 2015. Electricity production in the volume of 19,972 GWh covered 70.43% of electricity demand in the territory of the Slovak Republic. An installed capacity of its own facilities amounts to 4.520MWh.
- supported producers of electricity from renewable energy sources and high-efficiency combined heat and electricity production. It is estimated that the amount of electricity produced from RES incl. the surcharge and high-efficiency combined heat and electricity production reached 2,780 GWh and 1,794 GWh in 2015, respectively,
- Slovenská elektrizačná a prenosová sústava, a.s. ("SEPS") a sole holder of the national electricity transmission permit and operator of the national transmission network. The company also performs the tasks of energy dispatch centre (ensuring the full balance within the defined territory of the Slovak Republic),
- OKTE, a.s. an organizer and evaluator of the short-term electricity market, ensures the clearing, assessment and settlement of deviations in the territory of the Slovak Republic,
- Západoslovenská distribučná, a.s., Stredoslovenská energetika - Distribúcia, a.s., a Východoslovenská distribučná, a.s. - sole operators of the regional distribution systems ("RDS") in the respective defined territories with more than 100,000 offtake points connected. In addition, there are other 157 active licenced holders of electricity distribution that run local distribution systems ("LDS") in manufacturing and non-manufacturing companies with fewer than 100,000 offtake points,
- other 458 entities licenced to conduct business in the electricity market.

Retail market

The Act on Regulation introduced the price regulation of electricity supply to vulnerable customers such as households and small businesses. The price regulation of electricity supply to the vulnerable customers is governed by the Office Decree No. 221/2013 Coll. establishing the price regulation in the electricity industry as amended.

In 2015, the price regulation of the electricity supply was applied to:

- households,
- small businesses,
- the last resort supplier regime.

Household electricity supply

The Decree No. 221/2013 Coll. of the Office establishes requisites of a price proposal submitted by a regulated entity and also a method for calculating the maximum price for electricity supply to households. The Office shall review the price proposal and issue a decision on the prices for electricity supply to household customers in individual components of the proposed rates.

A price for electricity distribution and transmission including a price of electricity losses during distribution, the tariffs for system services and system operation pursuant to the approved price decision or prices set for access to the distribution system and electricity distribution to an operator of a distribution system operator, which a household customer is connected to, are added to the rate for electricity supply and charged to an electricity supplier.

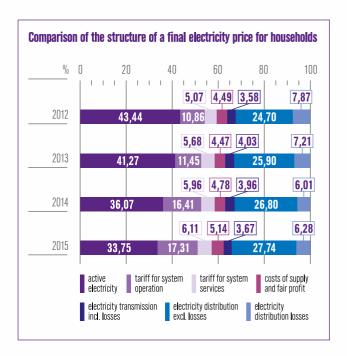
The Office set the maximum prices for household electricity suppliers conducting business in the Slovak Republic and defined the conditions for their implementation for the year 2015. The maximum prices for household electricity supplies are made up of two components - a monthly payment per an offtake point and the electricity consumed in the low or high band. Household electricity supply is divided into eight rates

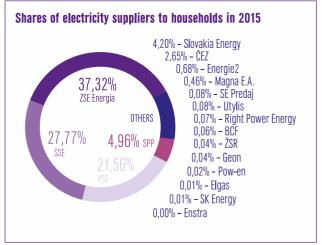
The Office always sets the maximum prices in its decisions. As a part of their business activities, suppliers offer various discounts and benefits to their customers. On its official website, the Office provides

a price calculator to assist a customer in selecting the most suitable electricity supplier depending on the customer's estimated demand and the price approved for such customer.

The arithmetic average of daily prices of the official exchange rate list, published by the power exchange PXE (POWER EXCHANGE CENTRAL EUROPE) on its website, the product of FPXE SK BL Cal-t for the period between January 1 and June 30, 2014, the coefficient up to 12 % of planned electricity load curve diagram for households and the costs of the deviation related to the household electricity supply constituted reference parameters for setting the maximum price for household electricity supplied in 2015.

A component of electricity price	€/MWh	Share in a final price
Active electricity	42,5324	33,75%
Tariff for system operation	21,8200	17,31%
Tariff for system services	7,7000	6,11%
Costs of supply and fair profit	6,4741	5,14%
Electricity transmission incl. losses	4,6217	3,67%
Electricity distribution excl. losses	34,9638	27,74%
Electricity distribution losses	7,9099	6,28%
Total	126,0219	100,00%





Electricity supply to small businesses

The price regulation is applicable to a regulated entity that supplies electricity to a small business ("SB"). The Office Decree specifies requisites of a price proposal submitted by a regulated entity and also a method of calculating the maximum price for electricity supply to SB. The Office shall review the price proposal and issue a price decision on electricity supply to a small business specifying individual components of the proposed rates.

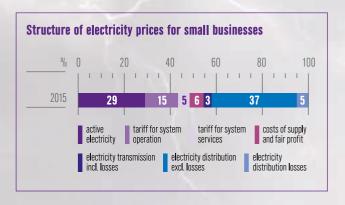
Opening of the electricity market over the previous years has led to a need to regulate the supply of electricity to SB. The price deregulation did not lower the prices and costs of electricity to customers, but the opposite. The regulation of final prices to SB customers has stabilized the energy prices since the recent liberalization of the market in Slovakia has not directly translated into lower prices. As a part of consistent application of the EU law by the Office, it is authorized to the price regulation of SB in compliance with the rights defined in the Third Energy Package to the EU member states, namely the right to a fair price for all stakeholders in the electricity market. Protection of both SB customers and households in Slovakia does not contravene the European law.

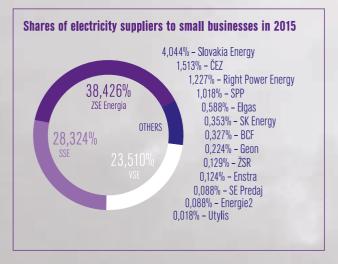
With the Office setting the maximum prices, the price regulation of SB has no impact on the energy market, neither does it harm competition in the market for energy supply to SB. The price regulation of SB guarantees competition more than prices originated in the free market environment where customers are still not able to make informed decisions.

A customer's choice of a supplier is not limited at all since each electricity supplier in the Slovak Republic operates in the whole territory of the country providing thus the customer with the same right to choose any supplier. The price regulation guarantees eligible costs and fair profit to SB suppliers.

A small business is defined as an end customer with total annual electricity consumption in all of its offtake points up to 30,000 kWh for the year preceding the year which a respective price proposal is submitted for. Electricity supply to SB is divided into eleven price rates. The Office issued 111 price decisions on electricity supply to SB in 2015.

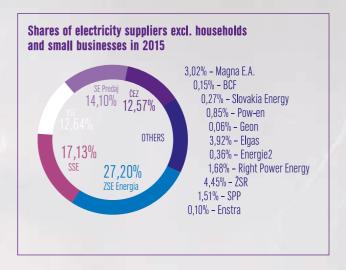
The arithmetic average of daily prices of the official exchange rate list, published by the power exchange PXE (POWER EXCHANGE CENTRAL EUROPE) on its website, the product of F PXE SK BL Cal-t for the period between January 1 and June 30, 2014, the coefficient up to 12 % of planned electricity load curve diagram for SB and the costs of the deviation related to the SB electricity supply constituted reference parameters for setting the maximum price for SB electricity supplied in 2015.

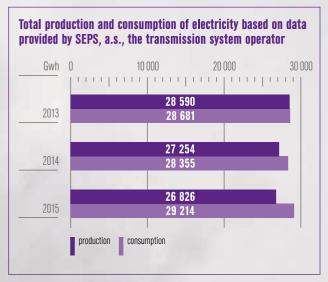




Electricity supply to other customers

Pursuant to the Act on Regulation, the Office is not authorized to regulate a final price for the electricity supplied to other end users. Such customers are not regulated and their their final price of electricity is solely derived from the market price of electricity and their choice of a supplier. They are fully responsible for their final price of electricity. In this segment, the Office only creates the conditions and the legislative environment to avoid any disruption to the market equilibrium and ensures that no entity abuses its position on the open electricity market.





Electricity consumption within the defined territory means the amount of electricity determined as a sum of the total electricity produced within the defined territory and electricity imported from which exported electricity is deducted. In 2015, a decrease in electricity production and consumption within the defined territory was recorded. This was caused by customers' focus on foreign producers of electricity in case of a decline in production. Trends of increasing energy efficiency along with customers' focus on electricity supplied from suppliers offering more favourable conditions are expected to continue in future.

Last resort supplier

The Office defines and uses criteria for selection of the last resort supplier. The price regulation applies to the supply of electricity by the last resort supplier to offtake points located in households and outside of them. The electricity price regulation is performed by setting the method of calculating the maximum price for the last resort electricity supplier.

If such supply is associated with electricity supply and included in the rate for electricity supplied as the last resort, the electricity supplier of the last resort will add the price for electricity distribution and transmission including losses in transmission and distribution of electricity, the tariff for system services and the tariff for system operation in line with the price decision in which prices for network access and distribution of electricity by an operator of the distribution system, which the relevant offtake point is connected to, were approved or set.

The last resort supplier is obliged to deliver electricity to customers connected to the distribution system and whose supplier is no longer able to supply electricity or in case when the process of electricity supplier switching has been suspended and, at the same time, electricity supply has not been ensured in any other way.

Throughout 2015, the last resort supplier regime was not employed at all. This means that electricity suppliers performed their obligations within the defined territories of Západoslovenská distribučná, a.s., Stredoslovenská energetika - Distribúcia, a.s., a Východoslovenská distribučná, a.s., the operators of distribution systems pursuant to the applicable law.

Switching

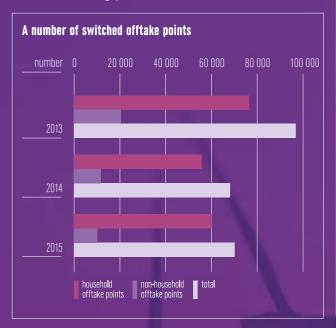
When switching an electricity supplier, a price and quality of services (consulting, personal attitude, individual offer, contractual terms, comprehensive services related to electricity supply, etc.) play the most important role. The current practice and experience prove that tariffs of a large number of the customers are unfavourably set and that they could achieve significant savings on electricity supply after switching.

To review the level of liberalization of the electricity and gas market, a coefficient set in % called switching, which is a ratio between a number of offtake points that changed a supplier of electricity or gas and a total number of offtake points in a given year, is used. As a part of monitoring of openness of the energy market, the EU collects the switching data from the member states and publishes them in ACER reports.



The overall decrease in switching owes to the fact that customers interested in changing a supplier already did so in the previous years as well as the fact that in many cases a new supplier was contracted for several years, which resulted in keeping the same supplier for the contracted period of time. In addition, a bankruptcy of several alternative suppliers contributed to fewer changes of a supplier (the last resort supplier regime applied). Confidence in alternative

suppliers has been reduced as a result. To promote switching among customers, higher awareness needs to be raised. This has been significantly supported by the Office publishing a lot of useful information for customers as well as the electricity price calculator on its official website to help guide customers in their decision-making process.



Office transparency

In addition to the price regulation, the Office issued the Decree No. 24/2013 Coll. laying down the rules for operation of the internal electricity and natural gas market pursuant to the Act on Regulation No. 250/2012 Coll. The decree defines the rights and obligations of electricity market stakeholders and the conditions for operation of the liberalized electricity market in Slovakia. The decree introduces measures aimed at fostering transparency of the electricity market and defines conditions for the creation of central data warehouse and central invoicing.

