2023

VÝROČNÁ SPRÁVA / ANNUAL REPORT

Úrad pre reguláciu sieťových odvetví
Regulatory Office for Network Industries

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Regulatory Office for Network Industries
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Editoval/Edited by: Radoslav Igaz, Monika Pôbišová
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List of most used abbreviations

ACER	Agency for the Cooperation of Energy Regulators
PXE	energy exchange specializing in the energy markets of the medium and Southeastern Europe (POWER EXCHANGE CENTRAL EUROPE)
CEER	Council of European Energy Regulators
Core region	the CORE region (composed of the borders of the bidding areas of 13 EU member states), in which the simultaneous calculation of electricity prices and cross-border flows is carried out
CHS	central heat supply
CR	the Czech Republic
WTP	wastewater treatment plant
LRS	institute of electricity supply or gas supply by last resort suppliers
VAT	value added tax
EC	European Commission
EMO	Mochovce Power PLant
ERRA	Energy Regulators Regional Association
EU	European Union
PV power plant	photovoltaic power plant
HHI	Herfindahl-Hirschman Index
CHP	combined heat and power
LNG	liquefied natural gas
MH SR	Ministry of Economy of the SR
NTC	net transmission capacity
OKTE, a.s.	Short-term electricity Market Operator
RES	renewable energy sources

RP	reasonable profit
REMIT	Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency
repowering	extension of the support period with a reduced price of electricity
SEPS, a.s.	Slovenská elektrizačná prenosová sústava, a.s.
SR	the Slovak Republic
TPS	tariff for system operation
TSS	tariff for system services
the Office	Regulatory Office for Network Industries
HE CHP	high-efficiency combined heat and power
Act No. 250/2012 Z. z	Act No. 250/2012 Z.z. on Regulation in Network Industries as amended
Act No. 251/2012 Z. z	Act No. 251/2012 Z. z on Energy and on the amendment and supplementation of certain acts as amended
Act No. 309/2009 Z. z	Act No. 309/2009 Z. z. on the Promotion of Renewable Energy Sources and High-Efficiency Cogeneration and on the amendment and supplementation of certain acts as amended
Act No. 211/2000 Z. z	Act No. 211/2000 Z. z. on Free Access to Information and on the amendment and supplementation of certain acts (Freedom of Information Act) as amended
Act No. 657/2004 Z. z.	Act No. 657/2004 Z. z. on Heat Energy as amended
Act No. 391/2015 Z. z.	Act No. 391/2015 Z. z. on Alternative Dispute Resolution for Consumer Disputes and on amendments and supplements to certain acts as amended
Act No. 250/2007 Z. z.	Act No. 250/2007 Z. z on Consumer Protection and on the amendment of the Act of the Slovak National Council No. 372/1990 Zb. on Misdemeanours as amended
4MMC	a project of connecting the daily electricity markets (market coupling) of four countries (Czech Republic, Slovakia, Hungary, Romania)

Content

Speech of the Office Chairman

I will perhaps be a little more personal in this speech. I am convinced that nowadays no real expert can doubt the necessity of consistent state regulation in the field of energy. The so-called the invisible hand of the market does not work. This was also shown by the global energy crisis in recent years, which was fully manifested in 2023 and to which, unfortunately, even our Office could not respond adequately. I believe that in 2023, the Office stopped consistently fulfilling its role, which is determined by law, and that means the regulation of network industries. This seemed to slip through the fingers. There have been different opinions about reference periods and I find that unfortunate. I'm not saying that the previous management did it on purpose; they were probably looking for solutions to set the relevant periods in such a way that they would have a positive impact on market participants. However, I am a supporter of the fact that the problem should have started to be solved earlier–already when there were signs that there would be fluctuations and destabilization. These failures are also reflected in our report on the activities of the Office for the year 2023, it was simply a late response, both on the part of the Slovak Government and subsequently the Regulatory Office. The Office must always look years ahead and not extinguish the problem after it has already arisen. However, in my opinion, this situation from 2023 can be rectified, provided that all the options provided to our office by European legislation are used. At the end of 2023, I therefore decided to rebalance the market between all participants. Namely, so that consumers are able to pay for energy the amount determined by the authority, and on the other hand, so that other market participants have all costs covered and a reasonable profit. In other words, so that the market works for them as standard and they have opportunities to invest in the development of the system, in the renewal of equipment and so on. These were my main motivations for 2023, for which I again offered my services to the Office.

In the past year, we paid perhaps too much special attention to the issues of the so-called green energy. I constantly draw attention to the adverse effects of non-systemic development and support on a pan-European scale. I still insist that each member state of the Union must determine its own energy mix. Passing a lot of legislation to increase ambition in the areas of renewable energy sources can destabilize markets, while creating a strong need to protect consumers from high energy prices. I believe that in order to maintain their competitiveness, the Slovak Republic and the EU need reliable and safe supplies of affordable energy and a well-integrated energy market. The energy transition creates a significant demand for new technologies that enable electrification. Sufficient energy at fair and reasonable prices is the basis for the competitiveness of the European industry. These facts are influenced not only by the geopolitical situation, but especially by the uncoordinated and non-conceptual procedure on the part of the competent institutions within the EU. The scope of our Office and the calculation of its activities is really wide. From drawing attention to the use of assets for regulated activities and the meaningfulness of investments, to deepening international cooperation with our foreign partners, especially from the V4 countries and the Agency for the Cooperation of Regulatory Bodies. In 2023, we also took a significant part in helping non-EU countries in the form of twinning projects, whether in Palestine or Malawi. With the professional competence of our experts, we spread the good name of the Slovak Republic abroad, which has been appreciated several times by the top representatives of our partner offices, and we will certainly continue twinning projects in other countries.

So I can state with great pleasure that, despite the problems in 2023, I feel that the reputation of the office is still growing, not only in the eyes of experts, but also in the eyes of the public. I value this trust very much and I promise that we will continue to fully use our abilities and possibilities as a national regulator for the benefit of the people who live and work in the Slovak Republic.

Jozef Holjenčík
Chairman

Office Management

Jozef Holjenčík
Chairman of the Office (since 06.12.2023)

Andrej Juris
Chairman of the Office (until 04.12.2023)

Szabolcs Hodosy
Vice-Chairman of the Office

Martin Horváth
Vice-Chairman of the Office

Regulatory Board

The Regulatory Board is a body of the Office that ensures strategic management and the concept of regulation in network industries. Act No. 250/2012 Z.z. stipulates that the Regulatory Board consists of six members. The Regulatory Board currently consists of five members, so it lacks one member to reach the full number. Members of the Regulatory Board are appointed and dismissed by the President of the Slovak Republic in a way that three members of the Regulatory Board are appointed on the proposal of the National Council of the Slovak Republic and three members on the proposal of the Government of the Slovak Republic. The President of the Slovak Republic appoints and dismisses the Chairman of the Regulatory Board on the proposal of the Regulatory Board.

Members of the Regulatory Board

Ján Ďuriš
Chairman of the Regulatory Board

Juraj Doležal
Vice- Chairman of the Regulatory Board

Sylvia Beňová
Member of the Regulatory Board

Miroslav Dudlák
Member of the Regulatory Board

Andrej Ochotnický
Member of the Regulatory Board

Competences of the Regulatory Board

- adoption of the regulatory policy, including its amendments or additions,
- election of a candidate for appointment as the Chairman of the Regulatory Board from among its members,
- submission of a proposal for the appointment of the Chairman of the Regulatory Board and a proposal for the dismissal of the Chairman of the Regulatory Board to the President of the Slovak Republic,
- election of the Vice-Chairman of the Regulatory Board from among its members,
- commenting on drafts of generally binding legal regulations issued by the Office,
- examination of objections to the confirmation of the amount of the net costs of the obligation in the general economic interest according to Act No. 251/2012 Z. z.,
- approval of:
  1. draft agreements on mutual cooperation with regulatory bodies of EU member states,
  2. rules of procedure of the Regulatory Board,
  3. reports on the activities of the Office,
  4. establishment of workplaces of the Office outside its seat,
  5. annual financial statements of the Office.

The competence of the Regulatory Board also includes decision-making in appeal proceedings on appeals against first-instance decisions, except for decisions on the imposition of a fine. The participants in the proceedings have the opportunity to file an appeal against the first-instance decision issued in the proceedings on price regulation, in proceedings on technical regulation or

in proceedings on extraordinary regulation. The Regulatory Board examines the procedure of the first-instance authority, deals with the objections of the participants in the proceedings and, if necessary, supplements the evidence. The Regulatory Council can change the decision of the first-instance body, annul it without compensation, confirm and reject the appeal, cancel and return the matter to the first-instance body for a new hearing and stop the decision or proceedings. Decisions of the Regulatory Board become valid upon their delivery to the participants in the proceedings. The competence of the Regulatory Board also includes deciding on an appeal against a decision issued by a first-instance authority in dispute proceedings.

Evaluation of the 5th regulatory period (01.01.2017–31.12.2022)

In 2023, in accordance with the provisions of § 8(8) of Act No. 250/2012 Z.z., as the first year of the new regulatory period, the Regulatory Board prepared an evaluation of the previous regulatory period from the point of view of the achieved market transparency and the impact of price regulation on the market. The mentioned document is published on the website of the office. Each chapter contains a short verbal evaluation and then a calculation of the fulfillment of the goals established by the regulatory policy for the 5th regulatory period for individual network sectors. The appendices of the document offer selected basic statistical indicators and their continuous development in the period of 2017–2022.

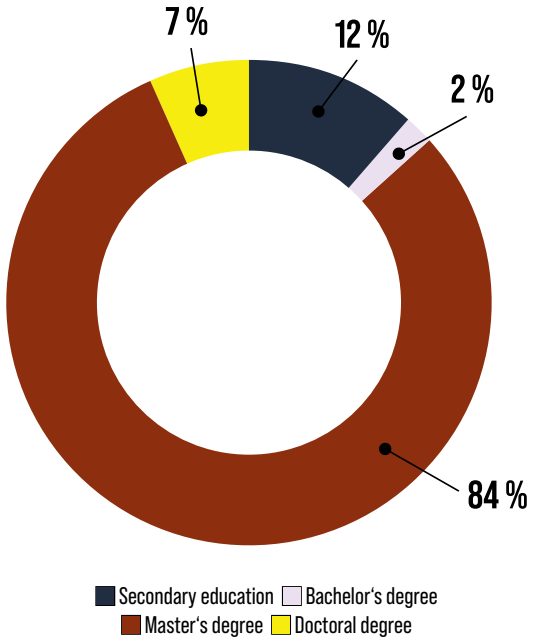
Human Resources

As of 31 December 2023, the Office employed a total of 105 employees (94% of the planned number of 112 employees), out of which 23 were senior employees. 87 employees worked as civil servants and 18 employees performed work in the public interest. 12 employees were employed at regional offices (Košice, Martin, Trenčín).

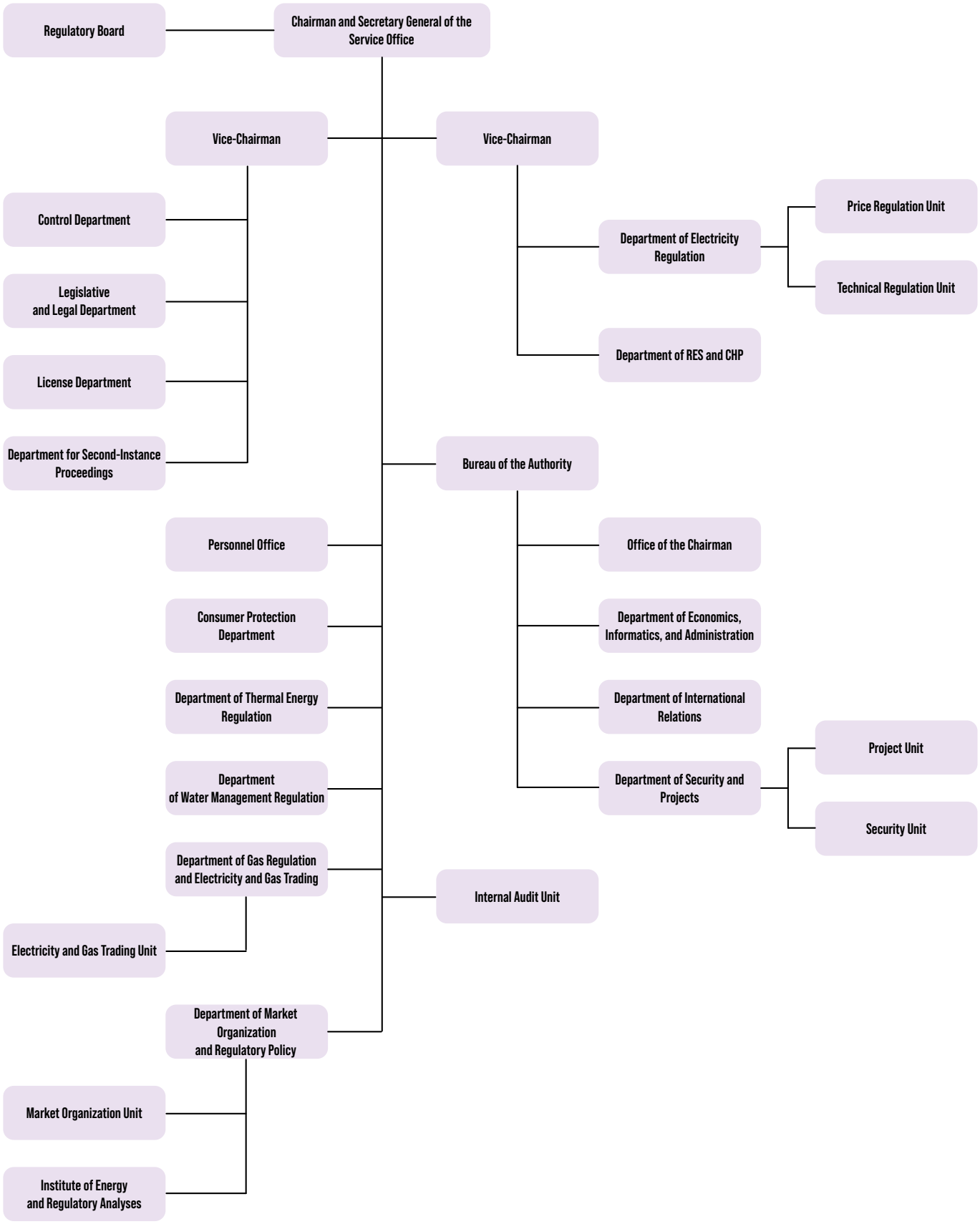
Age composition of employees

AGE	NUMBER
1. An employee aged 18-30 years	5
2. An employee aged 31-50 years	56
3. An employee aged more than 50 years	44
TOTAL	105

Qualification of employees



Organizational Chart



01. ELECTRICITY INDUSTRY

Among the network sectors, the electricity industry is clearly the most dynamic and at the same time the most complex network sector in terms of regulation. In the field of electricity industry, the Office carries out price, technical and extraordinary regulation and quality regulation, the scope and specification of which are determined by § 11, § 13, § 16 and § 22 of Act No. 250/2012 Z.z.

After the amendment of Act No. 251/2012 Z.z. in autumn 2022, the Office started preparing new decrees, which were created by this amendment. It specifically applies to Decree No. 92/2023 Z.z., which establishes the conditions of a tender procedure for the provision of electricity storage facility services, which entered into force on 04.01.2023, further on to Office Decree No. 230/2023 Z.z. which establishes the content requirements of the distribution system development plan, which entered into force on 01.07.2023 and to Office Decree No. 493/2023 Z.z., which establishes some details in the area of reactive electric power flows and its compensation with an effective date as of 01.01.2024.

In the area of price regulation, in 2023, the Office issued Decree No. 107/2023 Z.z., which establishes price regulation of electricity supply, which came into force on 01.04.2023, Decree No. 246/2023 Z.z., establishing price regulation of selected regulated activities in the electricity industry and some conditions for the performance of selected regulated activities in the electricity industry, which entered into force on 1 July 2023, and Decree No. 370/2023 Z.z, establishing price regulation in the area of supporting electricity production and some related conditions for the performance of regulated activities, which entered into force on 1 October 2023. By issuance of the mentioned Decrees with effect as of 31.12.2023, the Decree of the Office No. 18/2017 Z.z. establishing price regulation in the electric power industry and canceling some conditions for the performance of regulated activities in the electricity industry, was repealed.