The Office proceeds in compliance with the applicable law. It analyses all planned and executed decisions and reviews them for an impact on the electricity and gas market. Studies and analyses are prepared on the basis of data provided by regulated entities and mutual communication.

REGULATORY OFFICE FOR NETWORK INDUSTRIES ANNUAL REPORT 2015

The Office sets tariffs in compliance with the applicable European law. All decisions of the Office are consulted with involved entities that have the opportunity to raise a comment before a decision is issued. Methods of setting the network fees included in price decisions are subjected to interdepartmental discussion process, in compliance with the applicable law and are publicly available. All legislative and information materials are published on the official website of the Office.

Throughout 2015, the Office continued to approve operational codes issued on the basis of the model operational codes of distribution system operators. The Office reviewed and approved 62 requests for operational codes submitted by the system operators in 2015. All approved operational codes have been posted on the official website of the Office and are available to the general public and namely the users of particular systems governed by the approved operational codes.

Pursuant to the Act on Regulation, the Office is authorized to approve business terms and conditions for an electricity supplier providing a universal service. In the course of 2015, the Office continued to approve business terms and conditions issued on the basis of model business terms and conditions of electricity supply. The Office issued 105 approved decisions on the business terms and conditions of electricity supply in 2015. All approved business terms and conditions are posted on the official website of the Office and are now available not only to the particular providers of the universal service systems (electricity suppliers), but also to the general public.

On its official website, the Office published all relevant data concerning the electricity market and in many cases beyond its obligations in order to help stakeholders in the electricity market. In addition, the Office drew attention to many obligations of the market stakeholders on its website or via direct electronic communication in order to help to meet the needs of market stakeholders.

The process of creating a regulatory policy was a significant and important item on the agenda of the Office in 2015. The Office worked in a transparent manner and approached a large number of market stakeholders during the preparation of the policy. Based on ideas collected, it submitted an elaborated version for further unofficial comments to create a draft regulatory policy. The proposal was submitted for interdepartmental commenting procedure. The Office also requested the European Commission for an opinion. The comments of the stakeholders were discussed with their authors and the reasonable ones have been incorporated into the final draft. Similarly, the Office consistently addressed the Commission's proposals, which were incorporated into the final draft, too. The process of creating and adopting the regulatory policy meets the strictest criteria on transparency of the functioning of the Office.

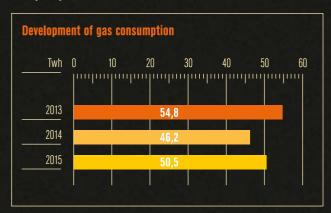


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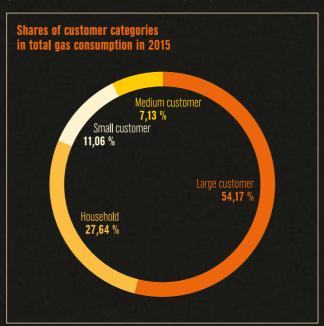
Stabilized situation

Despite the fact that the Russian Federation cut gas supplies to the supplier with the largest market share in the Slovak Republic at the beginning of 2015, gas supplies to all end customers were neither interrupted nor stopped. The gas supplies remained stable throughout 2015.

In 2015, gas consumption totalled 50.5 TWh, which is a y-o-y increase of 9.3 %.



End customers are divided into four categories by their annual gas consumption. Compared to 2014, shares of individual customer categories in the total gas consumption did not change significantly in 2015.



Gas market stakeholders are:

- transmission network operator (eustream, a.s.),
- distribution network operator within the defined territory of the Slovak Republic (SPP distribúcia, a.s.),
- local distribution network operators,
- gas container operators,
- 29 gas suppliers,
- gas customers.

In the gas market, there are also 39 local distribution network operators managing 43 networks.

Seven out of 29 suppliers in total supply gas only to end customers. These supplies are not subject to the price regulation, i.e. end customers in the medium and wholesale consumption categories.

In early 2015, the Office addressed the gas market stakeholders, interest organizations, relevant ministries and authorities and asked them to submit their proposals that the Regulatory Board and the Office could use in the creation of a new Regulatory Policy. Based on the proposals received and also experience from its application, the Office prepared and approved a draft Regulatory Policy for the following regulatory period of 2017 – 2021.

In 2015, the Office also worked to determine the initial value of the regulated asset base for the distribution network operator for the upcoming regulatory period, which will be based on the value of assets of the distribution network operator required to ensure the regulated activity as of December 31, 2015.

Network regulation

In 2015, the Office performed the price regulation governing:

- access to the transmission network and gas transmission.
- access to the distribution network and gas distribution,
- connection to transmission and distribution network,
- provision of auxiliary services in gas industry,
- re-purchasing of gas industry equipment,

pursuant to the Decree No. 193/2013 Coll. laying down the price regulation in gas industry as amended by the Decree No. 187/2014 Coll. ("Decree No. 193/2013 Coll.").



Unbundling

The Office is obliged to conduct regular supervision of the transmission system operator in form of a remote monitoring and on-site inspection of eustream, a. s. acting as an independent transmission system operator in accordance with the European Parliament and Council Directive 2009/73/EC. The Office performs the remote supervision mainly via regular communication with a person obliged to ensure compliance of the transmission system operator and analysis of quarterly reports on implementation of the compliance. The on-site inspection was carried out in November 2015. The Office identified no shortcomings by the transmission system operator that would have threatened its independence.

Pursuant to the Energy Act, eustream, a. s., submitted business and financing agreements concluded with another entity that is a part of a vertically integrated entity to the Office for approval. Throughout 2015, the Office also approved decisions on a prior consent to the terms and conditions of provision of services of the operator of transmission network to another person that is a part of the same vertically integrated business as the operator of the transmission network or which directly or indirectly controls the entity that is a part of the same vertically integrated gas entity as an operator of transmission network.

In 2015, the Office issued seven decisions on approval of business and financing agreements and 13 decisions on a prior consent to the terms and conditions of provision of services to eustream, a.s. acting as an independent transmission system operator. In addition, the Office approved the Report on Implementation of Preliminary Measures in order to contribute to non-discrimination, actual business competition and efficient gas market operation pursuant to the Article 46 Section 4 in relation to the Article 27 Section 2 of the Commission Regulation (EU) No. 312/2014 as of March 26, 2014 establishing a network code on gas balancing of transmission networks. The Office consulted the Report with regulatory authorities of the neighbouring countries that raised no reservations.

In 2015, the Office issued decisions on service level agreements or amendments to them. Nine decisions on approval of service level agreements were

issued in total for regulated entities performing regulated activities in the gas industry and are a part of a vertically integrated entity.

Technical functionality of the network

Transmission network

The transmission network of eustream, a.s. plays a significant role in gas transmission both in the territory of the Slovak Republic and European Union. It is connected to the main transmission routes in Ukraine, the Czech Republic, Austria and, from July 1, 2015, also in Hungary.

The total length of the transmission network is 2,283 km. It consists of a system of four to five parallel tubes with a calibre of 1,200/1,400 mm and maximum operating pressure of 7,35 MPa. Uninterrupted gas flow in the transmission network is ensured by four compressor stations with performance of nearly 600 MW. The technical capacity at the entry point to the transmission network in Veľké Kapušany, where the most important compressor station is also located, is almost 220 m³/a day.

The overview of technical, contractual, but also available capacities at all entry and exit border points of the transmission network

	Capacity (GWh/d)		
Border Point	Technical	Contracted	Available
ENTRY Veľké Kapušany	2 288	2 104	184
EXIT Budince	416	416	0
ENTRY Baumgarten	248	67	181
EXIT Baumgarten	1 539	1 466	73
ENTRY Lanžhot	696	629	67
EXIT Lanžhot	520	511	9
ENTRY Veľké Zlievce	51	0	51
EXIT Veľké Zlievce	127	0	127

The overview of available capacities at domestic points of the transmission network

	C	Capacity (GWh/d	<u>(</u> t
Domestic Point	Technical	Contracted	Available
ENTRY Domáci bod	169	2	167
EXIT Domáci bod	460	219	241

A domestic point is an aggregated point of connecting domestic tanks and distribution network.

Technical functionality of the transmission system is ensured by monitoring of gas pipelines in exposed locations, remediation of hazardous sites and protection of gas objects from the weather. Eustream, a. s. has been gradually replacing old technologies with the new ones that are significantly more efficient.

In 2015, eustream, a. s. submitted to the Office a tenyear plan of development of the transmission system including the development of interconnections. The plan is prepared in compliance with the ten-year development plan of the gas transmission network in the EU, which also includes so-called projects of common interest to the European Union. In the Central European region, it is a set of projects enabling two-way flows between Poland, the Czech Republic, Slovakia, Hungary, Romania and Bulgaria, and connection with LNG terminals in Poland, Croatia and Romania. They are divided into several priority corridors, of which the following two corridors run through the territory of the Slovak Republic:

- the North-South interconnection of gas pipelines in the Central East and Southeast Europe ("corridor"),
- the Southern gas corridor.

Cross-border interconnections linking Slovakia and Hungary (launched into operation in July 2015) and the planned interconnection with Poland form an integral part of the corridor, too. eustream, a. s. has begun preparing a project Eastring, which is a part of the Southern gas corridor.

No objections to the ten-year development plan of the gas transmission network were raised by users or other gas market stakeholders during the consultation process. The outcome of the consultation and the Report on Implementation of The Ten-Year Development Plan For the Period 2015-2024 were published on the official website of the Office.

Transmission network congestion

The Office monitors the implementation of measures aimed at avoiding occurrence of the network congestion and addressing it, reviews them and imposes the new ones to resolve such occurrences.

In the course of 2015, the transmission system operators took measures aimed at avoiding occurrence of transmission network congestion, in particular by implementing the procedures defined in the Commission Decision of August 24, 2012 on amending Annex I to Regulation (EC) No. 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks. Excessive ordering of fixed capacity in accordance with the item 2.2.2. of the above decision served as the primary tool for increasing a free transmission capacity in 2015. At border points outside of the European Union, namely at the exit point Budince, fixed technical capacity was increased as of March 2015. All requests for access to the transmission network were attended without any restrictions and no physical transmission network congestion was recorded.

Distribution network

SPP - distribúcia, a.s. owns and operates the distribution network within the defined territory of the Slovak Republic. The company is responsible for technically safe and economically efficient distribution of the natural gas secured by a network of high, medium and low pressure gas mains.

The structure of the distribution network of SPP - distribúcia, a.s.:

- a total length of the distribution network was 33,301 km as of December 31, 2015, of which:
 - length of the high-pressure gas mains was 6,278 km,
 - length of the medium-pressure and low-pressure gas mains was 27,023 km.

The number of offtake points and the volume of the gas distributed via the distribution network of SPP – distribúcia, a.s.

	2013	2014	2015
No. of the offtake points	1 502 898	1 506 260	1 514 646
Volume of gas distributed in m ³	5 026 557 010	4 240 396 669	4 585 031 787

In 2015, a number of gas customers connected to the distribution network and the volume of distributed gas grew by more than 8 thou. and 300 mil. m³, respectively.



The volume of investments made in renewal and reconstruction of the distribution network of SPP-distribucia, a.s.

	2013	2014	2015
Investments (in € mil.)	31	17	40

Compared to 2014, the volume of investments focused on reconstruction of gas facilities, mainly local networks in order to increase their safety as well as the reconstruction of control stations and business-oriented innovations doubled.

In addition to the distribution network of SPP - Distribution, a. s., there are also local distribution networks ("LDN") present within the defined territory of the Slovak Republic. Connected to the distribution network of SPP - Distribution, a. s., their operators distribute gas to customers in large corporate premises, industrial parks or residential premises.

In 2015, the Office reported 39 LDN operators that distributed gas via 43 LDNs. The quantity of gas supplied to the LDNs totalled 9.7 mil. MWh, of which 0.5 mil. MWh was used for production of heat for customers connected to LDN and 0.6 mil. MWh was used for production of heat for own consumption of the LDN operators. Two LDNs were supplied gas by different suppliers than the LDN operator that acted only as a gas distributor, whereas, apart from other suppliers, gas was supplied to two LDNs also by other suppliers.

Network balancing

SPP - distribúcia, a.s. is in charge of balancing the distribution network in the territory of the Slovak Republic ensuring the stability and balance of the gas distribution in case of a gas shortage or surplus in the distribution network.

Physical balancing was provided for mainly by gas extraction (to balance a shortage of gas in the distribution network) and gas injection (to balance a surplus of gas in the distribution network) via a contracted gas container. For the purpose of physical balancing of the distribution network, SPP - distribúcia, a.s. uses the gas container located in Dolné Bojanovice in the Czech Republic, which is connected to the Slo-

vak gas industry network. No issues with the distribution network of SPP - distribúcia, a.s. due to a failure in balancing the distribution network were reported in 2015.

Distribution network congestion

SPP - Distribution, a. s., a distribution network operator, avoided occurrence of congestion in the distribution network by reviewing requests for access to it. Given that the sum of all daily distribution capacities to the aggregate distribution network entry point requested from users of the distribution network was lower than the technical capacity of the distribution network at all times, no anti-congestion measures were required.

Underground gas containers

Underground gas containers represent one of tools how to increase energetic safety of the Slovak Republic. The underground gas containers in the territory of the Slovak Republic are operated by NAFTA, a.s. and POZAGAS a.s.

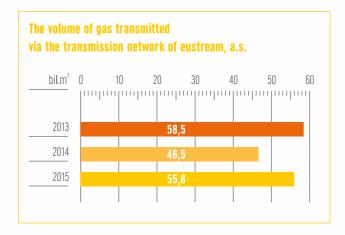
The Office monitors the status and changes in the stock of gas stored in the gas containers run by the two storage operators. Information on the status, volume of injected and extracted gas, utilization of injection and extraction capacity is published on the operators' official websites in form of aggregate data and processed on a daily basis.

Network tariffs and tariffs for connection and access to LNG

eustream, a.s., transmission network operator

The price regulation of access to the transmission network and gas transmission is performed by direct determination of a comparable price by benchmarking prices of gas transmission in the Slovak Republic with those in other member states of the European Union. The comparable prices of access to the transmission network and gas transmission are set in the form of tariffs that are proposed as entry-exit tariff system. The tariffs are set for individual entry and exit points to the transmission network and are valid for all

users of the transmission network irrespective of gas transit or gas transmission for domestic users of the transmission network.

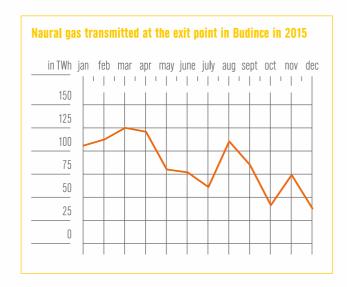


In 2015, 55.8 bil. m³ of gas was transmitted, which is a y-o-y increase of 9.3 bil. m³.

Pursuant to the Act on Regulation, price decisions issued for the year 2014, remain valid for the years 2015 and 2016, unless amended by the Office. In 2015, the Office implemented the provisions of the Commission Regulation (EU) No. 984/2013 of October 14, 2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems and supplementing Regulation (EC) No 715/2009 of the European Parliament and of the Council as of November 1, 2015 and Commission Regulation (EU) No. 312/2014 of March 26, 2014 establishing a Network Code on Gas Balancing of Transmission Networks as of October 1, 2015 via an amendment to the price decision and Operational Order.

Since the tension caused by failed negotiations on the price of gas delivery between Russia and Ukraine continued throughout 2015, the gas was imported from the EU to Ukraine mainly via the entry/exit point located on the Slovak-Ukrainian border in Budince, which is operated by eustream, a.s.

In 2015, the EU exported 10.3 bil. m³ of gas to Ukraine, a y-o-y increase by app. 5.3 bil. m³. On the contrary, Ukraine imported 6.1 bil. m³ of gas from Russia in 2015, a decrease from the previous level of 14.5 bil. m³.



The chart above implies that gas transmission via the exit point in Budince was growing from the start of the year, however, it dropped by three times between January and December 2015.

The price regulation covering connection to the transmission network is defined as the maximum price and is based on actually exerted economically eligible costs required for documentation, technical and installation phase of the connection.

The Office did not issue any price decision on connection to the transmission network in 2015.

SPP - distribúcia, a.s., distribution network operator

Price regulation for access to the distribution network and gas distribution for a regulated entity with more than 100,000 offtake points connected, i.e. SPP - distribúcia, a.s., is performed by determining the method of calculating the maximum price for access to the distribution network and gas distribution with the price cap methodology applied.

The price decision in which the Office set the maximum prices for access to the distribution network and gas distribution for SPP - distribúcia, a. s. for the year 2014 remained also valid for 2015. Tariffs for gas distribution consist of several components and are set on a so-called postage stamp principle, i.e. based on an annual volume

of gas distributed irrespective of the distance from an offtake point to the source of gas.

The price regulation governs connection to the distribution network by determining the method of calculating the maximum price based on estimated economically eligible costs associated with the definition of conditions of connection, review of a request for connection to the distribution network and installation of a measuring device, including a review of a report on professional inspection and a test of gas offtake facility. Prices are set separately for household and non-household customers. The price decision of the Office for 2014 remained valid for 2015.

Contracts on access to the distribution network and gas distribution for a period from one to three years and also short-term contracts for a period from one to eleven months were concluded throughout 2015.

Local distribution network operators

A cost-based method of price regulation where a final maximum price reflects eligible costs required for network operation per a unit of gas, fair profit set by the Office and a correction factor taking actual volume of gas distributed as well as economically eligible costs actually exerted for the defined previous regulatory year into consideration are applied to the price regulation governing access to the distribution network and gas distribution for a LDN operator with fewer than 100,000 offtake points connected.

In 2015, the Office issued one price decision on access to the distribution network and gas distribution to a newly-established LDN, one amendment to the decision to the current LDN operator and four price decisions on connection to LDN.

No LNG facility was operated in the territory of the Slovak Republic in 2015.



Underground gas container operators

Access to a gas container and gas storage is not subject to any price regulation in the current regulatory period.

Storage capacities of underground gas operators

Underground gas container operator	Technical worki (in mil.m³/year)		Technical inj (in mil.m³/da	ected capacity ay)	Technical ext (in mil.m³/da	racting capacity y)
	2014	2015	2014	2015	2014	2015
NAFTA a.s.	2 501	2 545	31,92	31,92	38,26	38,26
POZAGAS a.s.	655	655	6,85	6,85	6,85	6,85
Total	3 156	3 200	38,77	38,77	45,11	45,11

Utilization of gas container capacity of NAFTA, a.s. in 2015

Gas container users (country of origin)	Share
Slovak Republic	58,81%
Czech Republic	22,30%
England	7,50%
Germany	4,84%
France	2,42%
Netherlands	1,18%
Norway	1,81%
Switzerland	1,07%
Denmark	0,07%
Total	100,00%

Utilization of gas container capacity of POZAGAS, a.s.in 2015

Gas container users (country of origin)	Share
France	51,43%
Germany	11,91%
Switzerland	11,58%
England	10,04%
Slovak Republic	8,46%
Czech Republic	4,43%
Netherlands	2,15%
Total	100,00%

Natural gas extraction

87.56 mil. m³ of gas (946,798.95 MWh) were extracted from the reservoirs of NAFTA, a.s. in 2015.

Cross-border cooperation

"Reverse Gas Flow to Ukraine" project

In 2015, a pipeline interconnection and a gas measurement station were constructed in the premises of the compressor station in Veľké Kapušany. eustream, a. s. ensures the flow of natural gas to Ukraine in the amount of 14.6 bil. m³/year via the exit point in Budince.

"Slovak-Hungarian Gas Interconnection" project

On July 1, 2015, the Slovak-Hungarian gas interconnection was launched into commercial operation. It provides a fixed annual gas transmission capacity of 4.5 bil. m³ from Slovakia to Hungary and an interruptible annual gas transmission capacity of 1.8 bil. m³ in the opposite direction. This gas interconnection connects high pressure transmission systems between Veľké Zlievce in Slovakia and Vecsés municipality on the outskirts of Budapest.

"Polish-Slovak Gas Interconnection" project

Forming a part of the North-South gas corridor with the total length of almost 170 km, Polish-Slovak gas interconnection is a significant part of a transmission gas pipeline chain that will connect Eastern Europe from the Polish LNG terminal in Świnoujście to the planned Croatian LNG terminal on the island of Krk. Environmental Impact Assessment, a part of which was public consulting, was carried out throughout 2015. The gas pipeline is expected to be launched into commercial operation in 2019.

"Eastring" planned project

The goal of a planned Eastring project is to build a two-way gas pipeline that would connect the existing infrastructure in the territory of the Slovak Republic in Veľké Kapušany with a so-called Trans-Balkan pipeline, which connects Ukraine, Romania, Bulgaria and Turkey.



In 2015, one request for access to the transmission network was declined due to a shortage of both fixed and interruptible transmission capacities.

With the volume of gas transmitted via the exit point in Budince tripled compared to 2014, Ukraine has become the second largest foreign user of the transmission network.



Competition promotion

Wholesale market

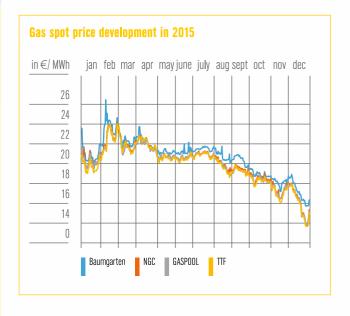
It is rather challenging to characterize the gas market in Slovakia as traders – gas suppliers buy gas:

- pursuant to long-term contracts,
- on a commodity exchange,
- from another trader a gas supplier.

10,375 GWh of natural gas was traded by a purchase from another trader – a gas supplier.

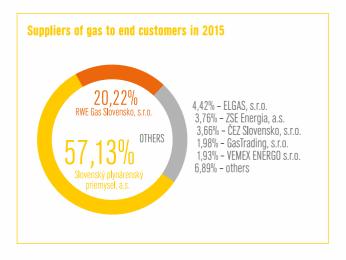
Other methods of buying gas include:

- trading on a virtual trading point of the transmission network of eustream, a.s. (106,887 GWh of gas traded in 2015),_____
- trading or a change in ownership of gas stored in underground containers (1,000 GWh of gas traded in 2015).



Retail market

In 2015, 29 active gas suppliers were conducting business in the Slovak market, which is a y-o-y increase of four.



Compared to 2014, the position of gas suppliers to end customers did not change significantly in 2015. A change in shares of individual suppliers occurred with the share of the largest gas suppliers slightly decreased in favour of other suppliers.