Lack of raw materials for production processes, widespread cancellation of contracts (agreements), unfair business practices in the area of electricity trading resulted in an increase in electricity prices. This fact and the current chaos on the electricity market caused a shortage of electricity, which resulted in an increase in electricity prices in the year under review in the part of electricity purchase costs to cover electricity losses during electricity transmission and electricity distribution, as well as the costs of procuring ancillary services. In the given cases, the Office tried to actively intervene in the development of an unfavorable situation, mainly by changing the reference period, on the basis of which it was assumed that the negative consequences on electricity prices for end customers would be reduced. However, the result was not positive and the expectations of the Office turned out to be incorrect.

Electricity market participants

In 2023, the decisive participants in the electricity market in the Slovak Republic were:

1. Slovenské elektrárne, a. s. (hereinafter as „SE, a. s.")– the most significant (dominant) producer of electricity, which provided 72.29% of the electricity production within the Slovak Republic with the production of electricity from its own sources in 2023. Electricity production in the volume of 21,660 GWh ensured 81.68% of electricity consumption within the Slovak Republic. The installed power of SE, a.s.'s own equipment for electricity production was 4,615 MW,

2. Supported producers of electricity from RES and CHP. For the year 2023, the amount of electricity produced from RES for a surcharge was estimated at 1,518 GWh and the amount of electricity produced by CHP for a surcharge at 1,730 GWh. The total installed capacity of all electricity producers from RES and CHP in the amount of 7.82 GW (including the installed capacity of RES and CHP of SE, a.s.),

3. SEPS, a.s., as the exclusive holder of the electricity transmission permit, the operator of the national transmission system (hereinafter as „TS"), also fulfilling the tasks of energy dispatching according to § 33 of Act No. 251/2012 Z.z. (the company ensured a balanced balance in the defined territory of the Slovak Republic),

4. OKTE, a.s., the short-term electricity market operator as an institution for evaluating and organizing the short-term electricity market and ensuring settlement, evaluation and settlement of deviations in the territory of the Slovak Republic,

5. Západoslovenská distribučná, a.s., Stredoslovenská distribučná, a.s., and Východoslovenská distribučná, a.s., exclusive operators of regional distribution systems (hereinafter as „RDS") in the relevant parts of the defined territory, to which more than 100,000 collection points were connected,

6. in addition to the three companies mentioned above, 142 electricity distribution license holders also operated in the electricity market. These were operators of local distribution systems (hereinafter as "LDS") in the premises of manufacturing and non-manufacturing companies, to which less than 100,000 collection points were connected,

7. other entities holding a license to conduct business in the electricity industry, with the total number of 339.

Regulation in electricity industry

In the area of price regulation, the Office, due to the delay in the adoption of secondary legislation- the so-called price decrees- for the 6th regulatory period, proceeded to use the institute of preliminary measures at the beginning of 2023, which was subsequently taken into account and reflected in the regular price decisions of the Office issued in the second half of 2023 after the decrees came into effect.

In the field of technical regulation, the Office mainly approved operating rules and technical conditions of individual system operators, conditions for transmission of electricity through a distribution system in the electricity transmission mode, conditions or methodologies for the transmission system operator according to the EU legislation, and also prepared and updated the model operating rules for local distribution systems operators, who take over a model operating rules.

Overview of decisions in the area of price regulation in electricity industry (apart from RES and CHP)

Type of a decision	2019	2020		2021		2022		2023
		issued for 2020	issued for 2021	issued for 2021	issued for 2022	issued for 2022	issued for 2023	
Price decision	301	49	112	213	104	229		414
Interrupted proceedings	20	20	-	13	-	167	-	115
Suspended proceedings	7	2	-	8	-	3	-	44
Preliminary measure	-	-	-	-	-	-	8	190

Overview of decisions in the area of technical regulation in electricity industry

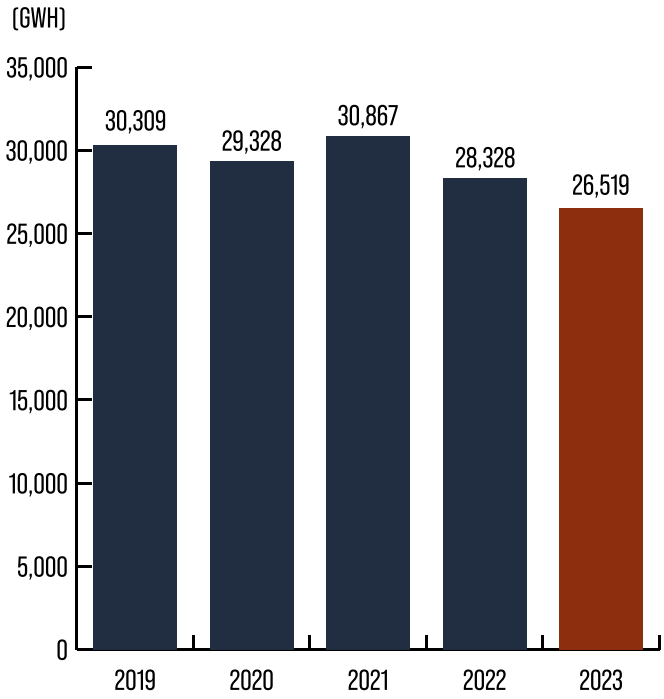
Type of a decision	2019	2020	2021	2022	2023
Operating rules	15	15	124	85	15
Technical conditions	-	-	-	-	15
Transmission conditions	4	2	1	2	0
Decisions in line with the EU legislation	27	5	7	7	6

The system operators are obliged, in accordance with the amendment to Act No. 251/2012 Z.z., which entered into force on 01.10.2022, to submit to the Office for approval the draft technical conditions of the system operator in the part that regulates the conditions for connecting electricity production equipment and electricity storage equipment to the system. Therefore, in the monitored year, the Office started issuing decisions regarding the approval of technical conditions. At the same time, according to the same amendment to Act No. 251/2012 Z.z., the operators of local distribution systems have a possibility to take over the model operating rules in the form of a notification, which led to a decrease in the number of decisions issued in the matter of approval of the operating rules in 2023.

According to § 28(3)(b) of Act No. 251/2012 Z.z., the transmission system operator is obliged to develop a plan for the development of the transmission system, including a plan for the development of connecting lines for the next ten years once every two years. According to Act No. 251/2012 Z.z., the Office consults the ten-year system development plan in a non-discriminatory and transparent manner with existing and potential system users and allows them to submit reasoned comments to it within a reasonable period of time and examines the compliance of the ten-year system development plan with the requirements for the implementation of investments in the transmission system with the system development plan for the entire EU. After reviewing the ten-year system development plan on 12/02/2024, the Office notified the transmission system operator of the initiation of technical regulation proceedings on its own initiative pursuant to § 15(2) of the Act on Regulation in the matter of issuing a decision imposing the obligation to make changes to the Ten-Year System Development Plan pursuant to § 13(1)(k) of the Act on Regulation in connection with § 29(7) of the Energy Act. Since the operator of the transmission system supplemented the ten-year plan in accordance with the Office's comment, the Office stopped the proceedings by decision no. 0008/2024/E-ZK.

Operators of regional distribution systems are, according to § 31(2)(q) of Act No. 251/2012 Z.z. obliged to prepare a system development plan for the next five to ten years every two years and submit it to the Ministry and the Office by November 30, including a report on the implementation of the distribution system development plan for the previous period. On the basis of the above, the operators of the regional distribution systems submitted elaborated plans for the development of the system to the Office by the deadline set by law, namely by 30 November 2023.

Development of the total gross consumption of electricity in Slovakia



In the year under review, the total gross consumption of electricity in the Slovak Republic reached 26,519 GWh, which compared to 2022 (28,328 GWh) represents a decrease of approximately 6%, which was caused by a reduction in the consumption of electricity consumers, in some cases to the point of shutting down the operations of electricity consumers (Slovalco, a.s., OFZ, a.s.) due to increased energy costs caused by high electricity and gas prices on European electricity markets.

Electricity infrastructure

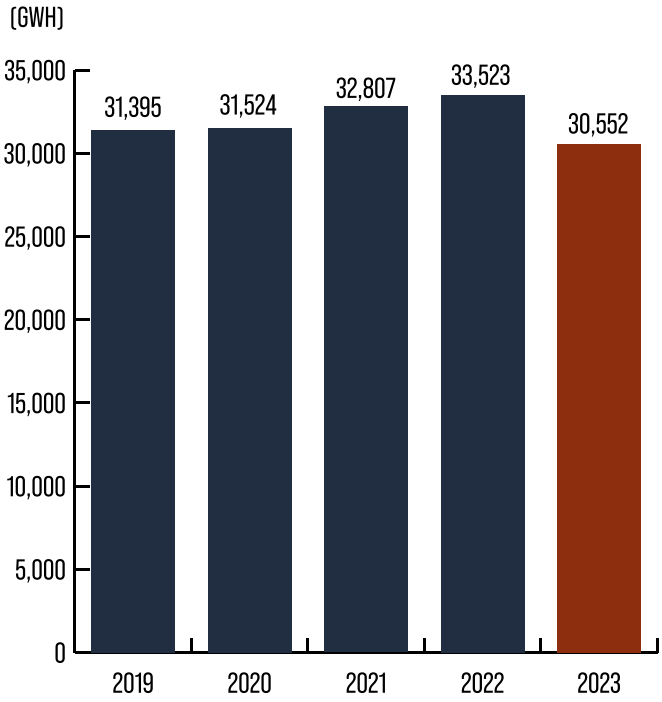
Transmission system

For the transmission system operator, the Office also set network tariffs in 2023, which the operator of the transmission system applies to:

- users connected to the transmission system in the range:
  - tariff for reserved capacity (EUR/MW/year),
  - tariff for transmitted electricity (EUR/MWh),
  - tariff for losses during the transmission of electricity through the transmission system (EUR/MWh),
- all end consumers of electricity in the Slovak Republic:
  - tariff for system services (EUR/MWh).

The following figure shows the development of transmitted electricity, while in 2023 the total transmitted electricity reached a value of 30,552 GWh. Compared to 2022 (33,523 GWh), this represents a decrease of approximately 9%, which was caused by a decrease in total gross electricity consumption in the Slovak Republic in 2023 compared to 2022 by approximately 6%, as well as a decrease in imported electricity into the transmission system by about 37%, which was due to connection of the 3rd block of the Mochovce nuclear power plant into the system.

Volume of trasmitted electricity



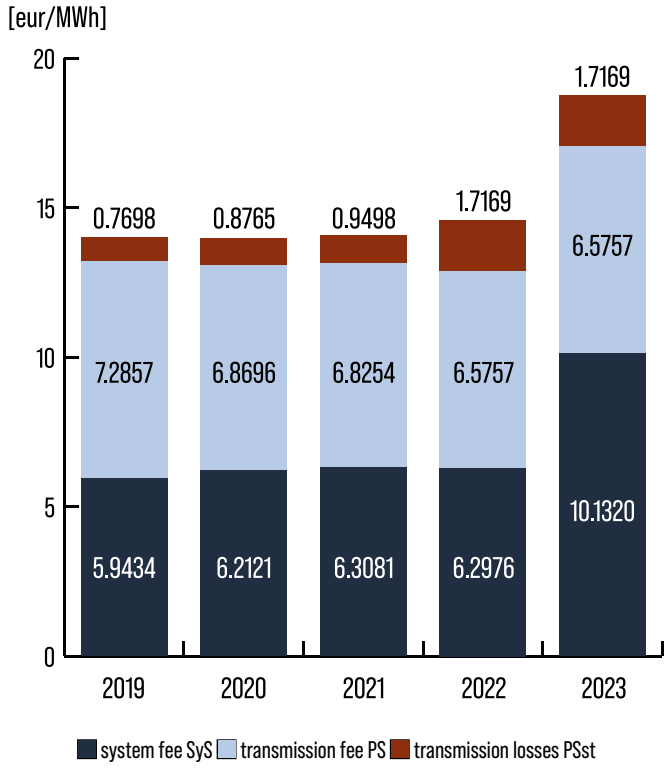
The following figure shows the development of individual regulated fees of the transmission system operator. In the year under review, compared to 2022, the TSS increased by approximately 61%, due to the increase in the cost of support services in 2023 compared to 2022, and the electricity access and transmission tariff as well as the electricity transmission loss tariff remained the same as in 2022.

For the year 2023, by preliminary measure in Decision No. 0001/2023/E-PR dated 30.12.2022, the Office determined preliminary prices for access to the transmission system and prices for the transmission of electricity and the terms of their application, including the tariff for electricity losses during the transmission of electricity according to § 14 par. 16 of the Act on Regulation in the same amount as in 2022. By Decision No. 0105/2023/E dated 15.11.2023, the Office approved the prices for access to the transmission system and the transmission of electricity and the terms of their application, including the tariff for losses during electricity transmission for the year 2023 in the same amount as in the preliminary measure, while in the difference between the final price and the preliminary price, the Office took into account in the final price by using a part of the excess income from congestion income resulting from the allocation of interregional capacity of the transmission system operator in 2022 in the amount of 153 million. EUR, the use of which the Office decided by Decision No. 0326/2023/E dated 27.12.2022 in order to mitigate the impact of the adverse effects of high prices for the year 2023, in accordance with EU Council Regulation No. 2022/1854 of 06.10.2022 on emergency intervention.

The Office issued a preliminary measure by Decision No. 0002/2023/E-PR dated 30.12.2022, which determined the provisional TSS for the year 2023 according to § 14(16) of the Act on Regulation. By decision No. 0090/2023/E dated 20/09/2023, the Office determined the TSS for 2023 in the same amount as in the preliminary measure, while the difference between the final price and the preliminary price was taken into account by the Office in the final price by using a part of the excess income from congestion resulting from the allocation of interregional capacity of the operator of the transmission system in 2022 in the amount of 153 mil. EUR.

Based on 2023 § 4(1) of the SR Government Regulation No. 465/2022 Z.z., which establishes the maximum prices for part of the regulated supply of electricity and gas for selected end customers and the amount of tariffs for households and selected electricity customers (hereinafter referred to as „Government Regulation"), households and selected vulnerable consumers of electricity were determined by TSS at the level of 2022, set by the Office in the amount of 6.2976 EUR/MWh. The resulting difference was subsequently compensated to the operator of the transmission system by the Ministry of Economy of the Slovak Republic according to § 4(2) of the SR Government Regulation.

Development and structure of regulated fees of SEPS, a.s.



Ancillary and system services

On the basis of the required volumes of individual types of ancillary services, the Office determined the transmission system operator of the Slovak Republic for the year 2023:

1. By the Decision of the Office No. 0083/2023/E dated 30.12.2022, the total planned costs for the purchase of all types of ancillary services increased by 139% compared to 2022 due to the increase of maximum prices for the provision of ancillary services, in order to ensure sufficient volumes of individual types of ancillary services, and thereby ensure the safety of system operation. During the monitored year, in Decision No. 0089/2023/E dated 18.09.2023, the Office on its own initiative reduced the total planned costs for the purchase of all types of ancillary services by approximately 10%. This was caused by the drop in prices on the electricity market and thus the procurement of ancillary services at lower than maximum prices, as well as the procurement of a smaller volume for some types of ancillary services, as their daily required volumes decreased compared to the annual maximum and the transmission system operator needed to procure smaller volume of the given type of ancillary service. This decrease in the costs of ancillary services was reflected in the TPS, in the part of the costs of ancillary services $TPT_{tss_{2023}}$, which the Office determined at the level of 0 EUR/MWh for the month of December.

2. The maximum prices for the procurement of primary, secondary and tertiary regulation of active power and frequency set by the Decision of the Office No. 0083/2023/E dated 30.12.2022 increased compared to the maximum prices determined at the beginning of 2022 by approximately 400% for ancillary services in the positive direction and by approximately 50% in the negative direction. The maximum prices of ancillary services thus at least partially reflected price movements on the electricity markets, which improved the conditions for the provision of ancillary services and made it possible to ensure the procurement of a sufficient volume of insufficient ancillary services, thus ensuring the safe operation of the system. During the monitored year, the Office did not change the maximum prices of ancillary services for 2023.

3. By the Decision of the Office No. 0083/2023/E dated 30.12.2022, the maximum annual cost for the procurement of non-frequency ancillary services, remote regulation of voltage and reactive power and starting from the dark, increased. The cost of both non-frequency ancillary services for 2023 increased by 100%

compared to 2022. The operator of the transmission system was thus able to ensure a sufficient volume of compensating power on the electricity generation devices connected to the transmission system and thus ensured safe operation of the transmission system also from the point of view of voltage and system recovery.