The position of the key gas suppliers to industrial customers excl. small businesses that are subject to the price regulation in 2015:

Suppliers of gas to industrial customers excl. small businesses in 2015



6,21% – ELGAS, s.r.o.
3,72% – ČEZ Slovensko, s.r.o.
2,84% – ZSE Energia, a.s.
2,78% – GasTrading, s.r.o.
2,71% – VEMEX ENERGO s.r.o.
2,13% – MET Slovakia, a.s.
1,49% – VNG Slovakia, spol. s r.o.
3,78% – others

Compared to 2014, the position of the top three suppliers of gas to industrial customers did not considerably change in 2015.

In 2015, the Office performed the price regulation of gas supplies to vulnerable gas customers – households, small businesses and the last resort.

Approval of business terms and conditions of gas suppliers that provide universal service serves to protect vulnerable customers. The business terms and conditions are based on model business terms and conditions produced and published by the Office on its official website, form a part of contracts on gas supply and govern the rights and obligations of a gas supplier in detail.

The Office publishes a list of gas suppliers providing the universal service on its official website to assist a household gas customer in selecting a gas supplier. The price calculator comparing prices of gas supply charged by individual gas suppliers is also a useful tool for gas customers considering switching their gas supplier.

Gas supply to households

The price cap method is applied to calculation of the maximum prices for gas supplies to households. Other gas suppliers acting in the Slovak gas market also used the maximum prices for gas supplies set for SPP, a.s. and requested that the Office issue a price decision for household customers.

In 2015, 15 suppliers were supplying gas to household customers. The Office publishes a list of them on its website.

Suppliers of gas to households in 2015



6,33% – ZSE Energia, a.s.
4,02% – SLOVAKIA ENERGY, s.r.o.
3,19% – ČEZ Slovensko, s.r.o.
0,90% – Energie 2, a.s.
0,31% – Stredoslovenská
energetika a.s.
0,13% – UTYLIS s. r. o.
0,08% – MAGNA ENERGIA, a.s.
0,02% – RIGHT POWER ENERGY,s.r.o.
0,01% – ELGAS, s.r.o.
0,0007% – LAMA energy a. s. – organizačná zložka
0,0007% – LEGAS et september septembe

The market share of the largest supplier of gas to households decreased slightly. However, shares of other key gas suppliers did not change significantly compared to 2014.

A number of suppliers of gas to households that are subject to the price regulation in terms of a number of customers:

Suppliers
10
4
0
(1)

Gas supplied (MWh)	Suppliers
up to 100 000	2
100 000 - 200 000	8
200 000 - 2 000 000	3
2 000 000 - 2 500 000	1
2 500 000 - 9 500 000	0
over 9 500 000	1

There are significant differences among gas suppliers in terms of a number of customers and volume of gas supplied. It can be concluded that the price of gas supplied to households by new gas suppliers is not sufficient to motivate the household customers to switch a gas supplier.

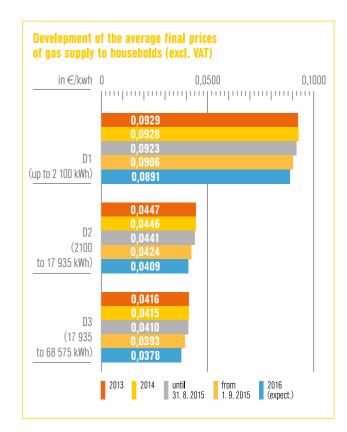
The maximum price for gas supplies to vulnerable customers that the Office determined for gas suppliers in form of price decisions for the year 2014 remain valid for the years 2015 and 2016. Although these maximum prices allow gas supplier to respond to its portfolio of purchased natural gas and reduce its amount, no gas supplier initiated it in 2015.

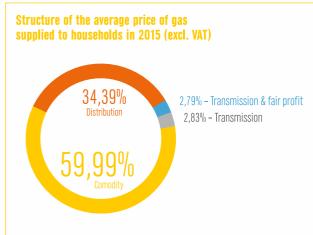
chase price of gas for SPP, a.s. as a result of signing an addendum to the gas supply contract with Gazprom export LLC as well as changes in the value of the average daily prices published by EEX (European Energy Exchange), product NCG Natural Gas Year Futures, which has 30% weight on the purchase price of gas for SPP, a.s. In its updated decision, the Office determined the maximum prices for gas supplies to vulnerable customers such as household customers and the conditions of their application for SPP, a.s.

Compared to 2014, the maximum average price for gas supplies for SPP, a.s. for the years 2015 and 2016 decreased by 1.14%. As mentioned above, the development of prices on the international market with natural gas indicated to falling gas prices. For this reason, the Office amended its price decision on the maximum prices on gas supplied to vulnerable customers represented by households and conditions of their application again in July 2015. Effective from September 1, 2015, the Office amended the relevant price decision for SPP, a.s. and, as a result, the maximum average price of gas supplied to SPP, a.s. decreased by 3.91% y-o-y.

The maximum prices for gas supplied to households excl. VAT

Tariff	Fixed monthly rate (€/month)			Rate for extracted gas (€/kWh)				
	2013	2014	2015 until 31.8.	2015 from 1.9.	2013	2014	2015 until 31.8.	2015 from 1.9.
D1	1,76	1,76	1,76	1,76	0,0539	0,0538	0,0533	0,0516
D2	4,15	4,15	4,15	4,15	0,0402	0,0401	0,0396	0,0379
D3	6,46	6,46	6,46	6,46	0,0386	0,0385	0,0380	0,0363
טט	0,40	0,40	0,40	0,40	0,0300	0,000	0,0300	0,0000

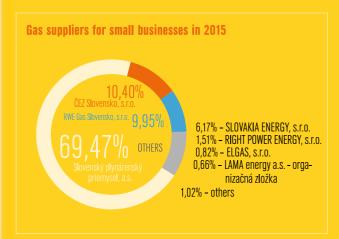




Gas supply to small businesses

For the purpose of the price regulation, a small business, which is also considered a vulnerable customer, is defined as an end customer of natural gas annually consuming up to 100,000 thou. kWh of natural gas in all its offtake points in the year preceding submission of the proposed price.

The cost method is applied to calculation of the maximum prices for gas supply to a small business. The price includes all eligible costs and a fair profit set by the Office. The price is composed of the maximum amount of the fixed monthly rate and the maximum amount of the rate for the gas consumed. The tariffs are divided into four tariff groups M1-M4 based on the annual volume of the natural gas consumption in an offtake point.



In 2015, the most notable change occurred in market shares of individual suppliers of gas to small businesses. While the market share of ČEZ Slovensko, s.r.o. and SLOVAKIA ENERGY, s.r.o. increased significantly, the market share of Slovenský plynárenský priemysel, a.s., which still keeps the decisive market share in this segment, decreased.

Gas supply by the last resort supplier

Pursuant to the Office Decree No. 193/2015 Coll., the price regulation of gas supply in the last resort supplier regime is performed by determination of the method of calculation of the maximum price of gas supply by a respective last resort supplier.



The last resort supplier notified the Office of 40 cases of last resort supplies in 2015. The last resort supply occurred in cases of elapsed time for submission of an application for gas supplier switching, retraction of a request by a new gas supplier, whereas no alternative gas supplier was readily available to a gas customer

for all customers, i.e. both household and non-house-

hold ones.

Gas supply to other gas customers

With the exception of the vulnerable customers defined in the Act on Regulation, gas supplies to other customers are not subject to the price regulation. It means that individual suppliers tend to approach individual gas customers with marketing offers and usually conclude a contract on gas supply for a period of one year. Apart from the last resort gas supplies, the Office also cooperates with the Ministry of Economy of the Slovak Republic in making decisions on a method of providing standard security of gas supplies pursuant to the Act on Power Industry. The objective is to secure gas supplies to protected gas customers in a period from November 1 to March 31 within the scope defined in the Regulation of the European Parliament and the Council No. 994/2010.

Market monitoring

The level of liberalization of the gas market in the European Union is measured by a switching coefficient that is the ratio of offtake points that changed a gas supplier in a given year and a total number of all offtake points.

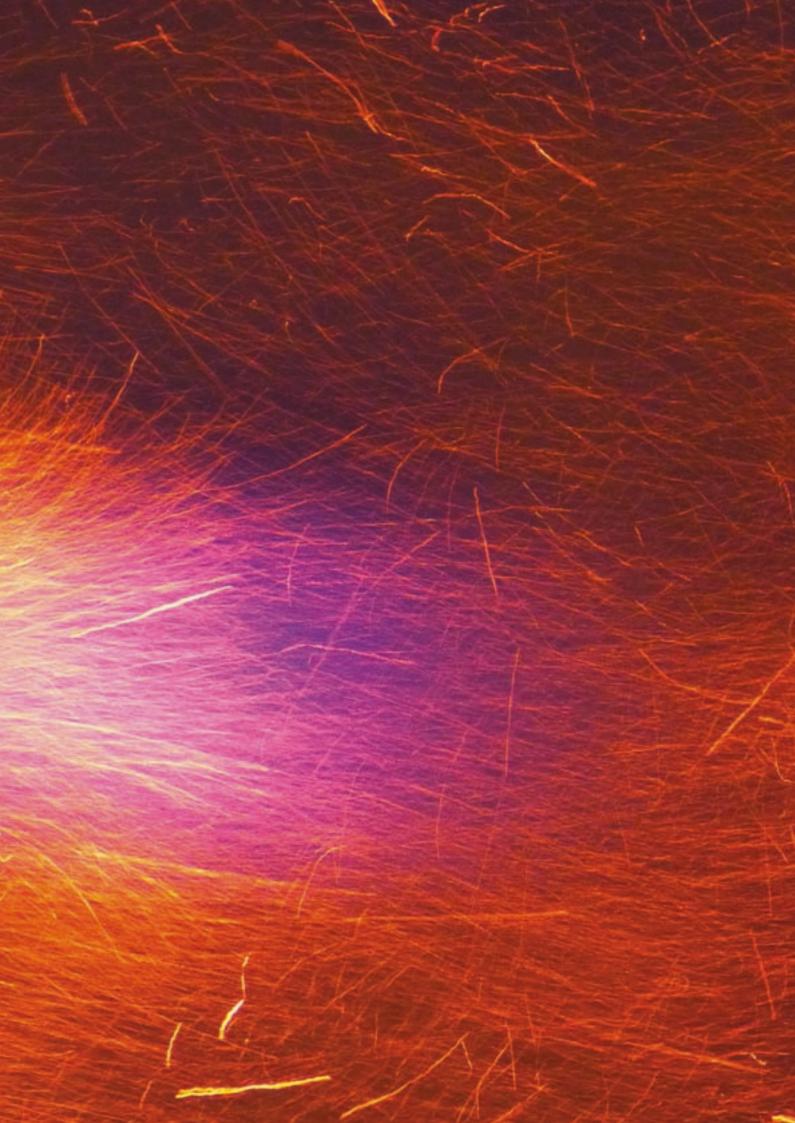
With fewer customers changing their gas supplier, switching has continued to decrease. In terms of percentage change (the ratio of a number of switched customers to the total number of customers), large customers switched their gas supplier most often, whereas households changed their gas supplier least often. The declining switching primarily owes to largely saturated gas market. The reasons include vulnerable customers who lack motivation to switch a gas supplier as well as prevailing long-term contracts fixed for a minimum period of two years.