4. By the Decision of the Office No. 0001/2023/E dated 11.10.2022, the maximum price of the offered positive regulating electricity and the minimum price of the offered negative regulating electricity upon activation of the relevant type of ancillary service remained at the same amount as for 2022, because the maximum prices of positive regulating electricity and the minimum prices of offered negative regulating electricity are determined in such a way that they correspond to the prices of electricity on the daily market of the Slovak business area. During the year 2023, the Office did not change the maximum and minimum prices of regulated electricity.

The following table shows the development of the number of providers of ancillary services in individual years, which points to a stable market with ancillary services in the defined territory. The number of certified ancillary service providers as well as the number of concluded framework contracts for the provision of ancillary services and contracts for the provision of ancillary services have increased, which is a good sign from the point of view of the stability and liquidity of the ancillary services market, as well as ensuring the security of the system.

Development in the field of ancillary services provision

Indicator/ year	2019	2020	2021	2022	2023
Number of certified providers of ancillary services	24	24	24	22	27
Number of concluded framework contracts on provision of ancillary services and contracts on provision of ancillary services	52	30	30	30	39

The following table shows the volumes of activated individual types of ancillary services, respectively of regulating electricity, from which it is possible to identify a slight decrease in the volumes of activated ancillary services, or of regulating electricity in the positive direction and a significant increase in the volumes of regulating electricity in the negative direction, which can be attributed to greater volatility in the electricity markets, which places higher demands on system regulation and ensuring the safety of its operation.

Comparison of regulating electricity supply (MWh)

Type of an activated ancillary service, or regulating electricity	2022 [MWh]	2023 [MWh]	change 2023/2022 [%]
Primary regulation of active power + (FCR+)	6,633	6,393	-3.62 %
Primary regulation of active power - (FCR-)	-6,628	-6,336	-4.41 %
Secondary regulation of active power + (aFRR+)	80,917	51,728	-36.07 %
Secondary regulation of active power - (aFRR-)	-41,302	-58,921	42.66 %
Tertiary regulation of active power 12,5 min. + (mFRR+)	2,417	459	-81.01 %
Tertiary regulation of active power 12,5 min. - (mFRR-)	-283	-1,954	590.46 %
Tertiary regulation of active power 3 min. + (TRV3MIN+)	2,250	1,669	-25.82 %
Tertiary regulation of active power 3 min. - (TRV3MIN-)	-166	-1,131	581.33 %
Positive emergency assistance	0	0	-
Negative emergency assistance	0	-600	-
IGCC+ (IGCC import)	124,875	105,306	-15.67 %
IGCC- (IGCC export)	-65,398	-77,778	18.93 %

Distribution system

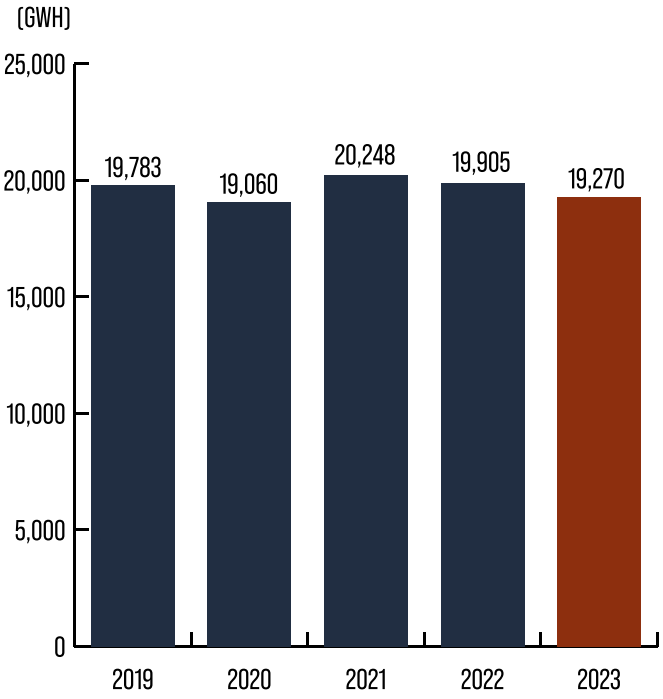
For the operators of regional distribution systems, the Office also set network tariffs in 2023, which the operator of the regional distribution system applies to users connected to the distribution system, in the following structure:

- tariff for electricity distribution without losses, including electricity transmission–component for reserved capacity (EUR/MW/month),
- tariff for electricity distribution without losses, including electricity transmission–component for distributed electricity (EUR/MWh),
- tariff for losses during the distribution of electricity through the distribution system (EUR/MWh).

Price regulation also applied to operators of local distribution systems and was carried out by determining the method of calculating the maximum price for the supply of electricity and the tariff for access to the local distribution system and distribution of electricity.

In the observed year of 2023, the total distributed electricity in the defined territory reached a value of 19,270 GWh, which represents a decrease of approximately 3% compared to 2022 (19,905 GWh), caused by the adoption of cost-saving measures as well as by reducing consumption on the part of consumers, in order to reduce costs on energy, due to the fading effects of the energy crisis and high electricity and gas prices on the European electricity markets.

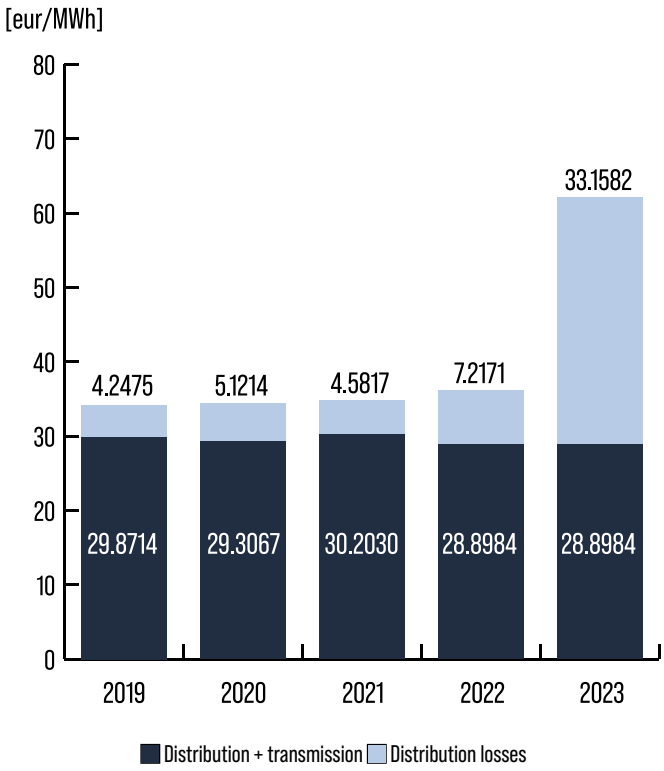
Volume of distributed electricity (GWh)



The following figure shows the development of selected regulated fees of operators of regional distribution systems. In the monitored year, compared to the year 2022, the tariffs for access to the distribution system and electricity distribution, including electricity transmission, remained the same. The value of the tariff for electricity distribution losses in the monitored year increased in 2023, compared to 2022, by 359%, which was caused by the increase in the daily price index of the product F PXE SK BL Cal-t from the official exchange rate list published by the PXE exchange (POWER EXCHANGE CENTRAL EUROPE), on the basis of which the price for the purchase of electricity is determined for electricity losses during electricity distribution. Through preliminary measures, for the year 2023 the Office has determined preliminary prices for access to the distribution system and prices for electricity distribution and the conditions for their application, including the tariff for electricity losses during electricity distribution according to § 14(16) of Act No. 250/2012 Z.z. Subsequently, the Office approved the prices for access to the distribution system and the distribution of electricity and the terms of their application, including the tariff for losses during electricity transmission for the year 2023, in the same amount as in the preliminary measure.

Due to the fact that there was no stability on the market and it was not possible to predict the development of prices accurately and responsibly, the shift of the reference period for calculating the electricity price to cover electricity losses during electricity distribution, during which there was an increase in electricity prices on the stock exchange, had a negative impact on calculation of tariffs for losses during electricity distribution. Based on the above, households and selected vulnerable consumers of electricity for the year 2023, based on § 3(1) of the Regulation of the Government of the Slovak Republic determined the tariff for losses in the distribution of electricity at the level of 2022. The resulting difference was subsequently compensated to the operators of the distribution systems by the Ministry of Economy of the Slovak Republic according to § 3(2) of the SR Government Regulation. In the event that tariffs for electricity distribution losses were set for the year 2023 on the basis of the Office's price decisions, there would be a significant increase in these tariffs.

Development and structure of regulated fees



Tariff for system operation (TPS)

The purpose of the TPS is to cover the costs of operating the system, consisting mainly of supporting the production of electricity from RES and CHP, the production of electricity from domestic lignite, the costs of procuring ancillary services, the costs of the short-term electricity market organizer ensuring the organization, evaluation and other activities of the short-term electricity market. TPS is one of the components of the final price of electricity and applies to every final consumer of electricity. In 2023, TPS was applied to 3 values of TPS rates (TPS1, TPS2 and TPS3), where TPS 3 also included the take-off points of electricity customers for which an individual rate was determined for 2023. TPS is applied individually for individual groups of final consumers of electricity according to the amount of final consumption of electricity at the point of consumption. Classification into individual bands is carried out according to the expected final consumption of electricity in the given collection point for year t-1.

- Band 1 (TPS1) – end consumption of the collection point of up to 1 GWh, including,
- Band 2 (TPS2)–end consumption of the collection point from 1 GWh to 100 GWh, including, and
- Band 3 (TPS3)–end consumption of the collection point of more than 100 GWh.

In 2023, the individual tariffs for operating the system increased significantly (by 60% on average) in comparison to 2022, mainly due to the absence of support from the Ministry of Economy of the Slovak Republic for financing the costs incurred to account for production support from RES and CHP, as well as due to the transfer of the aliquot part of the costs onto procuring ancillary services in 2023 into the costs of operating the system.

Based on 2023 § 5(1) of the Regulation of the Government of the Slovak Republic, households and selected vulnerable consumers of electricity were determined with TPS at the level of 2022. The resulting difference was subsequently compensated by the Ministry of Economy of the Slovak Republic to the Short-term electricity market operator.

The following figure compares the values of individual components of TPS for the last six years, while TPS for the year 2023 is divided into three values according to the bands mentioned above.

Interconnection of electricity markets

For the purpose of achieving the goals of the Energy Union Strategy issued by the EC, which mainly include the security of electricity supply, the flexibility of the interconnected system, as well as a well-functioning and transparent wholesale market, investments in internal and cross-border interconnections of the systems are a necessary prerequisite.

One of the tools that can be used for the objectives mentioned above is the use of congestion revenues resulting from the allocation of interregional capacity (hereinafter referred to as „congestion revenues"), while in Article 19 point 2 of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the Internal electricity market, the priority goals for which these funds are to be used are defined, which primarily include the construction of projects with cross-border significance for maintaining and increasing cross-border capacities.

Total net revenues from congestion of the transmission system operator, SEPS, a.s. (hereinafter referred to

Development of individual components of TPS

Components of the system operation tariff	2019 €/MWh	2020 €/MWh	2021 €/MWh	TPS1 2022 €/MWh	TPS2 2022 €/MWh	TPS3 2022 €/MWh	TPS1 2023 €/MWh	TPS2 2023 €/MWh	TPS3 2023 €/MWh
RES	16.2353	14.6090	10.1220	4.3283	3.2394	0.3231	6.0953	4.5619	0.4524
CHP	4.3359	3.5581	8.0241	1.5525	1.1619	0.1159	2.1862	1.6362	0.1622
ENO (electricity generation from domestic coal)	5.1428	5.1200	5.3073	8.1783	6.1209	0.6105	9.0679	6.7867	0.6730
Others**	0.2740	0.3339	0.2871	1.8409	1.3778	0.1374	8.1312	6.0856	0.6034
Overall TPS	25.9880	23.6210	23.7405	15.9000	11.9000	1.1870	25.4807	19.0705	1.8910

Others**–includes components of costs on OKTE activities, SPP electricity purchaser, costs on repayment of historical debts and on ancillary services etc.

as „TSO“), reached the amount of 73.631 million EUR in 2023. In 2023, part of the income from congestion from a special account was in the amount of 3.247 mil. EUR used for investment projects with cross-border significance, primarily for the transition of the Sučany electrical station for remote control, construction of the 400/100 kV Senica transformer station and replacement of conductors and re-insulation of the 400 kV line V404.

73.631 mil. EUR was used to support end consumers in the calculation of network tariffs from congestion revenues from the allocation of interconnection transmission capacities.

Projects of Common Interest

Another option to support the construction of projects with a significant impact on cross-border capacity is the selection process of the so-called projects of common interest (hereinafter referred to as „PCI“), which can be co-financed by the EC.

In order for electricity infrastructure projects, as well as electricity storage facility projects, to be eligible for inclusion in the list of PCI projects, they must be included in the Ten-Year System Development Plan (hereinafter referred to as „TYNDP 2022“) of the Association of European Transmission System Operators (hereinafter referred to as „ENTSO-E“–from the English European Network for Transmission System Operators for Electricity).

During the year 2023, the process of evaluating candidate projects for projects of common interest took place in the relevant regional groups of the European Commission. Commission Delegated Regulation (EU) 2024/1041 of 28 November 2023 amending Regulation (EU) 2022/869 of the European Parliament and of the Council as regards the list of projects of common interest and projects of mutual interest for the Union (hereinafter referred to as the „Delegated Regulation „), a list of projects of common interest (hereinafter referred to as „PCI projects“) and projects of mutual interest to the Union was adopted.

PCI projects in Slovakia, adopted by delegated regulation are:

- **Connecting line between Otrokovice (CR) and Ladce (SR)–PCI project No. 2.7** The implementers of the project are SEPS, a.s. on the Slovak side and ČEPS, a.s., on the Czech side. The expected increase in transmission capacity on the SR-CR cross-border profile in both directions is 500 MW. A necessary condition for the construction of this line on the Slovak side is the commissioning of the new 400 kV substation Ladce. The estimated date of commissioning of the project is set for 2038.
- **Modernization of electricity storage in the Čierny Váh pumped hydroelectric power plant (SK)–PCI project No. 2.11** The project implementer is the company SE, a.s. The project consists of the modernization of the existing pumped water power plant Čierny Váh and the hybridization of this power plant by adding an electrochemical storage–battery storage with an expected capacity of at least 70 MW and 105 MWh. Expected commissioning is set for 2031. Expected overall availability of ancillary services, or the flexibility of the electric power equipment is from–670 MW to 730 MW.
- **ACON – Again COnnected Networks (CZ, SK) with the aim of supporting the integration of the Czech and Slovak electricity market by improving the efficiency of distribution systems–PCI project No. 12.1** The initiator of the project on behalf of the Slovak side is the company Západoslovenská distribučná, a.s. The project was included among the candidate PCI projects in 2022, it is being implemented in cooperation with the Czech Republic and its main goal is to modernize, significantly increase the efficiency and safety of the distribution network, as well as to enable easy integration of the ever-growing volume of RES into the network. The assumption of putting the project into operation is in 2027.
- **Danube InGrid (HU, SK) with the aim of effectively connecting the behavior and actions of all market participants connected to the electricity networks in Hungary and Slovakia–PCI project no. 12.3** On behalf of the Slovak side, the initiator of the project is the company Západoslovenská distribučná, a.s. The project is implemented in cooperation with SEPS, a.s., the company Východoslovenská distribučná, a.s. on the Slovak side and the transmission system operator and three distribution system operators on the Hungarian side. The main goal of the project is to strengthen cooperation and integration of the Slovak and Hungarian electricity markets, modernize networks, create new platforms for consumers and, last but not least, create conditions for access and connection of micro-producers, self-consumers and prosumers to the relevant systems. The estimated date of commissioning of the project is 2029.

Successful connection of the single daily electricity market SDAC (Single Day-Ahead Coupling)

After the connection of Greece to the MRC region (English Multi-Regional Coupling–a region covering almost the whole of Europe) in 2020, finally leaving the MRC by Great Britain, the connection of the 4MMC (Czech Republic, Slovakia, Hungary and Romania) and the MRC through cross-border PL-DE profiles , PL-CR, PL-SR, CR-DE, CR-AT and HU-AT in June 2021 and the successful connection of the BG-RO cross-border profile to the SDAC project in October 2021, the process of connecting the daily electricity market in the EU was completed.

Successful connection of the single intraday electricity market (Single Intraday Coupling)

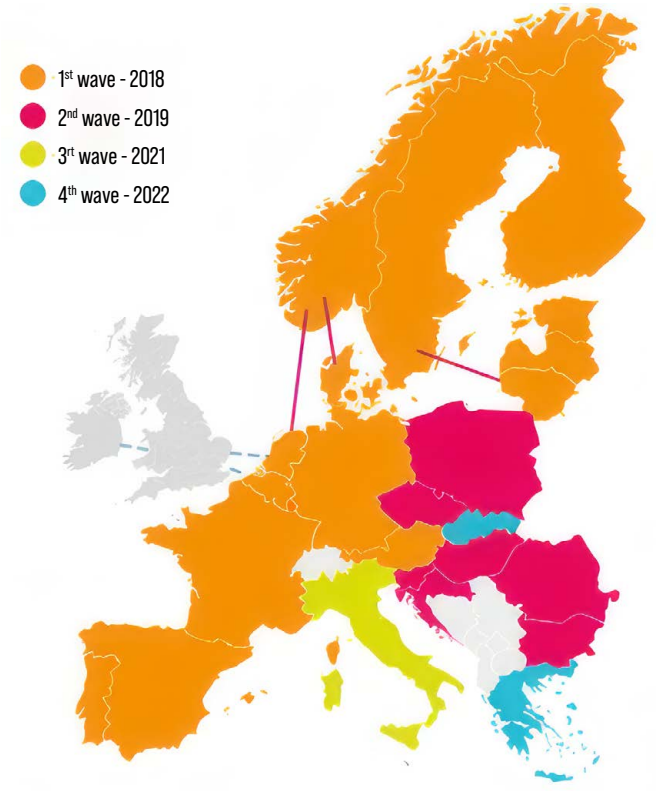
SIDC is a follow-up to the XBID (Cross-Border Intraday) project, within which a continuous intraday trading platform was launched in June 2018 and included 15 countries. In November 2019 and September 2021, eight more countries (Bulgaria, Croatia, Poland, Hungary, the Czech Republic, Slovenia, Romania and Italy) joined the SIDC within the 2nd and 3rd access phases. Slovakia and Greece joined during the last fourth accession phase in November 2022, which completed the interconnection of 25 EU countries (with the exception of Malta and Cyprus). Trading on the intraday market starts after the daily market closes.

The SIDC project is supposed to contribute to increasing trading liquidity. As the Slovak intraday market does not provide sufficient liquidity, integration into the pan-European platform is expected to bring about a positive change in the area of RES development and flexibility aggregation. The central solution enables the matching of orders placed by market participants in one country with orders placed by market participants in any other interconnected country, if there is available cross-border electricity transmission capacity between the affected bidding areas. The implemented solution is in line with the target EU model for an integrated cross-border intraday market with electricity. The integration of the Slovak Republic and Greece into the SIDC represents another important milestone and the completion of the connection of the single intraday electricity market in the EU.

The SIDC project connects intraday markets of 25 countries: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Norway, Netherlands, Poland, Portugal, Romania, SR, Slovenia, Spain and Sweden.

Thanks to the connection of the electricity markets, there was an increase in the liquidity of trading in the Slovak Republic. The central solution enables the matching of orders placed by market participants in one country with orders placed by market participants in any other interconnected country, if there is available cross-border electricity transmission capacity between the affected bidding areas. The SIDC is traded in 15-minute intervals (15 min. products).

Display of SIDC countries, with a color display in which access phase each country accessed the SIDC



Implementation of new methodologies for calculating and allocating capacity

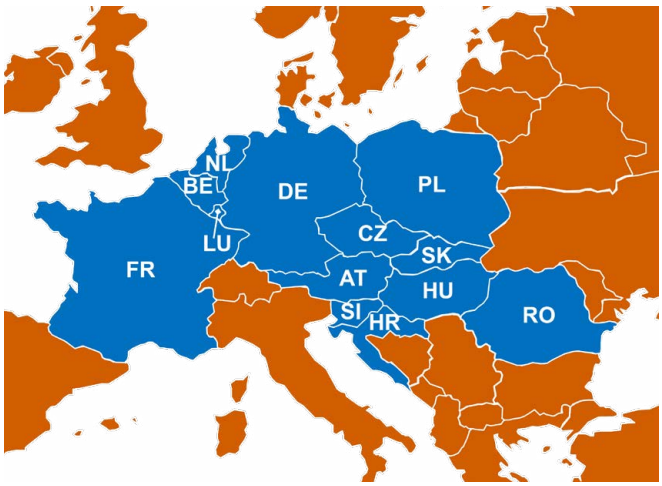
Another way to fulfill the EU goals mentioned in the introduction is the implementation of new methodologies for calculating and allocating capacity.

One such methodology is the flow-based capacity calculation methodology, which takes into account physical limitations in the operation of electricity systems based on the available reserves on critical network elements of the system (mainly on lines) and PTDF coefficients (Power Transfer Distribution Factors). These are defined for each critical line of the system and each bid area in the Core capacity calculation region, while the capacity calculation is coordinated throughout the region, resulting in the improvement of capacity allocation in the region from the point of view of reflecting the real constraints in the system from the point of view of its security of operation, enabling cross-border transmission of a larger amount of electricity and, last but not least, a reduction in overall costs.

In the Core capacity calculation region, as of June 8, 2022, in accordance with Art. 20 EC Regulation No. 1222/2015, which establishes guidelines for capacity allocation and congestion management, it is successfully implemented in the operation of the daily market interconnection through the flow-based capacity calculation methodology.

In the Core capacity calculation region, it was initially planned to put the intraday market connection into operation through the flow-based capacity calculation methodology on 06.08.2023. However, due to the delay in the approval of the second and third amendments to the methodology for calculating transmission capacities for the intraday time frame to be decided by ACER, the intraday market interconnection through the flow-based capacity calculation methodology is planned to be put into operation during the year 2024, with national regulatory authorities controlling compliance of the process with the relevant legislation.

Core Region members



Platforms for sharing regulation electricity

According to EC Regulation No. 2195/2017 of 23.11.2017, which establishes guidelines on ensuring balance in the electricity system (hereinafter referred to as "Regulation No. 2017/2195"), European platforms should operate in order to:

- exchange regulatory energy from TERRE replacement reserves (trans European Replacement Reserves Exchange) in accordance with Art. 19 of the aforementioned regulation, which was put into operation on 06.01.2020. The gradual joining of members from Portugal, Spain, France, Switzerland and the Czech Republic took place until January 2021, and Poland should also join the platform in the first half of 2024. The transmission system operator of the Slovak Republic does not participate in this platform, as the transmission system operator does not use this type of ancillary service.
- exchange of regulatory energy from reserves to restore the frequency with manual activation of the MARI (Manually Activated Reserves Initiative) in accordance with Article 20 of the aforementioned regulation, which was put into operation on 15.09.2022 without connected TSOs and subsequently the TSOs of CR and Germany were connected on 05.10.2022. In 2023, it joined the MARI platform of the Austrian TSO. Most TSOs plan to join this platform by the end of 2024, the Polish TSO at the turn of 2024/2025, the Dutch TSO in the summer of 2025 and the Greek and Finnish TSOs in 2026,
- exchange of regulatory energy from reserves for

frequency restoration with automatic PICASSO activation (Platform for the International Coordination of Automated Frequency Restoration and Stable System Operation) in accordance with Art. 21 of the aforementioned regulation, which was put into operation by connecting the TSO CR on 01.06.2022. TSOs of Austria and Germany were connected on 22.06.2022. The TSO of Italy was connected to the PICASSO platform at the end of July 2023, the other TSOs plan to connect to this platform in 2024, with the exception of the TSO of Sweden, which announced the implementation of the connection only in 2026,

- exchange of deviations in real time (Imbalance Netting) in accordance with Art. 22 of the mentioned regulation, which was put into operation on 21.06.2021 and at that time all TSOs of continental Europe were connected to it, with the exception of Romania (TSO connected from December 2021) and Bulgaria (TSO connected in July 2022).

In accordance with Art. 62 par. 2(a) of Regulation No. 2017/2195, the Slovak TSO requested the Office to grant an exemption from connecting to the above-mentioned platforms on 02.02.2021 and subsequently on 29.3.2021, it was granted an exemption for the period from 25.07.2022 to 24.07.2024. Currently, the expected connection date of SEPS to the MARI platform is December 2024 and to the PICASSO platform November 2024.

Wholesale market

In 2023, electricity prices on the European electricity markets decreased at a moderate pace, down to the level of approximately 100 EUR/MWh.

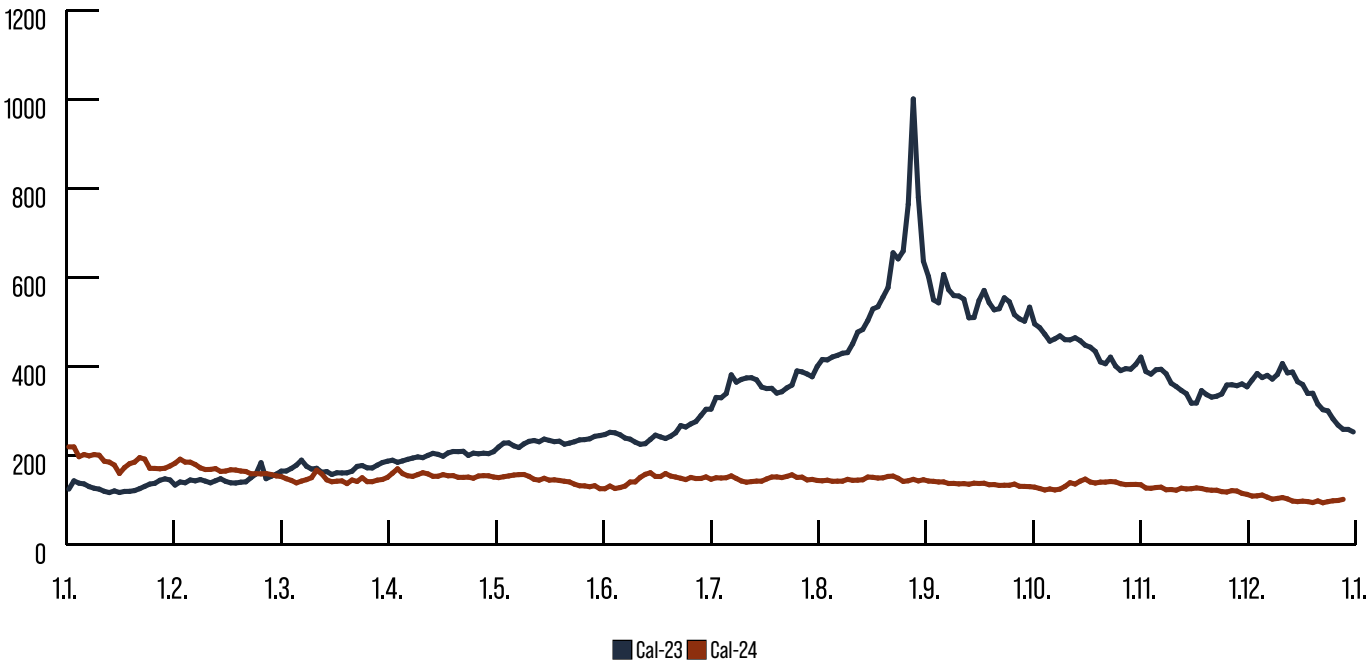
This is confirmed in more detail by the following figure, which shows the price trends of electricity on the PXE exchange, products F PXE SK BL Cal-24 and Cal-23, while the average price on the PXE exchange, products F PXE decreased in the monitored year compared to 2022 SK BL Cal-t by approximately 53%.

Retail market

Price regulation of electricity supply to vulnerable customers was carried out in accordance with Act No. 250/2012 Z.z., on the basis of the regulatory policy, according to the implementing regulation in the area of price regulation– Decree No. 18/2017 Z.z., which establishes price regulation in the electricity industry and some conditions for the performance of regulated activities in the electricity industry, as amended and by the Decision of the Ministry of Economy of the Slovak Republic in the general economic interest, which was issued on the basis of the Resolution of the Government of the Slovak Republic No. 723 of 16.11.2022.

The supply of electricity was subject to price regulation in the area of electricity supply in 2023:

Development of electricity prices (graph of the PXE Prague stock exchange)



- for households,
- for electricity customers outside the household with a total annual electricity consumption for the previous year of no more than 30,000 kWh,
- for non-household electricity consumers, except non-household electricity consumers with a total annual consumption of electricity for the previous year of no more than 30,000 kWh, who consume electricity for the operation of a social service facility registered in the register of social services, for the operation of a facility for the social protection of children and social guardianship, for the operation of a residential a house with rental apartments owned by a municipality or a higher territorial unit, which are intended for social housing according to a special regulation, or for the operation of an apartment building with rental apartments as part of state-supported rental housing according to a special regulation,
- for a group of end consumers of electricity, which are the owners of apartments and non-residential premises in an apartment building, purchasing electricity for the production of heat and heating domestic hot water, legally represented by a natural person or a legal entity managing a common heat source supplying the apartment building with heat and hot domestic water,
- to last resort suppliers.

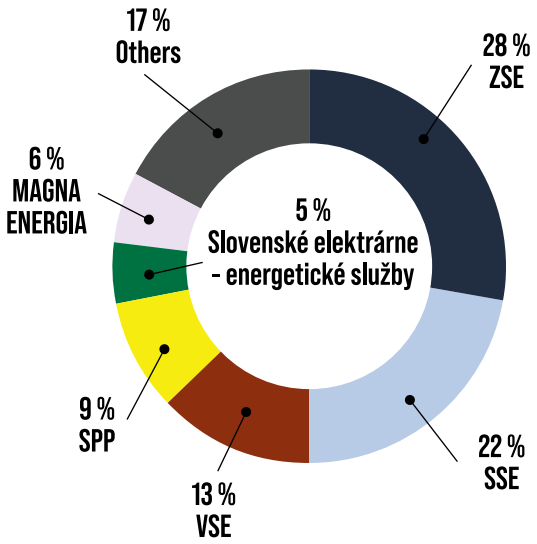
The starting parameters, on the basis of which the maximum price for the supply of electricity to vulnerable electricity customers, excluding household electricity customers, was determined for the year 2023 was the arithmetic average of the daily prices of the official exchange rate list published by the PXE exchange on its website, for the product F PXE SK BL Cal-23 for the period from 01.08.2022 to 30.09.2022, which was at the level of 547.5807 €/MWh (year-on-year increase of 486.373 €/MWh, i.e. 794.63%), to which the coefficient to cover the planned electricity supply diagram for vulnerable customers, deviation costs related to the supply of electricity to vulnerable customers and a reasonable profit were added. Due to the high price of electricity, the Government of the Slovak Republic intervened and adopted a resolution on the declaration of General Economic Interest.

The maximum prices for the supply of electricity to households for the year 2023 were determined by the decision of the Ministry of Economy of the Slovak Republic in the general economic interest. The starting parameters, on the basis of which the maximum price for the supply of electricity was determined, was the price of the commodity at the level of 2022, i.e. €61.2077/MWh, to which was added the coefficient to cover the planned electricity supply diagram for vulnerable customers, the costs of the deviation related to the electricity supply for vulnerable customers and a reasonable profit.

The price for distribution, including electricity transmission and electricity losses during transmission, and the price for electricity losses during electricity distribution, TSS and TPS are added to the individual electricity supply rates.

Three “traditional” suppliers, which are part of vertically integrated companies–ZSE Energia, a.s., Stredoslovenská energetika, a.s., and Východoslovenská energetika, a.s., still have the largest share in electricity supply.