Development of switching by customer category Customer category No. of switched offtake points 2014 2015 174 130 Large customer 144 204 Medium customer 383 480 480 318 5 877 3 967 Small customer 5 415 5 676 Household 131 385 88 028 58 081 45 827 Total 64 612 50 242 137 327 94 388 **Switching** 17.08% 12,81% 7,37% 9,25% 26,91% 16,61% 7,48% 2013 23,39% 16,44% 7,72% 2014 4,07% 18,06% 11,14% 5,08% 2015 Medium Small Households



Decisions (on price regulation issued in 2015 for the remainder of the regulatory period	15
	supply to households	1
	supply to households (amended decision)	2
Gas	supply to small businesses	2
Gas	supply to small businesses (amended decision)	2
Acce	ass to the distribution network and gas distribution	1
	ess to the distribution network and gas distribution (amended decision)	2
	nection to the distribution network	4
Acce	ess to the transmission network and gas transmission (amended decision)	1
Necisions	on Operational Codes	6
	rational Code of PPS, eustream, a.s. (amended decision)	2
	rational Code of PPZP, NAFTA, a.s. (amended decision)	1
	rational Codes of LDN operators	3
	on approval of business terms and conditions	10
	ness terms and conditions of providing universal service of gas supply to household customers	2
	ness terms and conditions of providing universal service of gas supply to household customers (amended decision)	5
Busi	ness terms and conditions of providing universal service of gas supply to small businesses	3
. Terminate	d price proceedings	3
Decisions	for entities that are part of a vertically integrated business	20
	consent pursuant to the Article 13 Section 1 Letter i) of Item 5 of the Act No. 250/2012 Coll.	13
	oval of commercial and financial contracts pursuant to the Article 13 Section 2 Letter g) of the Act No. 250/2012 Coll.	7
	of the Office arising out of regulations of the European Parliament and of the Council	1
	e Office arising out of regulations of the European Parliament and of the Council pursuant to the Article 46 Section 4	1
connection v	with the Article 27 Section 2 of the Commission Regulation No. 312/2014 as of March 26, 2014	
I. Suspendo	ed price proceedings	4
wich: Price		2
	erial regulation	2





Thermal Energy

Thermal energy market

Compared to the previous years, the conditions on in 2015. The specific nature of the market lies in the fact that it cannot be fully liberalized the same as the by the construction of systems of thermal facilities that are interconnected and, as a result, heat is genesuppliers is guaranteed. There is no regular competition present on the thermal energy market, but rather a competition for the market, which means that heat suppliers are only able to compete for new customers to maintain their market position. Construction of an individual heat source represents the only real competition in this market. Following the adoption of the Act No. 100/2014 Coll. amending and supplementing the Act. No. 657/2004 Coll. on Thermal Energy Industry as amended, measures aimed at thermal energy market stabilization have been adopted. The primary objective was to define the obligations ensuring safe and quality supply of heat to the all households including those that are supplied with heat from their own boiler. In addition, construction of systems of heat facivented as well as efficiency of the existing centralized heat supply system and a related increase in the costs of heat for end customers was secured. 53.7% of regubined production of electricity and heat. The remaining heat is generated in block and house boiler rooms.

Development of thermal energy supplies

Climatic conditions in the recent years, building insulation and disconnection of customers from a centralized heating system have led to a gradual decrease in heat supply by 3-5% y-o-y. The particularly warm year of 2014, when the actual supply of heat dropped by 10.5% y-o-y, marked an exception to this trend. The decline was mainly reported in the housing sector in which the volume of heat produced is directly dependent on the climatic conditions. Improving thermal and technological characteristics of residential and public buildings also has a significant impact on reduction of heat supply. Although a large portion of residential buildings have already been insulated or fully renovated, a further decline in heat demand is expected in the coming years.

Ordered volume of heat featured in the table below is sourced from price proposals submitted by heat suppliers to end customers that use the supplied heat for their own consumption or distribute it to end consumers. The actual supply of heat to end customers is measured at offtake points of end customers in a given year.

Similar to the previous years, the volume of heat delivered to apartments reached 40% of total heat supplied in 2015. Heat suppliers report the actual heat supplied in a given year to the Office by the end of March of the following calendar year. Heat suppliers that purchase heat must report such data by the end of April of the following calendar year. Given that the year 2015 was app. 10% colder than 2014 and heat supplied for heating of residential and non-residential buildings constitutes a significant portion, it is expected that the actual heat supplied in 2015 will exceed the level of 2014. This trend will not affect the ongoing insulation and renovation of residential and public buildings.



5% Bratislavská teplárenská, s.r.o. 6% – Tepláreň Košice, a.s. 3% – Žilinská teplárenská, a.s. 3% – Veolia,a.s. 2% – Trnavská teplárenská, a.s. 2% – Martinská teplárenská, a.s. 2% – Martinská teplárenská, a.s. 2% – Spravbytkomfort, a.s. Prešov 1% – Teplo GGE 1% – STEFE, a.s., Banská Bystrica 1% – Zvolenská teplárenská, a.s.

Heat production via combined heat and electricity production in 2015 53,7% independent heat production combined heat and electricity 46,3% production

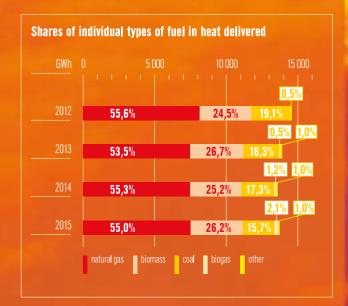
Fuel used		uppliers
	2014	2015
Natural gas	264	270
Biomass	74	75
Coal	15	15
Biogas	14	37
Geothermal energy	4	4
Heat pump	3	3
Solar energy	2	. 2

Fuel consumption in heat production

In 2015, the share of types of fuel used in heat production remained largely unchanged compared to the previous year. The most frequently used types include natural gas (55%) and biomass (27%). App. 110 biogas power plants, of which 36 produce heat in addition to electricity, were built in Slovakia over the past two years. A share of heat generated from biogas is 2% of total heat supplied.

Development in consumption of individual types of fuel used in heat production

Year	Natural gas (GWh)	Biomass (thou. t)	Coal (thou. t)	Biogas (GWh)	Heat supply (GWh)
2012	9 919	1 705	738	-	15 734
2013	9 136	1 998	676	80	15 041
2014	9 146	1 699	608	177	14 534
2015	9 218	1 729	578	323	13 984





The price regulation of thermal energy was governed by the Decree No. 222/2013 Coll. ("Decree No. 222/2013 Coll.") establishing the price regulation in thermal energy industry until June 30, 2015. Effective from July 1, 2015, the Decree No. 190/2014 Coll. amending the Decree No. 222/2013 Coll. was applied. The prices were regulated by the application of a method of calculating the maximum heat price, which is based on the calcu-lation of economically eligible costs and a fair profit as defined in the relevant Decree. The amendments to the Decree No. 222/2013 Coll. were of a formal nature and did not considerably modify the principles of the price regulation in 2015 compared to the previous year. However, values of correction coefficients applied to calculation of the maximum fuel prices for the purpose of calculating eligible fuel costs, which the Office annually publishes on its official website until July 31 for the following year, were modified.

For the year 2015, the correction coefficients of natural gas and wood chips were modified. With regard to favourable development of natural gas prices on the global market, the correction coefficient for calculating the maximum price of natural gas decreased by 5% y-o-y. At the same time, the value of the correction coefficient for wood chip dropped by 26% y-o-y in order to harmonize the maximum allowed price per unit of energy content of wood chip in approved heat prices with a price available on the Slovak market and align it with the price, which forms a part of fixed price of electricity produced from wood chip via combined electricity and heat production.

Price monitoring

Pursuant to the Act on Regulation, the price decisions issued for the year 2014 remain valid also for the years 2015 and 2016, unless amended by the Office. A regulated entity may submit a proposal to change the price, if any events defined in the Act on Regulation occur. As of January 1, 2015, the Office approved 182 proposals for a change in the price of heat containing 475 prices. In the course of 2015, the Office approved additional 56 price proposals with 70 prices. Out of 238 decisions issued in total, 197 decisions related to a change in price and 41 decisions were issued for new suppliers of heat or new locations. To eliminate any shortcomings in the price proposals, nine price proceedings were suspended and

another nine price proceedings were terminated due to their insubstantiality.

A number of issued price decisions Total No. of No. of amended No. of approved Year price decisions price decisions prices 2013 690 357 15 23 799 2014 345 197 2015 238 542 58 54 81 Effective from January 1, 2016

The average variable component of the maximum heat price in 2015 reached €0.0482 per kWh. A decline in this component of the heat price by 3% owes to the favourable price of natural gas. With the current price of natural gas sustained on the global market, a significant decrease in the variable component of the price of heat produced from natural gas will be reflected in the prices set for the year 2017, which is the first year of the regulatory period 2017 – 2021 and all regulated entities are obliged to propose new prices to the Office for approval.

In 2015, 197 heat suppliers representing 62% of all suppliers requested a price amendment. In 133 cases, the price of variable component was decreased. Other suppliers applied the prices set in 2014. However, some suppliers opted for lowering their maximal price of heat in line with lower costs of natural gas throughout 2015 without changing the price decision as defined by the law. The heat suppliers, which neither updated their price nor did they request its change, must invoice the actual costs of fuel as part of obligatory annual settlement after the end of the regulatory year. Economically eligible costs of fuel are documented by invoices issued for the purchase of fuel and the unit price of fuel must not exceed the limit set by the Decree No. 222/2013 Coll. The actual variable component of the heat price following the settlement of costs for 2015 and especially for 2016 will be significantly lower owing to the favourable price of natural gas.

Factual changes compared to the facts originally used for approval of heat prices for 2014 represented the main reason for submitting a proposal for a change in the fixed component in 2015. The average fixed component of the heat price in 2015 reached €174.59/kW, which is 0.9 % y-o-y increase. The method of regulation applied to this regulatory period allows for an annual increase in fixed costs only as a result of new investments in production efficiency, heat distribution and construction of thermal facilities using renewable energy sources. 22 suppliers that were planning to invest €88.8 mil. in thermal facilities used this option. In this case economically eligible costs of the new investments were included in heat prices. The volume of fixed costs of other suppliers did not exceed the level of 2014. A decrease in the regulatory input, which is based

New investments in 2015	
Purpose	Amount of planned act. for 2015 in € thou.
Heat production facilities	28 645
Heat distribution facilities	10 344
Environmentalization	49 186
General repairs	150
Construction of RSE	499
Total	88 824
10141	35 524

on actual heat supply over the calendar year preceding the submission of a proposal, had a negative impact on the fixed component of heat prices approved in 2015. In several cases, the price was amended due to approval of a heat price for heat suppliers launching business in a new location.

In 2015, the average fixed component of the heat price increased by almost 1% y-o-y. With the variable component down by 3%, the final price of heat fell by 1.5% as a result.

Heat price development				
	2013	2014	2015	Average price as of 1. 1. 2016
Variable component (€/kWh)	0,0513	0,0497	0,0482	0,0476
Fixed component (€/kW)	167,31	172,99	174,59	175,54
Final price of heat (€/kWh)	0,0829	0,0823	0,0811	0,0807

In the fourth quarter of 2015, 57 proposals for amendment to the decision based on which the Office approved the prices for production, distribution and supply of heat from January 1, 2016 to December 31, 2016, were submitted to the Office. The proposals were made for the similar reason to the previous year. The impact of the changes approved as of January 1, 2016 on the average amount of variable and fixed price components decreased a final price of heat by 0.5% compared to 2015.



For statistical evaluation of costs of heat development, a monitored sample of selected 900 residential buildings with 40,000 apartments around Slovakia in 2012 – 2014 was updated in 2015.

Development of costs of heat							
2012	2013	2014	2015				
7 385	7 192	6 152	6497				
716	696	629	629				
3 462	3 368	2 888	3270				
0,21	0,21	0,22	0,19				
	7 385 716 3 462	2012 2013 7 385 7 192 716 696 3 462 3 368	2012 2013 2014 7 385 7 192 6 152 716 696 629 3 462 3 368 2 888				

Stable prices of heat in the reporting period and decreasing heat supplies led to a 22% decrease in costs of heat per apartment between 2012 and 2015.