Market shares of electricity suppliers in the supply of electricity to all customer groups



Electricity supply for households

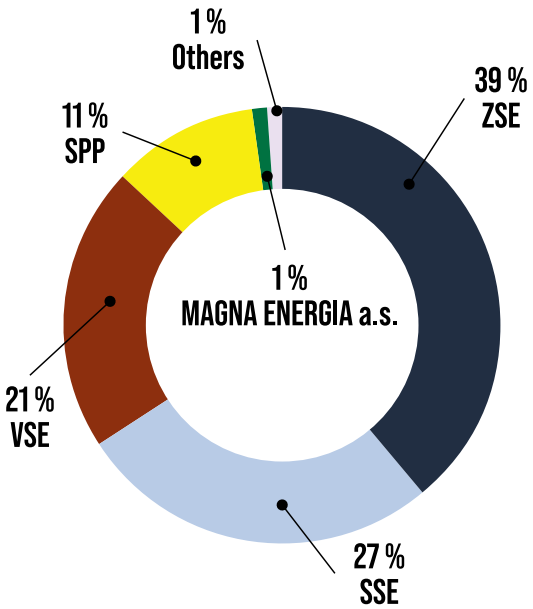
Comparison of the structure of the average final price of electricity for households

	2019	2020	2021	2022	2023
power electricity	36.20 %	41.72 %	39.41 %	47.16 %	34.96 %
system operation tariff	20.19 %	16.96 %	17.77 %	10.70 %	12.28 %
tariff for system services	4.62 %	4.46 %	4.72 %	4.24 %	4.88 %
supply costs and reasonbable profit	5.47 %	5.07 %	5.31 %	5.68 %	4.86 %
electricity transmission incl. losses	2.96 %	2.61 %	2.85 %	2.72 %	1.95 %
electricity distribution without losses	25.25 %	23.24 %	24.55 %	21.75 %	15.57 %
electricity distribution losses	5.31 %	5.95 %	5.40 %	7.75 %	25.50 %

* even for 2023, these are regulated prices determined by the authority

Electricity supply to households was divided into eight rates. In 2023, vulnerable customers - households were supplied with electricity by 14 suppliers with nationwide operations.

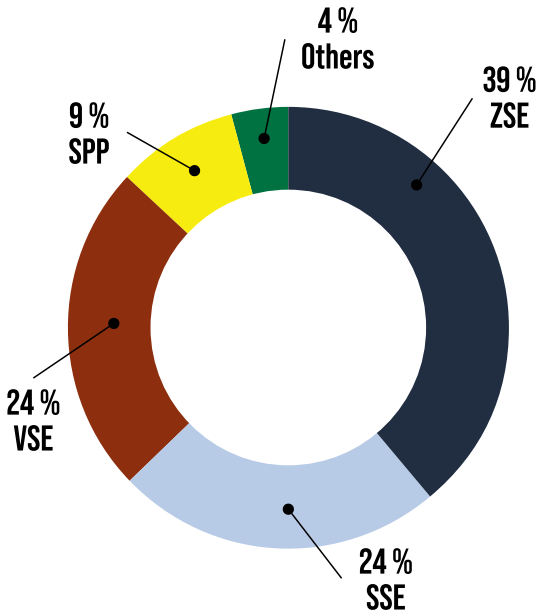
Share of suppliers in the supply of electricity to households



Electricity supply for non-household electricity customers with a total annual electricity consumption for the previous year of no more than 30,000 kWh

The supply of electricity for non-household electricity consumers with a total annual consumption of electricity for the previous year of no more than 30,000 kWh was divided into 11 rates, and they were supplied with electricity by 14 suppliers with a nationwide operation.

The share of suppliers in the supply of electricity for non-household electricity customers with a total annual electricity consumption for the previous year of no more than 30,000 kWh



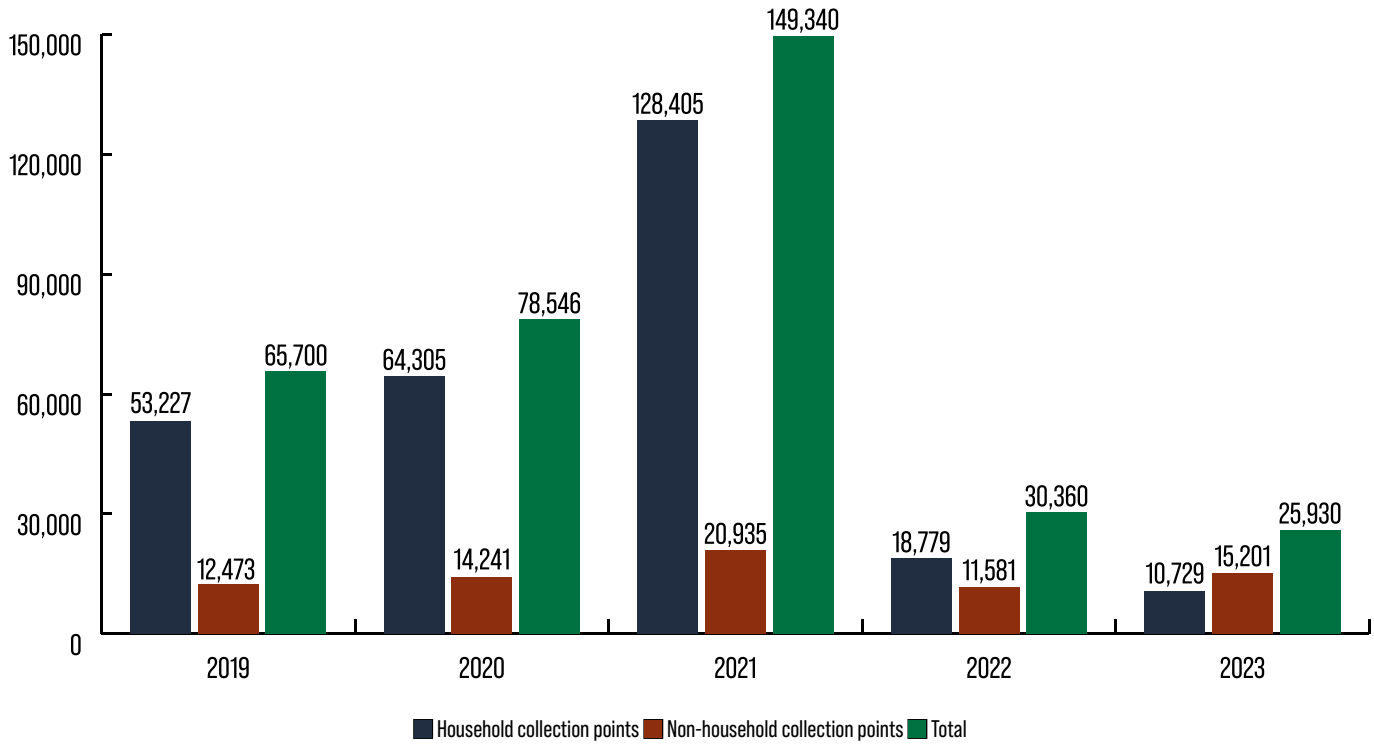
Electricity supplier switching

To assess the level of liberalization of the electricity market, a percentage coefficient is used, the so-called switching, which expresses the ratio of the number of consumption points with a change of electricity supplier to the total number of consumption points in the monitored year.

Comparison of the structure of the average final price for the supply of electricity for non-household electricity customers with the total annual electricity consumption for the previous year of no more than 30,000 kWh

Names of tariff components		2019	2020	2021	2022	2023
Electricity supply	power electricity	31.81 %	37.34 %	34.62 %	41.60 %	80.13 %
	delivery costs and reasonable profit	5.50 %	5.50 %	6.68 %	6.85 %	1.61 %
Distribution of electricity, including transmission and loss in electricity distribution	electricity transmission	2.60 %	2.33 %	2.50 %	2.40 %	0.53 %
	distribution of electricity without losses	33.64 %	30.33 %	31.68 %	29.13 %	6.47 %
	electricity distribution losses	4.66 %	5.32 %	4.75 %	6.84 %	6.98 %
Other regulated tariffs	TPS – tariff for system operation	17.74 %	15.19 %	15.62 %	9.44 %	2.94 %
	TSS – tariff for system services	4.06 %	3.99 %	4.15 %	3.74 %	1.34 %

Switching



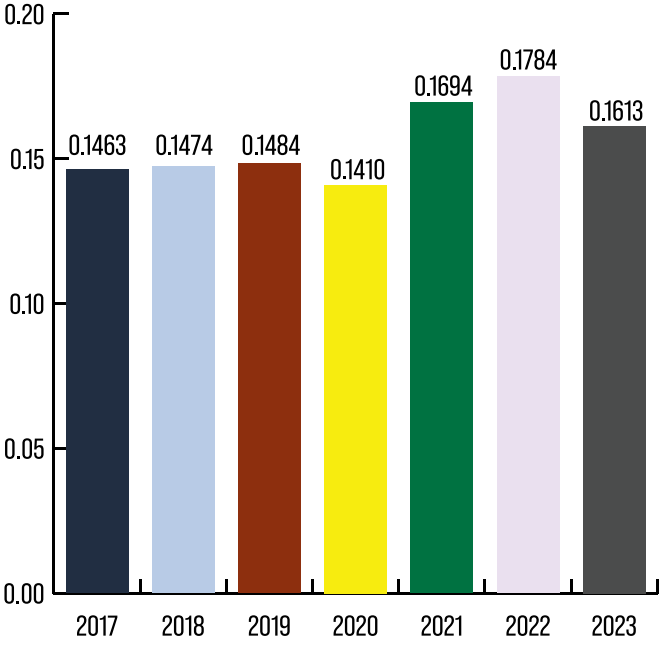
Last resort supply

Based on the Office's decision, the suppliers of last resort in the Slovak Republic are ZSE Energia, a.s., Východoslovenská energetika, a.s., and Stredoslovenská energetika, a.s. In the monitored year, the Office did not register any collection points in the mode of supply of last resort.

Herfindahl – Hirschman Index (HHI)

The purpose of the HHI index is to determine the competitiveness of the market. The Office assessed the position of regulated entities operating on the electricity supply market to all consumers. The market is concentrated if the HHI index is more than 0.1 and highly concentrated if the value exceeds 0.2.

Development of HHI – electricity supply



Production of electricity from RES and CHP

Supporting the production of electricity from RES and CHP is one of the factors to achieve a 20% reduction in greenhouse gas emissions. This ambitious commitment in the field of energy and climate was set as the main

goal of the Integrated National Energy and Climate Plan for the years 2021 - 2030, which was prepared according to Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11.12.2018 on the management of the energy union and measures in the field of climate.

In 2009, Act No. 309/2009 Z.z., whose objective in the area of RES and CHP was to ensure a long-term guarantee of purchase prices for 15 years and at the same time favor the construction of small and decentralized facilities.

Price decisions and guarantees of electricity origin

The Office issued a total of 275 price decisions mainly for reasons:

- change of correction for primary fuel (Pzn) burned in RES and CHP facilities,
- change of ownership of RES and CHP facilities,
- completed reconstructions of CHP production facilities.

At the same time, it also issued 72 decisions due to termination of activity or change in the person of the electricity producer.

Table of overview of issued price decisions of RES and CHP

Decisions issued for RES facilities	104
Decisions issued for CHP facilities	171
Cancelled price decisions	72
Total	347

In 2023, the Office issued 310 guarantees of origin of electricity from renewable sources:

- 116 guarantees of origin of electricity from RES for facilities that used the technology of producing electricity from the combustion of biogas or biomass,
- 111 guarantees of origin of electricity produced by high-efficiency CHP, the vast majority of which were for equipment with technology using natural gas as a fuel source,
- 83 guarantees of origin due to a change in the equipment operator, termination of support, or the need to renew the confirmation.

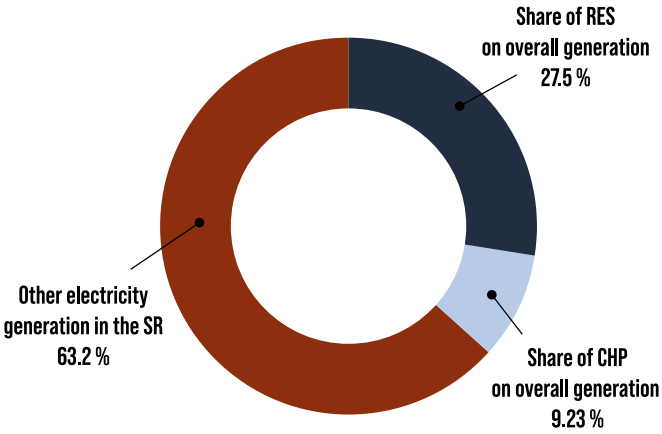
At the same time, the Office cancelled 47 guarantees of origin of RES.

Purchaser of electricity produced from RES and CHP

In 2023, SPP, a.s., was the purchaser of electricity from RES and high-efficiency CHP based on the Decision of the Ministry of Economy of the Slovak Republic No. 42372/2022-4110-100249 issued according to § 88(2)(y) of Act No. 251/2012 Z.z.

According to §11(1)(j) of Act No. 250/2012 Z.z., the performance of the activity of electricity buyer is a regulated activity, the Office determined the remuneration of the buyer for the year 2023 by preliminary measure of the Office No. 0165/2023/E-PR dated 16.03.2023 and after the entry into force of Office Decree No. 370/2023 Z.z. according to §12, the Office determined the buyer's remuneration by Office Decision No. 0104/2023/E dated on 15 November 2023.

Percentage share of electricity produced from RES and CHP on the total production of electricity in the SR for 2023



Share of production in the Slovak Republic for the year 2023 by individual technologies

Electricity generation in the SR in 2023	MWh
111 - Black coal	438,026
112 - Brown coal	845,806
119 - Other solid fossil fuels	1,034
121 - Heavy fuel oil	404,105
123 - Motor fuel	924
129 - Other oil products	-
131 - Natural gas	2,307,261
141 - Biomass	415,069
142 - Municipal waste	94,997
149 - Other renewable and secondary solid fuels	40,542
159 - Other renewable and secondary liquid fuels	-
151 - Liquids extracted from biomass	439,928
161 - Biogas	409,150
162 - Landfill gas	8,703
163 - Gas from sewage treatment plants	9216
165 - Dense gas	450,463
166 - Biomethan	-
167- Biogas produced by anaerobic fermentation	14,979
169 - Other renewable secondary gas fuels	24,297
210 - Water energy	5,104,092
230 - Wind energy	4,001
241 - Solar thermal energy	22
242 - Photovoltaics	604,993
250 - Nuclear energy	18,343,625
270 - Hydrothermal energy	94
Total	29,961,326

02.
GAS INDUSTRY

The Office carries out price and technical regulation in the gas industry for regulated activities in the area of use of gas infrastructure for network operators and in the area of price regulation of gas supplies only for vulnerable customers, who are specified in Act No. 250/2012 Z.z., as well as in Act No. 251/2012 Z.z.

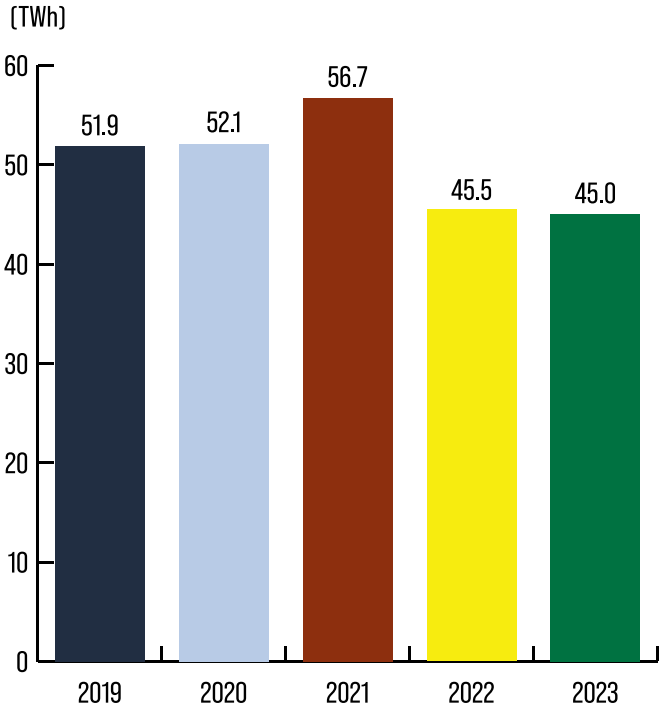
The year 2023 was the first year of the 6th regulatory period, and in the field of gas industry, it was necessary to set new regulatory frameworks for the new regulatory period, especially in the performance of price regulation. For the year under review, the Office prepared implementing regulations, which established price regulation of regulated activities in the gas industry, whether in the use of gas networks, but also in the supply of gas to vulnerable customers (Decree No. 450/2022 Z.z. and Decree No. 451/2022 Z.z.).

Gas market participants in the SR

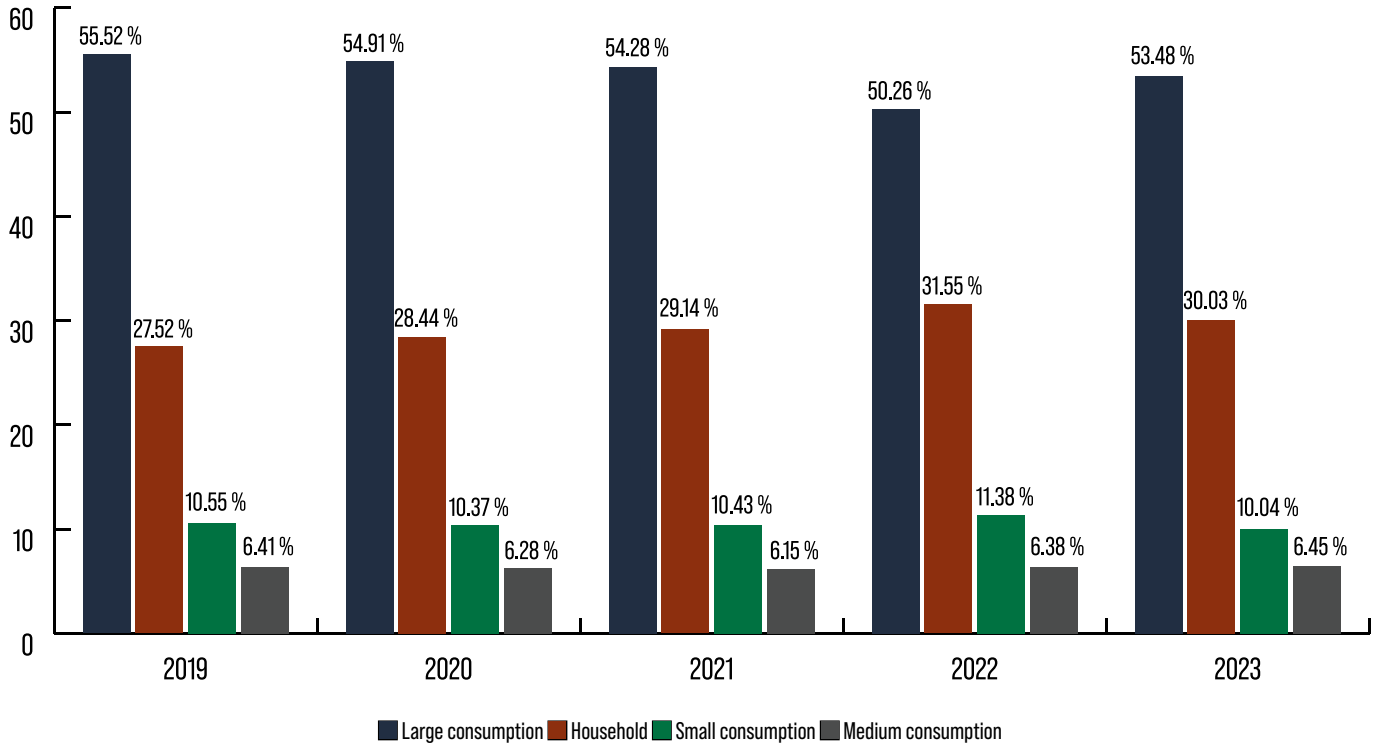
- gas transmission network operator (eustream, a.s.),
- distribution network operator in a defined territory of the SR (SPP–distribúcia, a.s.),
- 38 distribution netwrok operators, to which less than 100,000 end consumers of gas are connected, the so-called local distribution networks or LDN,
- two operators of gas storage facilities (NAFTA a.s., POZAGAZ a.s.),
- 19 active gas suppliers,
- gas customers with gas supply prices not subject to price regulation by the Office and vulnerable gas customers.

The total gas consumption in the SR in 2023 was at the level of 45.0 TWh, which is approximately 1% less than in 2022, compared to 2021 it is a decrease of up to 20.63%. In connection with the share of individual customer groups in lower gas consumption, the biggest share in the year-on-year decrease in consumption is small gas consumers with reduced consumption by more than 12%, for households a decrease in gas consumption of approximately 6% was recorded.

Development of gas consumption in the SR



Gas consumption according to customer cathegories



Decisions related to price regulation in gas industry

Decisions related to price regulation in gas industry		2019	2020	2021	2022	Issued in 2023 for 2023	Issued in 2023 For 2024
out of which	Gas supply for vulnerable customers– suppliers with nationwide scope		2	1	12	2	13
	Gas supply for vulnerable customers – suppliers with nationwide scope – decision modification	10	21	16	7		
	Last resort supply				1		
	Last resort supply–decision modification			1			
	Gas supply for vulnerable customers – LDN	1			15	2	16
	Gas supply for vulnerable customers–LDN–decision modification	6	19	16	1		
	Access to distribution network and gas distributtion (LDN–§ 11(6))	2		4		24	
	Access to distribution network and gas distributtion (LDN–§ 11(6))–decision modification	2	4	19			
	Access to distribution network and gas distributtion (LDN–§ 11(7))					1	
	Access to distribution network and gas distributtion (LDN–§ 11(7))–decision modification		1	1			
	Access to distribution network and gas distributtion (LDN–§ 11(8))	1		1		13	
	Access to distribution network and gas distributtion (LDN–§ 11(8))–decision modification		9	1	11		
	Access to distribution network and gas distributtion (LDN–§ 12(1))	4	1	1		25	
	Access to distribution network and gas distributtion (LDN–§ 12(1))–decision modification		2	17			
	Connection to distribution network (LDN)	4			1	5	
	Connection to distribution network (LDS)–decision modification			10			
	Access to distribution network and gas distributtion (SPP-D)				1		
	Access to distribution network and gas distributtion–decision modification (SPP-D)		1	1			1
	Connection to distribution network (SPP-D)					1	
	Purchase of gas facility					1	
	Purchase of gas facility–decision modification			1			
	Access to transmission network and gas transmission	1				1	
	Access to transmission network and gas transmission–decision modification		1	3			
	Provision of services related to operation of registry of renewable gases					1	
Total		31	61	93	49	106	
Terminated price proceedings				3	1	28	
Suspended price proceedings		5	1	3	93	4	2
Decision revocation			3	2	3	2	

Operating rules for the operator of the transmission network, the distribution network and the storage operator

In 2023, the Office decided to approve modifications to six operating rules for network operators, namely:

- for two LDN operators,
- two modifications for the distribution network operator which performs the tasks of gas dispatching in a defined area,
- two modifications for the transmission network operator.

In the course of 2023, fifteen LDN operators adopted in full the model operating rules of a distribution network operator to which less than 100,000 end consumers of gas are connected, which the Office issued and published on its website pursuant to Act No. 251/2012 Z.z. (hereinafter referred to as the „model operating rules"). Out of these, thirteen LDN operators simultaneously requested the Office to cancel the decisions in question, which approved the operating regulations according to § 17(2)(g) of Act No. 250/2012 Z.z. Two other new LDN operators have notified the Office that they are adopting the model operating rules in its entirety.

Technical conditions of access and connection to the network and rules of network operation

In the monitored year, the Office also assessed the technical conditions of network operators, of which two proposals for technical conditions were from LDN operators. From 01.10.2022 in accordance with Act No. 251/2012 Z.z., network operators and the Office are obliged to carry out public consultations on the subject proposals of technical conditions of network operators on their websites. In 2023, the Office received only one proposal from a relevant gas market participant regarding the submitted proposals for the technical conditions of gas network operators after a public consultation.

Business conditions of gas supply in the provision of universal service

In 2023, the Office did not issue any decision regarding the approval of business conditions for gas suppliers providing a universal service for vulnerable customers, due to the fact that after the change in the primary energy legislation from 01.10.2022, the decision on the approval of business conditions for gas suppliers providing a universal service is no longer subject to technical regulation , which regulate the relationship between the gas supplier and vulnerable gas consumers. From 01.10.2022, the Office has published on its website the Model Business Terms and Conditions for the Provision of Universal Service for the Supply of Gas pursuant to Act No. 251/2012 Z.z. In the contract for joint supply of gas concluded with a consumer of gas in the household, the gas supplier must apply the business conditions for the provision of a universal service, which must meet the requirements of the provisions of the relevant legal regulations and must be consistent in content with the model business conditions for the provision of a universal service developed by the Office, the business conditions are published and on at the request of the Office, they will be changed within the statutory period.

Decisions according to EC regulations

In the monitored year, the Office approved Decision No. 0001/2023/P-EU dated 01.03.2023 according to Commission Regulation (EU) No. 312/2014 of 26.03.2014 on the creation of a network regulation for gas balancing in transmission networks of the sixth Updated report on the application of preliminary measures for the operator of the transmission network eustream, a.s.

Gas infrastructure

As part of price regulation in the gas infrastructure, it is primarily price regulation for:

- access to the transmission network and gas transmission,
- access to the distribution network and gas distribution,
- connection to networks for gas producers or for new gas customers.

Technical regulation in the area of network use is carried out primarily in the approval of operating rules for network operators, including storage tanks, in terms of setting rules for network operators when operating networks in relation to network users and with an impact on gas consumers. On the basis of its legal competences, the Office also assesses the technical conditions of access and connection to the network and operation of the network, with the possibility of commenting on them and asking network operators, in the event of their non-compliance with generally binding legal regulations, to modify them.

In accordance to the regualtory policy for the period of 2023 – 2027, Decree No. 451/2022 Z.z., which establishes the regulation of selected regulated activities in the gas industry and some conditions for the performance of selected regulated activities in the gas industry in 2023, represented the basic regulatory framework for price regulation for regulated activities, to the extent of:

- connection to the transmission network,
- connection to the distribution network,
- connection of new gas producers to the network,
- provision of ancillary services,
- access to the transmission network and gas transmission,
- access to the distribution network and gas distribution,
- purchase of a gas facility.

Transmission network

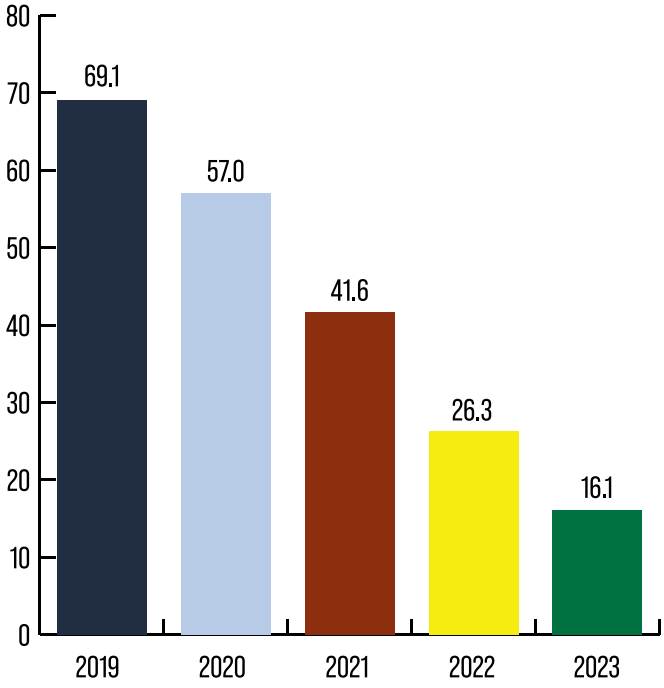
The transmission network in the Slovak Republic is one of the main corridors enabling the entry of gas into the EU, i.e. this network is primarily used for transit. The consumption of natural gas in the Slovak Republic in the monitored year was at the level of 22.2% of the total volume of transported gas in 2023.

The transmission network in Slovakia is owned and operated by eustream, a.s. The connection of the Slovak transmission network with the surrounding EU member countries (Czech Republic, Austria, Hungary and Poland) is ensured through border connection points. The transmission network is also directly connected to the gas network in Ukraine via two connection points. The transmission network also includes the so-called „Home point", which represents the entry/exit point from/to distribution networks and reservoirs on the territory of the Slovak Republic.

Technical functionality of the transmission network

Investments in the transmission network in 2023 amounted to 4.49 million EUR. The operator of the transmission network- eustream, a.s.- provides information on the amount of technical, free and contracted capacities at individual entry-exit points on its website in accordance with the secondary legislation developed by the Office (Decree No. 208/2023 Z.z.).

Gas transmission volume in bil. m³



Transmission capacity

The annual technical maximum capacity of the transmission network is approximately 90 billion m³ of natural gas. The volume of transported gas has been continuously decreasing in the last five years, in 2023 the operator of the transmission network- eustream, a.s.- transported only 16.1 billion m³ of gas, which represents a significant decrease in the volume of transported gas compared to 2022, by up to 38.9%.

Transmission network–development of the number of applications and concluded contracts

Indicator/year	2019	2020	2021	2022	2023
Number of requests for access to the transmission network	2,639	1,294	844	5,001	3,771
Number of requests for connection to the transmission network	0	0	0	1	0
Number of concluded contracts on connection to the transmission network	0	0	0	0	0
Number of concluded contracts on natural gas transmission with fixed tranmission capacity	2,276	1,150	842	4,782	3,262
Out of which: long-term	0	0	1	0	0
Annual	27	29	9	16	19
Short-term, out of which:	2,249	1,121	832	4,766	3,243
quarterly	53	28	19	23	37
monthly	83	98	42	116	162
daily	2,013	874	507	3,763	2,552
intra-day	100	121	264	864	492
Number of concluded contracts on natural gas transmission with interruptible transmission capacity	363	128	2	216	508
Out of which: long-term	0	0			
Annual	1	0			
Short-term, out of which:	362	128	2	216	508
quarterly	9	16			
monthly	23	51			5
daily	315	51	2	189	450
intra-day	15	10		27	53
Number of concluded contracts on natural gas transmission with combined transmission capacity	19	16		3	1
Out of which: long-term					
Annual		4			
Short-term, out of which:	19	12		3	
quarterly		7			
monthly		3			
daily	19	2		2	1
intra-day	0	0		1	
Number of transmission network users	45	31	22	48	50

Share of individual users of the network in terms of the country of origin in the volume of transported gas

Transmission network users on the domestic market (transmission onto the domestic point of the transmission network)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)
Slovakia	7.40	8.40	9.10	11.20	22.20
Transit users of the transmission network					
Russia	66.80	71.30	86.90	77.40	57.60
Germany	4.00	1.70	0.00	0.30	1.00
Czechia	7.10	1.80	0.70	1.90	2.10
Hungary	0.10	2.40	0.00	1.00	0.00
Switzerland	1.60	5.10	0.60	3.10	10.90
Great Britain	1.10	4.50	2.70	2.90	3.10
Austria	0.80	0.40	0.00	0.50	0.70
Denmark	0.00	0.00	0.00	0.50	0.00
France	0.10	0.60	0.00	0.00	0.30
Luxembourg	0.30	1.10	0.00	0.10	0.00
Ukraine	10.10	0.00	0.00	0.00	0.00
Poland	0.00	0.00	0.00	0.10	0.70
Romania	0.40	0.50	0.00	0.00	0.00
The Netherlands	0.20	2.20	0.00	0.20	1.10
Croatia	0.00	0.00	0.00	0.80	0.00
Bulgaria	0.00	0.00	0.00	0.00	0.30
Total	100.00	100.00	100.00	100.00	100.00

Ten-Year Network Development Plan and cross-border cooperation

The legal obligations of the transmission network operator also include regular submission of the Ten-Year Network Development Plan, as the transmission network operator is also responsible for the technical functionality of the transmission network and its subsequent development. The Office monitors and evaluates the implementation of the Ten-Year Network Development Plan. Also in 2023, the operator of the transmission network submitted to the authority for assessment a draft of the Ten-Year Network Development Plan for the period 2023–2032 in the Slovak Republic, together with the Report on the Implementation of the Ten-Year Plan for the period 2022–2031, including a breakdown of the spent and planned investments for the projects in question, which the Office annually follows.

The ten-year plan includes a description of the network, a scenario of the development of gas consumption in Slovakia, as well as a description of effective measures to guarantee the adequacy of the network and the security of gas supplies. The ten-year plan also lists the main parts of the transport network that need to be built or modernized in the next ten years, along with the expected dates for their implementation.

The ten-year plan is necessary to identify the need for new infrastructure projects to ensure the primary level of gas supply security for Slovakia and the entire European region, and includes, among other things, the development of cross-border connections. The ten-year plan of the transmission network operator eustream, a.s., must be drawn up in accordance with the Ten-Year Plan for the Development of the Gas Transmission Network in the EU, which includes, among other things, the so-called projects of common interest for the EU (PCI).

Regulation (EU) 2019/94 of the European Parliament and of the Council of 5 June 2019 establishing the European Union Agency for the Cooperation of Energy Regulatory Authorities results in the obligation for the national regulatory authority, in close cooperation with ACER, to monitor, assess and evaluate the state of compliance of investment intentions for cross-border infrastructure development projects with network development plans for the entire EU.