Water Management

Potable and waste water

In 2015, there were no significant changes in the price regulation of water management. One of the main objectives of the regulatory policy was achieved in 2014 when potable water supply via the public water supply system and waste water collection via the public sewage system became regulated activities in small municipalities. Since the approved prices remain valid for the year 2016 as well, only a few amendments to price decisions were made in 2015.

41 new regulated entities including small municipalities and small businesses managing public water systems and public sewage systems were established in 2015. 640 regulated entities, of which 14 are water companies, were registered in total as of December 31, 2015. The new regulated entities were primarily founded following the completion and launch of new public water supply systems in small municipalities and also parts of towns connected to the already existing public water supply system or public sewage system operated by a water management company.

A new regulated entity, which uses the public water or public sewage system of category I or II to perform a regulated activity, submitted a price proposal to the Office in accordance with the generally binding regulation. In price proceedings, the Office approved or set a price by issuing a price decision. If the new regulated entity is a municipality, which owns the public water supply and public sewage system of category III, it announced the price calculated in a manner and to an extent defined in the generally binding regulation. The Office issued confirmation of the price to the regulated entity in form of a notification.

In compliance with the applicable price regulation, a regulated entity was only allowed to request an amendment to a price decision or, in case of an issued price confirmation, notify of an amendment to a price valid until the end of the regulatory period of 2012 – 2016.

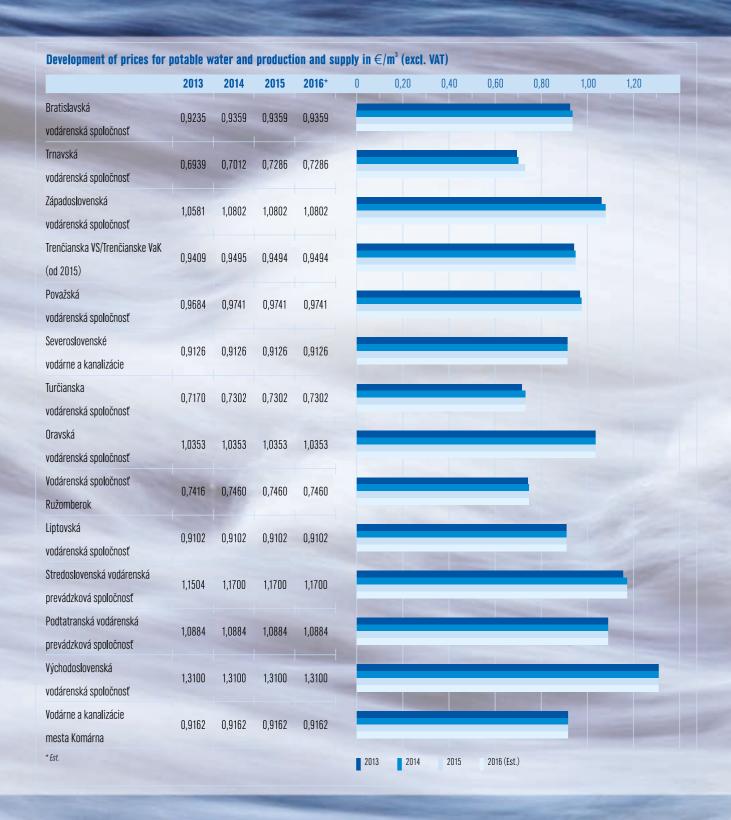
2013	2014	2015
191	140	10
6	8	5
Χ	479	28
103	0	, 0
16	12	14
18	12	3
0	0	2
334	651	62
	191 6 x 103 16 18	191 140 6 8 x 479 103 0 16 12 18 12 0 0

Price monitoring

Approved prices of water for a three-year period of 2014 – 2016 contributed to their stabilization and completion of another objective of the regulation policy. The water companies supply potable water to as many as 95% of all supplied residents. In 2015, the Office continued to apply the Decree No. 195/2013 Coll. defining the price regulation in the area of production, distribution and supply of potable water via the public water supply system and collection and treatment of waste water via the public sewage system in the wording of the Decree No. 188/2014 Coll. to setting the prices and amending the price decisions.

In compliance with the applicable law, a regulated entity may propose an amendment to a price decision only due to a significant change in economic parameters affecting economically eligible costs used as the basis for determination of the price of a regulated activity and justify such change with relevant data and analysis of economic indicators.

A price cap method, in which set maximum price shall be adjusted also in case of inclusion of new water supply assets by the amount of regulatory depreciation, but also according to the actual use of designed capacity of water supply assets to perform regulated activities, is applied in this regulatory period.



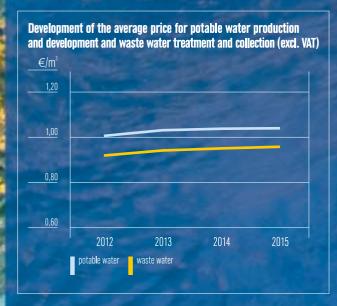
	2013	2014	2015	2016*
tislavská	0.0051	0.0016	0.0016	0.0016
odárenská spoločnosť	0,9051	0,9216	0,9216	0,9216
rnavská	1.0001	1 0000	1 0750	1 0750
odárenská spoločnosť	1,0261	1,0292	1,0758	1,0758
ápadoslovenská	2000	0,8538	0,8538	0,8538
odárenská spoločnosť	0,8286	0,0000	0,0000	0,0000
renčianska VS/Trenčianske VaK	0.0425	0.0555	0.0554	0,9554
od 2015)	0,9435	0,9555	0,9554	0,9004
ovažská	1 0205	1 0700	1 0700	1 0700
odárenská spoločnosť	1,0305	1,0700	1,0700	1,0700
everoslovenské	0.0500	0.0707	0.0707	0.0707
rodárne a kanalizácie	0,9500	0,9797	0,9797	0,9797
Turčianska	0.0547	0.0000	0.0501	0.0501
vodárenská spoločnosť	0,9547	0,9639	0,9591	0,9591
Dravská	0.0010	0.0010	0.0010	1.0000
vodárenská spoločnosť	0,9916	0,9916	0,9916	1,0263
odárenská spoločnosť	0.0047	0.0000	0.0000	0.0000
Ružomberok	0,9047	0,9603	0,9603	0,9603
iptovská	1 1000	1 1000	11000	1 1000
odárenská spoločnosť	1,1068	1,1068	1,1068	1,1068
Stredoslovenská vodárenská	1.0000	1 0000	1 0000	1 0000
revádzková spoločnosť	1,0983	1,0983	1,0983	1,0983
odtatranská vodárenská	1.0505	1 0505	1 0505	1 0004
prevádzková spoločnosť	1,0585	1,0585	1,0585	1,0904
/ýchodoslovenská	0.0000	0.0000	0.0000	0.0000
vodárenská spoločnosť	0,9000	0,9000	0,9000	0,9000
/odárne a kanalizácie	0.0040	0.0040	0.0040	0.0040
mesta Komárna	0,8643	0,8643	0,8643	0,8643
st.				



In the first half of 2015, five proposals for amendment to a price decision were submitted, of which two were submitted by water companies. After reviewing the supporting documents, the Office dismissed one of the proposals. Based on a demonstrated need and justification of higher eligible costs, the Office amended two prices for waste water collection and treatment by public sewage system effective from July 1, 2015. Two proposals for the amendment were submitted because the regulated entity stopped performing regulated activities in a municipality.

In addition to the amendments to the price decisions, the Office issued 10 price decisions and 28 price confirmations, in which it set 52 maximum prices of water to the new regulated entities throughout 2015. None of the water companies requested any amendment to a price decision for 2016.

In 2015, the average prices of waste water collection and treatment rose only by 0.3% to €1.9986/m³ excl. VAT in Slovakia.



The Office issued 10 new price decisions on 13 prices of water, of which four were amended to smaller water companies that supply potable water or collect and treat waste water mainly in small municipalities and smaller suburban areas.

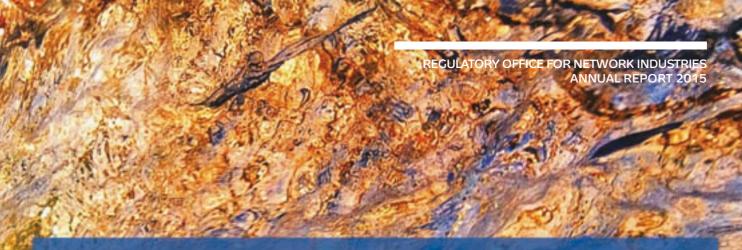
In 2015, the Office issued 28 new confirmations on 32 prices of water to small municipalities that own and operate the public water supply or sewage systems of category III (for app. 2,000 residents). In 2015, the municipalities did not request any amendment to prices valid until the end of 2016.

Neither the average price for production and supply of potable water nor the average price for waste water collection excl. VAT changed for these small regulated entities in 2015. Unlike the prices of water companies that charge more for waste water collection than potable water distribution, which is a result of construction of new public sewage systems and waste water treatment plants for small municipalities up to 2,000 equivalent residents by 2015 in compliance with the commitment of Slovakia made to the European Union.

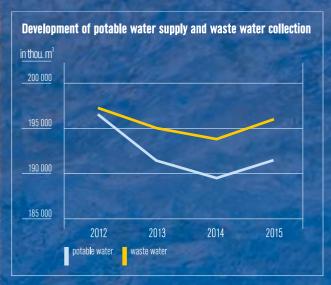


Supply and collection

With the exception of 2012, the supply of potable water by water companies was continually declining by 1 – 2% y-o-y until 2015 and reached 189,514 thou. m³, which represents a 17 % decrease. This unfavourable trend continued despite the construction of new public water supply systems. At the same time, the volume of waste water collected via public sewage systems was declining, albeit only by 6%. This lower decrease owed to the construction of new public sewage systems in small municipalities and connection of new



producers. Water companies justified such long-term decrease by further savings of residential customers or substituting of potable water from public water system with water from customers' own sources despite the fact that the price of potable water remained stable for several years. Similarly, large corporate customers were also more saving-oriented.



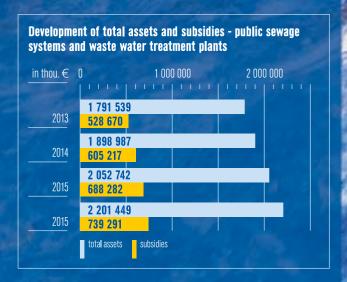
Investments

The current investments made in the water management are primarily related to fulfilment of the obligations in the area of waste water treatment. All municipalities with more than 2,000 equivalent residents must have the sewage system built and waste water treated, which is significantly subsidized from the EU funds. This resulted in a considerable increase in asset value in waste water collection and treatment. Potable water supply infrastructure is being expanded in the regions with missing public water supply systems by small municipalities and water companies.

Based on the data from water companies for the year 2015, the subsidies from the European Union and the state budget covering capital investments to potable water supply increased only marginally y-o-y, while the share of the investments on total assets reached 13%. In waste water collection and treatment, the share of the investments on total assets grew by 7% y-o-y. Nevertheless, their share of total assets was much larger than in the potable water area and reached 34%.

Total assets of water companies at cost value and the value of assets funded from the subsidies in the years 2012 – 2015:





Utilization of water assets capacity

Based on the data on total designed capacity and actual use of the capacity of water assets operated by water companies, the average utilization of public water supply systems reached 92% in 2015 and has remai-

ned stable for several years now. The below average capacity utilization is reported only by 3 water companies.

Utilization of sewage treatment plants remained low and unchanged at 74% in 2015. The below average utilization of the capacities is reported by as many as half of the water companies. The overall lower utilization in this area owes to the fact that designed capacities of waste water treatment plants must have some additional available capacity left for further treatment of waste water collected from newly-built public sewage systems. Finally, the low utilization of the capacity of the new public sewage systems only at 20-30% is caused by insufficient number of new producers connecting to them despite the legal obligation to do so.

Potable water	2012	2013	2014	2015	change '15/'14	
Revenues from regulated	197 241	196 407	195 625	199 635	4 010	
activities in € thou.						L
Eligible costs in € thou.	¹ 191 017	194 340	194 187	192 169	-2 018	-
of which costs of water	30 724	28 368	29 698	29 552	-146	
management assets repair i	n€thou.					
Water manag. assets in € thou.	1 500 138	1 558 373	1 637 567	1 646 853	9 285	
from subsidies in € thou.	186 311	198 880	214 611	215 402	792	
Volume of water in m³ thou.	196 560	191 439	189 514	191 524	2 009	
Water management assets capacity utilization	92%	92%	92%	92%	0	-
Waste water	2012	2013	2014	2015	change '15/'14	
Revenues from regulated	175 988	182 104	182 522	186 975	4 454	
activities in € thou.						
Eligible costs in € thou.	175 691	178 354	182 691	186 112	3 421	ŀ
of which costs of water	16 728	17 395	17 045	16 626	-419	-
management assets repair i		1 000 007	2.052.742	2 201 440	140.707	
Water manag. assets in € thou.	1791539	1 898 987	2 052 742	2 201 449	148 707	
from subsidies in € thou.	528 670	605 217	688 282	739 291	51 009	<u> </u>
Volume of water in m ³ thou.	197 306	195 022	193 790	196 019	2 229	ŀ
Water management assets	' 73%	' 78%	74%	74%	' 0 '	

Surface water utilization

In compliance with the applicable law, the price regulation is applied to collection of surface water and energy water from watercourse and utilization of hydropower potential of watercourse.

Slovenský vodohospodársky podnik, š.p., Banská Štiavnica, a management company of water flows appointed by the government, is a regulated entity acting as a monopoly that performs the regulated activities in this area in the Slovak Republic.

Currently, the method of price regulation is defined as calculation of a fixed price for regulated activities, which shall remain valid until the end of the regulatory period unless amended by a relevant price decision issued by the Office. The regulated entity may only request a price amendment due to a significant change in economic parameters affecting economically eligible costs, which served as the basis for the original price determination and justify such request with due analysis.

As no regulated entity requested any amendment to a price decision and, similarly, the Office did not amend any price decision in 2015, the fixed prices set for the year 2014 remained in effect. All prices in this area have remained stable for several years now.

The price of surface water collected from a water-course has remained intact for four consecutive years. The fixed prices set for individual groups of hydropower potential users based on the installed output of hydroelectric power station, stemming from the same average price for utilization of the hydropower potential of the watercourse as in 2013, were unchanged, too. Finally, the price for energetic water collected from the watercourse matched the level of 2013.

Prices for use of surface water in EUR (excl. VAT)					
	2013	2014	2015	2016*	
Price for collection of surface water per m ³	0,1122	0,1122	0,01122	0,1122	
Average price for hydropower potential utilization per 1 MWh	15,7552	15,7552	15,7552	15,7552	
Price for energetic water coll. in thou. m ³	0,1659	0,1659	0,1659	0,1659	
* Est.					



Regulation Pursuant to the Standars of Quality and Analytical Activities

Standards of quality

The objective of the regulatory policy of the Office is to foster the market principles in network industries with an emphasis put on protection of a customer and eligible interests of regulated entities. The preference is given to the use of incentive regulatory methods and monitoring and sanctioning of any failure to comply with the standards of quality as a new method of regulation.

A number of delivered reviews and recorded events in the electricity industry

Electricity industry	Electricity trans.	Electricity distrib.	Electricity supply
No. of reviews delivered	1	136	170
No. of events recorded	17	7 531 524	222 848
No. of events recorded with	0	17 697	412
a violation of the standards of quality			
A share of events with a violation of the stan-	0%	0,23%	0,18%
dards of quality on events recorded in total			

A number of delivered reviews and recorded events in the gas industry

Gas industry	Gas storage	Gas trans.	Gas distrib.	Gas supply
No. of reviews delivered	2	1	43	70
No. of events recorded	851	163	42 389	141 953
No. of events recorded with	0	0	2	472
a violation of the standards of quality				
A share of events with a violation of the stan-	0%	0%	0,005%	0,33%
dards of quality on events recorded in total				

A number of delivered reviews and recorded events in the thermal energy industry

Thermal energy industry	Heat supply
No. of reviews delivered	321
No. of events recorded	79 338
No. of events recorded with a violation of the standards of quality	187
A share of events with a violation of the standards of quality	0,24%
on events recorded in total	

A number of delivered reviews and recorded events in the water management industry

Water industry	Potable water supply	Waste water collection
No. of reviews delivered	65	62
No. of events recorded	67 284	38 986
No. of events recorded with a violation	729	227
of the standards of quality		
A share of events with a violation of the stan-	1,08%	0,58
dards of quality on events recorded in total		

An overview of compensations paid out in 2015

	Regulated activity	EUR
Electricity industry	Transmission	0
	Distribution	204 075,11
	Supply	9 741,40
		213 816,51
Gas industry	Storage	0
	Transmission	0
	Distribution	50
	Supply	17 985
Thermal energy	Supply	
Water management	Potable water supply	19,97
	Waste water collection	4,63

In 2015, suppliers were paid out €242,548.06 in total.

Compliance with the Article 29 Sections 2, 3, 4 and 5 of the Act No. 250/2012 Coll.

For purpose of creating equal market conditions, the Office monitors activities of network operators and networks to prevent them from benefiting from a vertical integration. A regulated entity engaged in regulated activities in the electricity and gas industry, which is a part of a vertically integrated undertaking, shall submit to the Office a service level agreement or its amendment for approval. In 2015, 29 service level agreements were submitted to the Office for approval, of which 28 were approved and 1 dismissed.

Pursuant to the Article 29 Section 3 of the Act No. 250/2012 Coll., the Office recorded 442 public tenders announced by 18 regulated entities throughout 2015, of which 330 public tenders were completed.

In addition, the Office was notified of 875 delivered contracts in excess of €300,000 by 113 regulated entities in 2015.

Performance of Inspection

The Office conducts on-site inspections in entities and also in the Office premises by reviewing performance of obligations by regulated entities, including supporting documents submitted to the Office.

In 2015, the Office performed inspections in 141 regulated entities, of which it identified violation of the legal obligations set in the Acts No. 276/2001 Coll., No. 250/2012 Coll. and No. 251/2012 Coll. in 79 of them. During the inspection, the Office verified the conditions of regulation set for the years 2011-2015 in line with the plan of inspection activities, motions delivered by individuals and legal persons and operational needs of the Office. The Office adopted measures aimed at eliminating and rectifying the identified shortcomings and, at the same time, imposed penalties in administrative proceedings on the entities that violated the law.

In the electricity industry, the Office inspected 92 entities, of which 45 violated the law in 144 cases.

Throughout 2015, the Office continued to inspect producers of electricity from renewable sources of energy. It verified compliance with the applicable law in 56 entities in form of an external inspection. In the years 2014 − 2015, the Office inspected almost all producers of electricity generated in biogas power stations as follows: producers of electricity generated by burning biogas produced by anaerobic fermentation technology, thermochemical biomass gasification, burning gas from sewage treatment plants and catalytic burning of gas. The Office carried out 86 external inspections and 32 on-site ones. As a result, it initiated administrative proceedings of category I against 77 entities and imposed penalties in the total amount of €102,600.

In addition, the Office performed on-site inspections of 3 operators of regional distribution networks in which it reviewed separation of electricity distribution from other activities. No administrative proceedings were completed in the evaluated year. When verifying motions submitted by distribution network operators, the Office identified shortcomings related to connection of a customer to the distribution network and a failure to comply with the quality standards of electricity distribution.

With emphasis on protection of the rights of an electricity and gas household customer, the Office verified compliance of electricity and gas suppliers with the provisions related to protection of electricity and gas

customers defined in the Articles 17 and 17a of the Act No. 251/2012 Coll., compliance with the business conditions approved by the Office and parts of Operational Codes of distribution network operators related to compliance with the process of switching a supplier. In addition, correct settlement of compensation payments for non-compliance with the quality standards of delivery, the obligation of a supplier to disburse the compensation payment for low quality of electricity or gas distribution to a customer of electricity or gas were verified and other requisites related to the standards of quality. The Office also reviewed compliance with other obligations of an electricity and gas supplier defined in the applicable law.

In the evaluated year, the Office performed on-site inspections in 15 electricity suppliers and imposed penalties in the total amount of \leqslant 48,100. Apart from these external controls, the Office also checked compliance with the legal obligations of other 16 electricity suppliers and imposed penalties in the total amount of \leqslant 14.400.

In the gas industry, the Office reviewed compliance with the law in 21 entities, of which 15 breached the law in 54 cases. The violations of the applicable law were similar to those identified in the electricity industry. The prevailing part of controlled entities was gas suppliers. The Office performed inspections in 14 suppliers of gas to households and small businesses published on the official website of the Office and imposed penalties in the total amount of €36,500.

In the thermal energy industry, the Office inspected 94 entities performing a regulated activity. Compliance with the price regulation, including control of eligible costs and fair profit in applied prices of heat, factual regulation with identified violations of the law mainly in combined production of electricity and heat, and also regulation of quality. The Office identified violation of the applicable regulations only in one third of the inspected entities, which, compared to the previous year when a violation was identified in every second inspected entity, is an improvement. The Office adopted a measure requiring that heat customers be refunded almost €4.4 mil. in total.

In the water management industry, the Office reviewed compliance of 6 entities performing a regulated activity with price and factual regulation, regulation of quality

including veracity of data submitted to the Office. The Office identified violation of the law in 5 cases.

In 2015, the Office paid special attention to verifying the obligations of regulated entities against the Office. After reviewing the documents submitted by the regulated entities to the Office, it was identified that 15 entities from the electricity industry provided false data or information to the Office. In addition, 162 entities failed to provide the Office with legally required data and information at all. The Office imposed penalties to these entities in the total amount of €71,200.