Every year, the transmission network operator consults the ten-year plan with all interested parties on its website before submitting it to the Office. The Office also consults the Ten-Year Network Development Plan with existing and potential network users and allows them to submit reasoned comments to it within a reasonable period of time. The Office published information on the results of the consultations on its website.

In connection with the transport network development plan, in 2023 the Office also published on its website an evaluation of the implementation of the Ten-Year Network Development Plan of eustream, a. s. for the period 2022–2031.

Significant projects from the Ten-Year Network Development Plan of the transmission network operator for the period 2023 – 2032

Projects to increase capacity at border points

- reconstruction of distribution hub RU01 Plavecký Peter to new operating conditions; automation of operating modes due to the achievement of high flexibility in the operation of the transmission network, the possibility of security and the future increase of available capacities in IP Lanžhot, Baumgarten and Veľké Zlievce,
- increase of fixed transmission capacity at the connection point Veľké Zlievce; due to the expected changes in natural gas flows within Europe, an investment project is in the process of being prepared to increase the fixed transmission capacity at the connection point Veľké Zlievce,
- increase of fixed transmission capacity at the connection point Výrava; refers to the implemented Poland-Slovakia Interconnection Gas Pipeline project, which was completed in 2022; in the case of an increase in transmission capacities, which could arise together with the construction of new regasification capacities planned in Poland, it will be necessary to make adjustments to the transmission network in Poland, increase the capacities of the Výrava Measuring Station and adjustments to the entrance facility in Veľké Kapušany,
- increase of fixed transmission capacity at the Lanžhot entry point; with the implementation of the project, the fixed capacity at the Lanžhot entry point reached the level of 55.1 billion m^3/year, the reason for the increase in transmission capacity was to satisfy the indicated interest of customers in the transmission of natural gas from the Czech Republic to the Slovak Republic,
- installation of photovoltaics at the Veľké Kapušany compressor station; the project will ensure the construction of a photovoltaic power plant within the premises of the Veľké Kapušany compressor station to cover the compressor station‘s own electricity consumption, the project is applying for co-financing from the Recovery Plan,
- the Green H2 project at the Veľké Kapušany compressor station; the purpose of the planned project is the pilot launch of the production, mixing and injection of hydrogen into TuS fuel gas (turbo equipment) in the Veľké Kapušany compressor station, which will reduce the emission of greenhouse gases, green hydrogen will be produced by electrolysis using electricity obtained from RES (photovoltaic panels),
- projects of energy transformation of the transmission system, which are aimed at reducing methane emissions, increasing the energy efficiency of the transmission network, transmission of natural gas with admixture of hydrogen, but also transmission of pure hydrogen.

H2I – TR Project

In order to achieve EU goals and have a significant impact on economic growth, sustainability or value creation throughout the EU in the area of economic transformation leading to the reduction of greenhouse gas emissions, the company eustream, a.s., joined the process of obtaining IPCEI status for the modification of the transmission network, which has been used for transmission of natural gas, for the transmission of pure hydrogen. The modification would lead to an adjustment of the pipeline system in the sections between Ukraine and the crossings with Austria and the Czech Republic. Currently, the EC is assessing the submitted documentation related to the proposed H2I–TR project.

Solidarity Ring

The aim of the project is to provide an import route for gas supplies from Azerbaijan in the expected volume of 5-10 billion m^3/year with minimal modification of the transmission network, while this is the capacity along the entire length of the transmission route. The implementation of the project would lead to the connection of the existing key infrastructure on the territory of the Slovak Republic, connected to the western gas hubs, with the gas infrastructure on the territory of Hungary, Romania, Bulgaria, Turkey and gas sources in the Caspian region. This solution would effectively help to strengthen the diversification of natural gas transmission routes and sources in the regions of Central and South-Eastern Europe, which are highly dependent on Russian gas supplies and sensitive to their eventual failure. The implementation of the project would significantly strengthen the EU‘s efforts to diversify routes and sources of gas in this area, and at the same time it would be one of the tools for the fulfillment of the Memorandum of Understanding on strategic partnership in the field of energy, which was signed on July 18, 2022 between the EC and Azerbaijan with the aim of increasing gas import into Europe. The project is in the initial phase of preparation.

Distribution network

In comparison with EU countries, Slovakia is specific also in terms of distribution networks. The operator of the SPP distribution network–distribúcia, a.s., also ensured the distribution of gas to more than 1.5 million people collection points in 2023. The structure of gas pipelines of the distribution network of SPP–distribúcia, a. s. had a total length of 33,343 km as of 31.12.2023, of which the length of high-pressure gas pipelines was 6,271 km and the length of medium- and low-pressure gas pipelines was 27,072 km.

Development of investments in renewal and reconstruction of the distribution network of SPP–distribúcia, a.s.

	2019	2020	2021	2022	2023
Volume in mil. €	33.6	34.87	34.44	34.13	41.37

Distribution network balancing

As part of ensuring safe and reliable gas distribution, both physical and commercial balancing must be carried out in the event of a shortage, or excess gas in the distribution network.

The operator of the distribution network SPP–distribúcia, a.s., which, based on the decision of the Ministry of Economy of the Slovak Republic, fulfills the tasks of gas dispatching, has gas stored for these purposes in the underground reservoir Dolní Bojanovice, which is located on the territory of the Czech Republic.

Network balancing (in mil. m³/day)– extraction or injection of gas into an underground storage facility

Network balancing (in mil. m³/day)–extraction or injection of gas into an underground storage facility	2019	2020	2021	2022	2023
Lack of gas–extraction	1.5	1.6	1.5	1.3	1.6
Excess of gas–injection	1.3	1.9	1.2	1.5	1.0

Distribution Network Operator SPP–distribúcia, a.s.

CNG filling stations are also included in the total number of collection points connected to distribution networks, of which there are 18 with the amount of distributed gas in the volume of 8,422,789 m³, which is approximately 7.5% less than in 2022.

LDN operators

In the monitored year, the Office registered 38 LDN operators who distributed gas in 62 local distribution networks (camps of large companies, industrial parks, business centers, residential complexes) in a total volume of 723,570,370 m³.

Operators of underground gas storage facilities

Access to the gas storage facility and gas storage in 2023 was not subject to price regulation. The agreed approach of gas market participants applies to access to the storage tank. The Office can change the agreed access of gas market participants to the storage tank to a regulated access in accordance with the relevant primary energy legislation. The Office does not regulate the price for access

Development of the number of collection points and the amount of gas distributed by SPP–distribúcia, a.s.

	2019	2020	2021	2022	2023
Number of collection points	1,522,710	1,526,582	1,529,429	1,528,834	1,523,009
Volume of distributed gas in m³	4,841,280,704	5,003,958,741	5,504,375,139	4,463,629,085	4,179,157,874

to the gas storage facility and gas storage, but creates a regulatory framework within technical regulation.

The gas storage facility operator is obliged to comply with the market rules created by the Office and also to provide data on its activities to the Office either on a regular basis or upon request. The Office approves the operatingrules of the gas storage facility operator as well as assesses the technical conditions of access and connection to the gas storage facility. In addition, within its competences, the Office monitors the state and changes in the state of gas stocks stored in the gas storage facility at both storage operators and, through published links on the website of the Office, conveys information about aggregated data continuously published on a daily basis on the websites of storage operators.

The gas storage facilities in the Slovak Republic are primarily used for seasonal storage of natural gas. Gas storage facilities as part of the gas infrastructure represent an important tool that increases the energy security of the Slovak Republic. In the Slovak Republic, underground gas storage facilities are operated by the company NAFTA a.s. and the company POZAGAS a.s. Investments in gas storage facilities of NAFTA a.s. were at the level of 9.6 million EUR in 2023 and storage operator POZAGAS a.s. invested 0.49 mil. EUR in 2023.

Utilization of the NAFTA a.s. company‘s storage capacity

Storage facility users (country of origin)	Share
Slovakia	47.99 %
Great Britain	28.14 %
Germany	7.56 %
Czechia	6.63 %
Switzerland	6.16 %
Austria	1.87 %
France	1.65 %
Total	100.00 %

The operator of the underground storage facility NAFTA a.s. concluded 173 contracts with storage users, including one contract with interruptible storage capacity and 172 contracts with fixed storage capacity. The number of applications received was 256, out of which 73 applications were rejected due to the allocation of storage capacity to other interested parties in accordance with the applicable legislation.

Utilization of the POZAGAS a.s. company‘s storage capacity

Storage users (countra of origin)	Share
France	27.85 %
Great Britain	20.97 %
Switzerland	18.66 %
Slovakia	14.04 %
Czechia	12.84 %
Germany	4.44 %
Italy	1.20 %
Total	100.00 %

Storage capacity of underground gas storage facility operators

Underground gas storage facility operator	Technical operating volume (in mil.m³/year)					Technical injection capacity (in mil.m³/year)					Technical extraction capacity (in mil.m³/year)				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
NAFTA a.s.	3,357	3,357	2,999	3,008	2,708	31.87	31.87	31.87	31.87	31.87	39.51	39.51	39.51	39.51	39.51
POZAGAS a.s.	655	655	655	655	658	6.85	6.85	6.85	6.85	6.85	6.85	6.85	6.85	6.85	6.85
Total	4,012	4,012	3,654	3,663	3,366	38.72	38.72	38.72	38.72	38.72	46.36	46.36	46.36	46.36	46.36

The operator of the underground storage facility POZAGAS a.s. accepted 324 requests for storage access and concluded 72 contracts with fixed storage capacity and no contracts with interruptible storage capacity with storage users. Other applications were rejected due to a better price offered to other bidders for gas storage and due to failure to reach the minimum price.

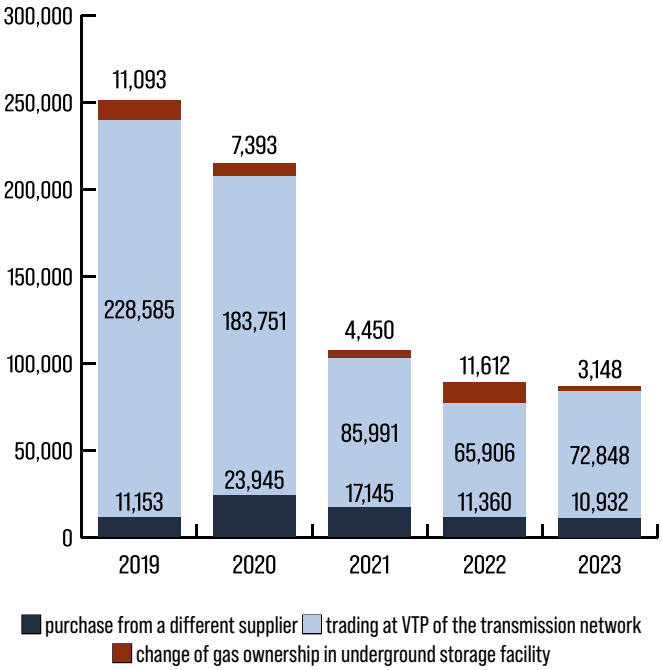
Wholesale gas market

Through the wholesale market, gas suppliers purchase gas to ensure gas supplies to customers based on long-term contracts and on commodity exchanges.

The Office monitors the wholesale gas market on a daily basis, records data on gas prices at two trading hubs and several monthly and annual „futures“ products, i.e. gas prices with physical delivery only in the future. In this context, the Office evaluates the mentioned gas prices, for internal purposes it creates predictions of further development, but also regularly publishes the development of wholesale gas prices.

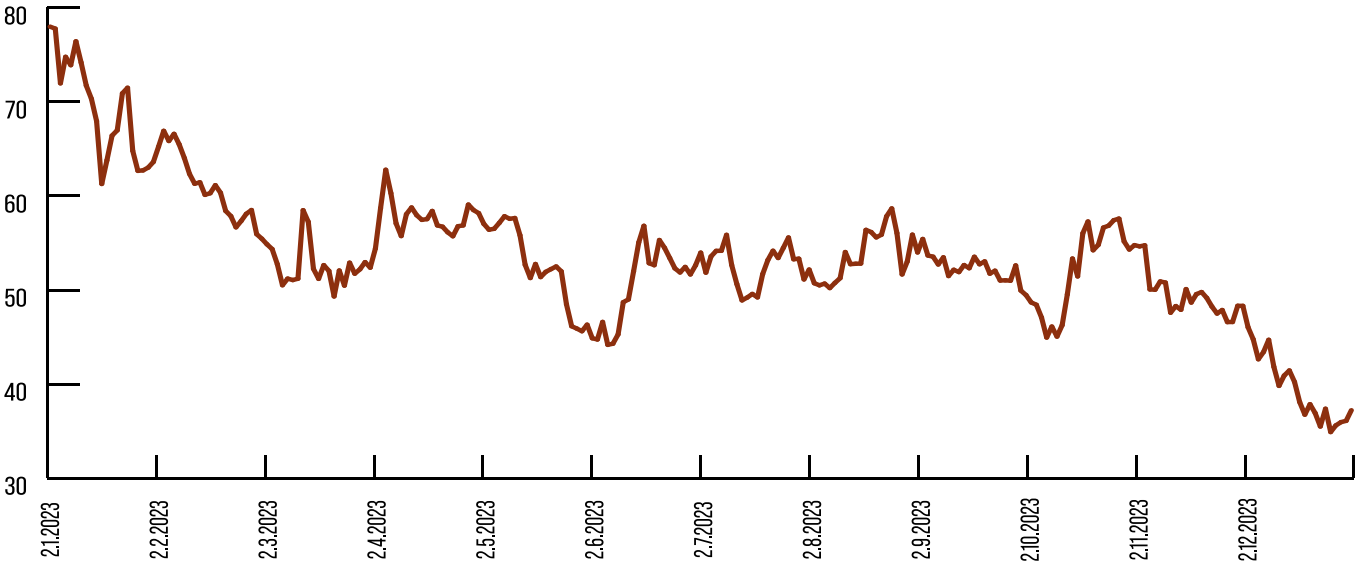
In order to ensure the supply of gas to the collection points of their contracted gas customers, gas suppliers also purchased gas from traders–other gas suppliers (in 2023 in the volume of 10,932 GWh, which is about 4% less than in 2022). Another option for buying gas is trading at the virtual trading point of the transmission network (VTP)–in 2023, in the volume of 72,848 GWh, which is about 10% more than in 2022. It is also possible to buy gas by trading, or by the change of ownership of stored gas in storage facilities, where the gas changed an owner in a total volume of 3,148 GWh.

Development of some wholesale gas indicators (in GWh)



As with the market prices of electricity, the development of the market price of gas, which is decisive for the calculation of the price for the supply of gas to vulnerable customers, was recorded as a decrease throughout the year 2023. The average price of the product EEX THE NATURAL GAS FUTURES Cal-t in 2023 compared to 2022 decreased by approximately 55%.

Development of gas price of the product EEX THE NATURAL GAS FUTURE Cal-24 in stock exchange EEX for the period of: 01/2023 to 12/2023; average price: 53,59 €/MWh



In 2023, the Office published the development of gas prices on commodity exchanges, thereby providing customers with a better orientation in commodity prices by indicating the current prices on the markets at monthly intervals. Thus, the gas customer has the opportunity to more easily navigate the offer of gas suppliers and assess price offers.

Retail gas market

The Office monitors the retail gas market, the degree of openness of the gas market and the level of transparency of the gas market, evaluates the achieved level of competition on the gas market and the prerequisites for extraordinary regulation, and develops recommendations for improving competitive conditions on the gas market.

In addition to implementing legal regulations regarding price regulation, the Office in accordance with Act No. 250/2012 Z.z. issued Decree No. 208/2023 Z.z., which establishes the rules for the functioning of the internal gas market, the content requirements of the network operator's and storage operator's operating rules and the scope of business conditions that are part of the network operator's operating rules (market rules). In particular, the decree establishes details of the rights and obligations of gas market participants and their mutual relationship, specifies the conditions for the functioning of the liberalized gas market in the Slovak Republic in both regulated and unregulated environments. The primary reason for drafting this decree is to take into account the changes that resulted from the amendment of Act No. 250/2012 Z.z. and Act No. 251/2012 Z.z., which entered into force on 1 October 2022.

The decree partly replaced the Decree of the Regulatory Office for Network Industries No. 24/2013 Z.z., establishing the rules for the functioning of the internal electricity market and the rules for the functioning of the internal gas market, as amended.