An overview of identified shortcomings

- 1. Violation of the Article 11 Section 1 of the Act No. 276/2001 Coll., Article 29 Section 1 Letter a) and Article 36 Section 2 Letter b) of the Act No. 250/2012 Coll., Article 4 Section 5, Article 6 Sections 1 and 5 and Article 8 of the Act No. 251/2012 Coll., Article 5 Section 1 of the Act No. 657/2004 Coll. non-performance of the regulated activity on the basis of notification or on the basis of and within the scope of a licence issued by the Office or the confirmation of fulfilment of notification duty. **58 findings** were identified in:
 - electricity industry 28 - gas industry 7 - thermal energy industry 23
- 2. Violation of the Article 13 Section 2 Letter a) of the Act No. 276/2001 Coll., Article 29 Section 1 Letter b) and Article 14 Section 7 of the Act No. 250/2012 Coll. non-performance of the regulated activity in compliance with the decision of the Office or generally binding legal regulation. 44 findings were identified in:

electricity industry
gas industry
thermal energy industry

- 3. Violation of the Article 13 Section 2 Letter b) of the Act No. 276/2001 Coll. and Article 29 Section 1 Letter c) of the Act No. 250/2012 Coll. nonsettlement of costs of heat production, distribution and supply that are not considered economically illegible costs in a manner and within a deadline defined by the Office. 23 findings were identified in:
 - thermal energy industry 23

 Violation of the Article 13 Section 2 Letter i) of the Act No. 276/2001 Coll. and Article 29 Section 1 Letter o) of the Act No. 250/2012 Coll. – noncompliance with the rules of electricity and gas market operation. 26 findings were identified in:

- electricity industry 18 - gas industry 8

Violation of the Article 22 Section 4 Letters b), h) and Section 5 of the Act No. 250/2012 Coll. – non-compliance with the conditions for quality regulation. 14 findings were identified in:

 electricity industry

electricity industry
gas industry
thermal energy industry
water industry

6. Violation of the Article 29 Section 1 Letters j) and k), Article 34 Section 2 Letter b) of the Act No. 250/2012 Coll. and Article 27 Section 2 Letter q), Article 69 Section 2 Letters a) and q) of the Act No. 251/2012 Coll. – non-cooperation or non-provision of complete and true data, supporting documents, documents for performance of the Office within the scope, in a manner and deadlines defined by the Office. **60 findings** were identified in:

electricity industry
gas industry
thermal energy industry
water industry

7. Violation of the Article 29 Section 1 Letter I) of the Act No. 250/2012 Coll. – non-performance of remedial measures aimed at eliminating and rectifying the identified shortcomings. **6 findings** were identified in:

- electricity industry 3 - gas industry 3

8. Violation of the Article 45 Sections 5 and 6 of the Act No. 250/2012 Col. and Article 34 Section 2 Letter f) of the Act No. 251/2012 Coll. – non-compliance with the defined conditions related to submission of incorporated specific conditions of distribution network operation in the model rules of operation or special conditions of electricity/gas supply in the model business conditions. **4 findings** were identified in:

electricity industrygas industry1



9. Violation of the Article 17 of the Act No. 251/2012 Coll. – non-compliance with the legal regulation on protection of electricity or gas customer. **21 findings** were identified in:

- electricity industry 15 - gas industry 6

10. Violation of the Article 31 Section 2 Letter h) of the Act No. 251/2012 Coll. – a failure to enter into an agreement on connection to the distribution network. **2 findings** were identified in:

- electricity industry

11. Violation of the Article 31 Section 2 Letter ab), Article 34 Section 2 Letter p) of the Act No. 251/2012 Coll. – non-recording of complaints or non-submission of related data. **10 findings** were identified in:

- electricity industry 10

12. Violation of the Article 32 Section 3 Letter b) of the Act No. 251/2012 Coll. – non-separation of operation of the distribution network form other activities. **6 findings** were identified in:

- electricity industry

Remedial measures

To eliminate and remedy all shortcomings identified in the inspections, the Office imposed 109 measures in total, of which in:

electricity industry
gas industry
thermal energy industry
water industry
47 measures,
15 measures,
42 measures,
5 measures.

In the remedial measures, the Office requested that the regulated entities refund electricity and heat customers with a difference between the applied price and the price that should have been applied pursuant to the applicable law

in the total amount of €4,396,864.34, of which to:

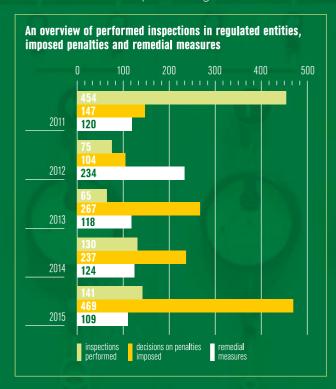
- electricity customers €554.60, - heat customers €4,396,309.73, of which to:

- a variable component €4,372,673.07, of the maximum price

- a fixed component €23,636.66. of the maximum price

Penalties for violation of the law imposed in the first instance of the administrative proceedings Pursuant to the Article 5 of the Act No. 71/1967 Coll.

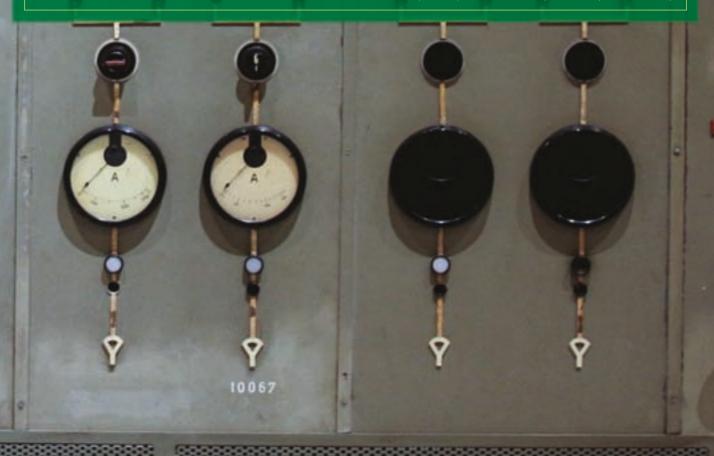
Pursuant to the Article 5 of the Act No. 71/1967 Coll. on the Administrative Proceedings, the Office as the designated competent administrative authority shall decide violations of the obligations arising out of the Act on Regulation and special regulations in the first instance administrative proceedings. Pursuant to the Article 9 Section 1 Letter c) Item 3 of the Act No. 250/2014 Coll., the Office decided on imposing a penalty for administrative torts committed by violation of the obligations specified in the Act on Regulation and the Act on Energy. The penalties were imposed for non-performance of the obligations identified either in form of an on-site inspection carried out in a regulated entity or for violation of the obligations that the Office learned when performing its activities.



Out of 469 decisions on imposing a penalty issued in the first instance administrative proceedings, 56 were appealed by the entities to the second instance administrative proceedings.



Penalties for violation of the law imposed in the first instance of the administrative proceedings Administrative proceedings in 2015 **Decisions Effective Issued** No. Penalty (€) Penalty (€) No. I. INSPECTIONS IN REGULATED ENTITIES 531 550,00 273 450,00 106 32 23 200,00 23 200,00 - Non-performance of obligations against PPS 32 13 - Provision of false information 20 700,00 8 500,00 23 22 - Non-provision of cooperation 20 500,00 19 500,00 46 900,00 **II. INSPECTIONS** - Non-performance of information duty against the Office 100 58 700,00 **IN THE OFFICE** - Non-submission of actual costs (heat), (water) 66 450,00 100 50 250,00 - Non-performance of reg. activity in compliance with an effective decision or confirmation 500,00 500,00 3 000,00 3 500,00 - Non-compliance with price reg. pursuant to the generally binding reg. issued by the Office - Performance of reg. activity without confirm. of registration or notification of a change 1 000,00 2 000,00 33 - Non-submission of the quality standards 16 500,00 16 500,00 - Non-submission of data from the registry 29 14 500,00 36 18 000,00 TOTAL 469 498 500,00 423 720 400,00



Motions, Complaints

Attending a motion and complaint represents an extensive and extremely challenging task. In 2015, the Office received 512 motions from customers. The motions related mainly to charging of a deactivation fee after an incomplete change of a supplier, ignorance of signing a contract with a new supplier and a subsequent change of an electricity/gas supplier. The customers also pointed to unfair practices of business representatives with respect to conclusion of contracts on electricity/gas supply during doorstep selling. Not all motions pertained to the areas of responsibility of the Office. The Legal Department of the Office assigned them to a relevant body in charge, mainly the Inspectorate of the Slovak Trade Inspection as well as law enforcement agencies.

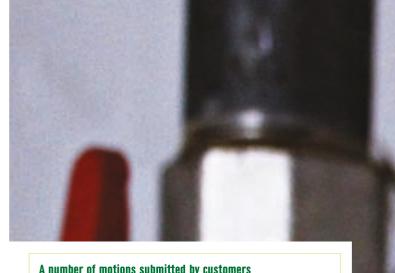
In 2015, 197 motions submitted by the customers related to the electricity industry. The majority of them related to a loss of support after a failure to perform the notification duty.

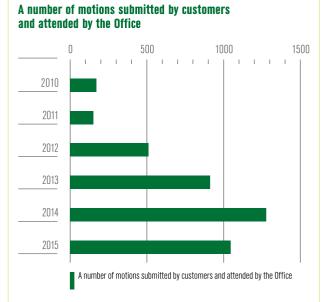
In the gas industry, the Office attended 39 written motions in total in 2015. They most often related to clarification of the structure of price of gas supply, a fee for connecting an offtake point to distribution network, payments for gas distribution in case of connecting an offtake point to an adjacent distribution network, a transition to energetic units in gas supply invoicing and settlement.

103 motions were raised in total in the thermal energy industry in 2015. The most frequent reasons included a method of costs of heat supply settlement pursuant to the Office Decree No. 630/2005 Coll. and also the amount of set prices of heat.

Several material motions were assigned directly to the Control Department of the Office. These 140 motions most often related to review of prices of electricity, gas, heat and water.

In water management, 12 customer complaints, three of which did not fall within the competence of the Office, five related to a set fixed price, one related to economically eligible costs, two to water supply and collection settlement and one to service fees, were resolved.









Out-of-Court Dispute Settlement and Dispute Settlement Pursuant to the Article 38 of the Act on Regulation

Dispute settlement pursuant to the Article 38 of the Act on Regulation No. 250/2012 Coll. is varies from the out-of-court dispute settlement. The main difference is that a proposal must be preceded by an attempt to reach an agreement to settle a dispute, whereas the parties to the dispute must agree that their dispute shall be decided by the Office while meeting the condition that no more than one year has elapsed since the violation of the obligation of the party to the dispute. The Office shall settle the dispute by issuing a binding decision on the merits of the dispute. The parties may file an appeal against the decision of the Office, which shall be decided by the court.

No. of delivered proposals for out-of-court dispute settlement pursuant to the Article 37	9
No. of proposals that met the obligatory requirements and were settled pursuant to the Article 37	5
No. of disputes settled by agreement	0
No. of disputes settled before the deadline	4
No. of pending disputes in 2015	1

At the end of 2015, two proposals for dispute settlement pursuant to the Article 38 of the Act on Regulation No. 250/2012 Coll. were delivered to the Office. They were not settled in 2015.

Business Licences in the Network Industries

In 2015, the Office issued a total of 37 new business licences for the electricity and gas industry. Almost one half of the new licences were issued for electricity supply and almost all new licences were issued for gas supply.

Confirmation of notification duty

In 2015, the Office issued 271 confirmations on fulfilling of the notification duty in total, of which 169 confirmations related to electricity production and supply in photovoltaic facilities with the installed capacity up to 1MW including (of which 72 for new facilities and 97 for amendments to a confirmation), 16 confirmations on electricity production and supply in small water power plants (of which 8 for new facilities and 8 for amendments to a confirmation), 33 confirmations on electricity production and supply in biogas power stations (of which 16 for new facilities and 17 for amendments to a confirmation).

Business licences

in thermal energy industry
In 2015, the Office issued 22 new licences, which represents almost a 50% decrease compared to 2014. Throughout 2015, 225 amendments to the already issued licences were made. The majority of them were caused by a change in technical facility capacity or identification data of a licence holder.

Confirmation of registration

in water management
In 2015, the Office, based on requests submitted by regulated entities pursuant to the Article 23 of the confirmations of registration in total, more than 80% of which were issued due to a change in a statutory

2013	2014	2015
586	616	636