Gas supply to vulnerable customers

For the 6th regulatory period, which began on 01.01.2023, the Office issued new price decisions in the area of gas supply to vulnerable gas consumers, as the original price decisions lost their validity with the end of the 5th regulatory period. In December 2022, the Office issued Decree No. 450/2022 Z.z., which establishes price regulation of gas supply, according to this legal regulation, the price regulation of gas supply for vulnerable gas customers for the year 2023 was implemented. The decree took into account the amendments to the primary regulation from 2022, which responded to the energy crisis, but also knowledge and experience gained from the implementation of price regulation of gas supply during the previous regulatory period. In the decree, the Office also adjusted some economic parameters for the calculation of maximum prices for gas supply with the aim of mitigating the disproportionate increase in wholesale gas prices during this period, but the most important parameter entering into the price calculation was the reference price of gas on the EEX commodity exchange, specifically the product EEX THE NATURAL GAS FUTURES Cal- t, whose average value for the specified reference period significantly affects the calculation of the maximum price for gas supply.

Despite the fact that the reference price of gas gradually decreased in 2023 compared to 2022, the calculation

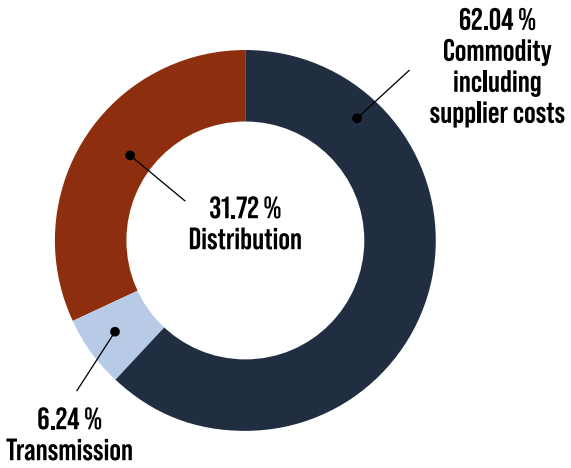
Development of maximum prices for gas supply to households without VAT, including network fees, according to average consumption in individual tariff groups for vulnerable household gas customers (in 2023, the rate is stated according to the regulatory framework, as well as after the application of state measures in the general economic interest - GEI)

Tariffs (according to the annual quantity of supplied gas in kWh)	Fixed monthly rate (€/month)					Rate for consumed gas (€/kWh)					
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023 without GEI	2023 with GEI
1 (up to 2 138 kWh)	2.78	2.78	2.78	2.88	3.55	0.0453	0.0453	0.0436	0.0534	0.1412	0.0641
2 (more than 2 138 up to 18 173 kWh)	5.76	5.76	5.76	5.86	6.97	0.0333	0.0333	0.0300	0.0373	0.1208	0.0433
3 (more than 18 173 up to 42 760 kWh)	8.64	8.64	8.64	8.74	10.29	0.0332	0.0332	0.0297	0.0364	0.1195	0.0422
4 (more than 42 760 up to 69 485 kWh)	13.36	13.36	13.36	13.46	15.71	0.0320	0.0320	0.0280	0.0346	0.1176	0.0401
5 (more than 69 485 up to 85 000 kWh)	42.45	42.45	42.45	42.55	49.17	0.0420	0.0420	0.0387	0.0424	0.1229	0.0492
6 (more than 85 000 up to 100 000 kWh)	51.78	51.78	51.78	51.88	59.90	0.0419	0.0419	0.0386	0.0422	0.1227	0.0490

of the maximum prices for gas supply for 2023 included the still high price of gas during the height of the energy crisis for the period from 01.10.2021 to 30.09.2022, where the average price for the mentioned period was up to the level of more than €93/MWh.

Compared to the average daily gas prices for the period from 01.10.2020 to 30.09.2021, which was €21.56/MWh, this was an increase in the stock exchange price of gas by 334%, which resulted in an enormous increase in the maximum regulated prices for delivery of gas to vulnerable household gas consumers for 2023.

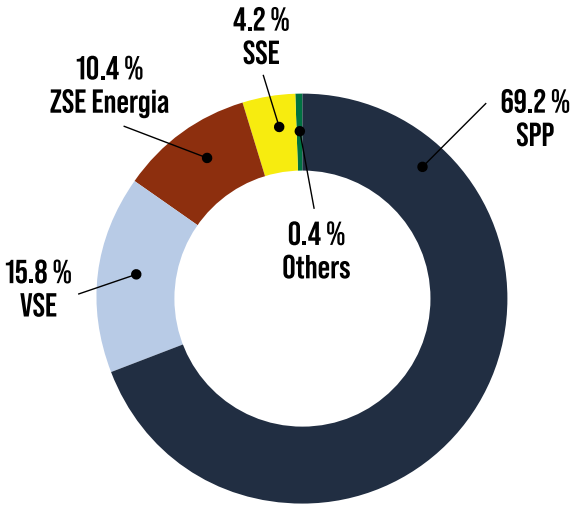
Structure of the average final price for gas supply to households



On its website, the Office offers the possibility to compare the offers of different suppliers in a simple way, by means of a price calculator. The price calculator is used to calculate the convenience of gas supply for vulnerable customers in the household. The Office periodically updates it in accordance with issued price decisions with prices for gas supply to vulnerable gas customers for individual gas suppliers. Another important tool for household gas customers, which helps customers orientate themselves when choosing their potential gas supplier, is the regular publication of an updated list of gas suppliers providing a universal service who are active in the gas market.

Market shares of gas suppliers in different segments of the gas market in the SR

Gas suppliers to household gas consumers and their market shares



Gas suppliers to industrial customers, except for supply to small businesses

	% ratio
Slovenský plynárenský priemysel, a.s.	61.6 %
MET Slovakia, a.s.	13.3 %
MVM CEEnergy Slovakia s.r.o.	5.4 %
Východoslovenská energetika a.s.	4.2 %
VeCom SK, a.s.	3.8 %
ELGAS, k.s.	3.1 %
ZSE Energia, a.s.	2.3 %
MAGNA ENERGIA, a.s.	1.7 %
Stredoslovenská energetika a.s.	1.6 %
others	3.0 %
Total	100.00 %

Market shares of gas suppliers in the supply of gas to all categories of customers

	% ratio
Slovenský plynárenský priemysel, a.s.	64.2 %
MET Slovakia, a.s.	9.0 %
Východoslovenská energetika a.s.	7.9 %
ZSE Energia, a.s.	4.8 %
MVM CEEnergy Slovakia s.r.o.	3.6 %
VeCom SK, a.s.	2.6 %
Stredoslovenská energetika a.s.	2.4 %
ELGAS, k.s.	2.1 %
MAGNA ENERGIA, a.s.	1.3 %
others	2.1 %
Total	100.00 %

Vulnerable gas customers defined in Act No. 250/2012 Z.z. and Act No. 251/2012 Z.z.. In addition to household gas customers, vulnerable gas customers also include the so-called small businesses (non-household gas customers with annual gas consumption of no more than 100,000 kWh for the previous year) according to § (2)(k)(4) of Act No. 250/2012 Z.z. Furthermore, they are vulnerable consumers of gas according to § 2(k)(6 and 7) of Act No. 250/2012 Z.z. such as facilities for social services, facilities for the social and legal protection of children and social guardianship, owners of flats and non-residential premises in an apartment building taking gas for the production of heat and heating domestic hot water, legally represented by a natural person or a legal entity managing a common heat source supplying apartment building with heat and domestic hot water, as well as for gas consumers using gas for the operation of an apartment building with rental apartments owned by a municipality or a higher territorial unit, which are intended for social housing or for the operation of an apartment building with rental apartments within the state-supported rental housing.

Market shares of gas suppliers in the supply of so-called gas small business (vulnerable gas customer according to § 2(k)(4) of Act No. 250/2012 Z.z.) to non-household gas customers with gas consumption for the previous year of less than 100,000 kWh

	% ratio
Slovenský plynárenský priemysel, a.s.	73.5 %
Východoslovenská energetika a.s.	17.8 %
Stredoslovenská energetika a.s.	4.2 %
ZSE Energia, a.s.	2.8 %
LAMA energy a. s. – organizačná zložka	0.8 %
others	0.9 %
Total	100.00 %

Market shares of gas suppliers in the supply of gas to vulnerable gas customers according to § 2(k)(6 and 7) of Act No. 250/2012 Z. z.

	% ratio
Slovenský plynárenský priemysel, a.s.	75.5 %
Východoslovenská energetika a.s.	7.3 %
MAGNA ENERGIA, a.s.	5.8 %
ZSE Energia, a.s.	5.8 %
MVM CEEnergy Slovakia s.r.o.	2.1 %
Stredoslovenská energetika a.s.	1.0 %
Energie2, a.s.	0.6 %
EP ENERGY TRADING, a.s.	0.6 %
others	1.3 %
Total	100.00 %

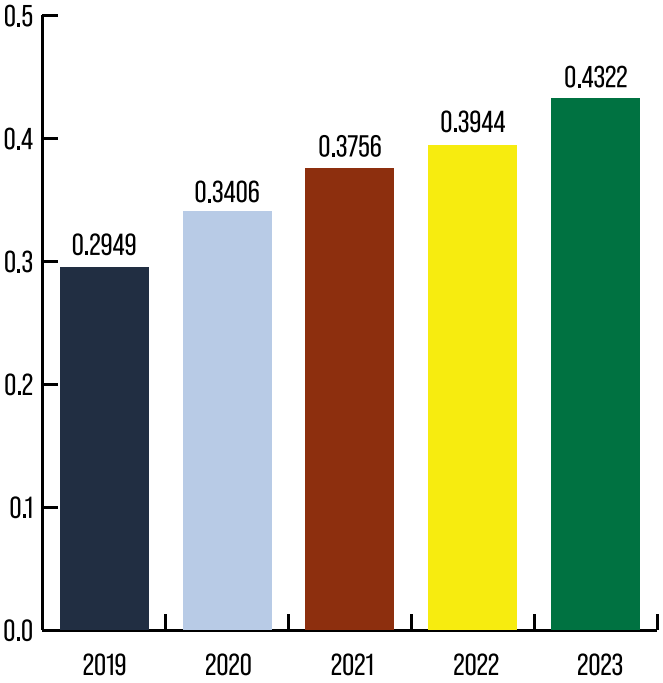
Last resort supply

Based on the Office‘s decision, the supplier of last resort in 2023 was the gas supplier Slovenský plynárenský priemysel, a.s., with the largest market share in all segments of the gas market. In the monitored year, the Office did not register any collection point in the mode of the last resort supply.

Herfindahl – Hirschman Index (HHI)

The purpose of the HHI is to assess the concentration of regulated entities (gas suppliers) in a competitive environment. The Office assessed the position of gas suppliers operating on the gas supply market for all segments of gas customers. Basically, the market is concentrated if the HHI is more than 0.1, and highly concentrated if the value exceeds 0.2. The HHI for the supply of gas to all gas consumers in 2023 reached a value of 0.4322, indicating a continued high level of concentration in the gas market.

HHI Index development



Gas supplier switching

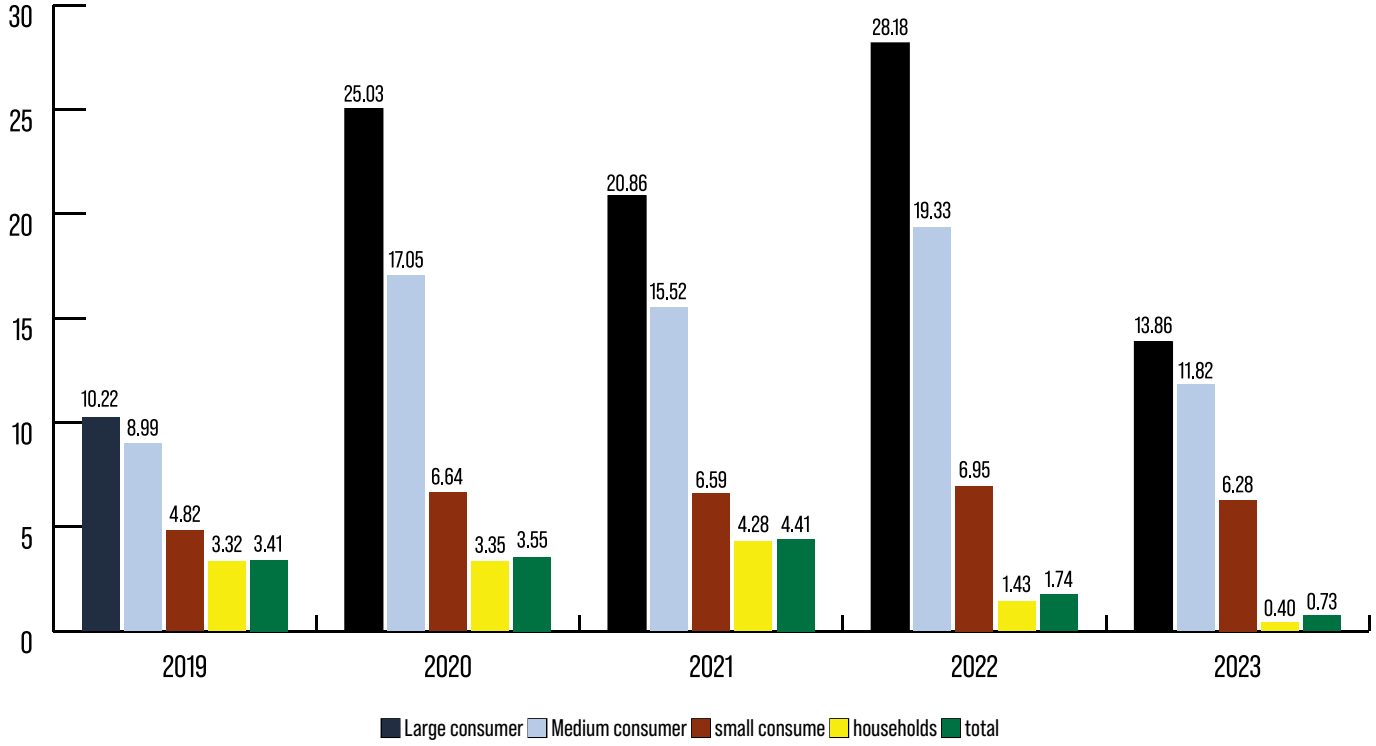
The level of liberalization of the gas market is reported annually through a coefficient expressed as a percentage, the so-called switching. This expresses the ratio of the number of collection points with a change of gas supplier to the total number of collection points on the gas market in the SR.

In the year-on-year comparison of 2023 and 2022, the Office records a decrease in the number of collection points who switched their gas supplier in all categories of gas customers. There are several reasons for the year-on-year decrease in the number of collection points who switched their gas supplier. The least willingness to switch a gas supplier can be observed among household gas customers, as there are approximately 600,000 household gas customers on the gas market who use gas only for cooking with an average annual gas consumption of less than 2.1 MWh. Customers with minimal gas consumption will not significantly improve financially by switching a supplier. The decreasing level of switching is also caused by the legislative barrier for effective gas supplier switching in Act No. 251/2012 Z.z., with only one specified date when a vulnerable customer can terminate a gas supply contract and change the supplier or move to an unregulated segment of the gas market, which significantly limits gas customers.

Switching

Cathegories of collection points of consumers	Number of gas customers who switched their gas supplier					switching (%)				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Large consumer	90	179	145	204	94	10.22	25.03	20.86	28.18	13.86
Medium consumer	284	478	415	535	321	8.99	17.05	15.52	19.33	11.82
Small consumer	3,687	5,093	5,151	5,251	4,843	4.82	6.64	6.59	6.95	6.28
Households	48,000	48,481	67,067	20,738	5,826	3.32	3.35	4.28	1.43	0.40
Total	52,061	54,231	72,778	26,728	11,084	3.41	3.55	4.41	1.74	0.73

Switching rate (%) in 2019 - 2023



03.

THERMAL ENERGY INDUSTRY

Thermal energy market description

The thermal energy market in the Slovak Republic is mainly influenced by the nature of the heat equipment systems. As of 31.12.2023, 326 license holders for the production, distribution and supply of heat had a license to do business in the thermal energy sector. The conditions of doing business in thermal energy are regulated in Act No. 657/2004 Z.z. Any entity, after fulfilling all legislative conditions, can obtain a license to do business in the thermal energy industry, provided that other legislative rules are observed. In the area of price regulation, it is primarily Act No. 250/2012 Z.z. and from the point of view of requirements for increasing energy efficiency and reducing energy intensity, also Act No. 321/2014 Z.z. on energy efficiency and on the amendment of certain laws as amended.

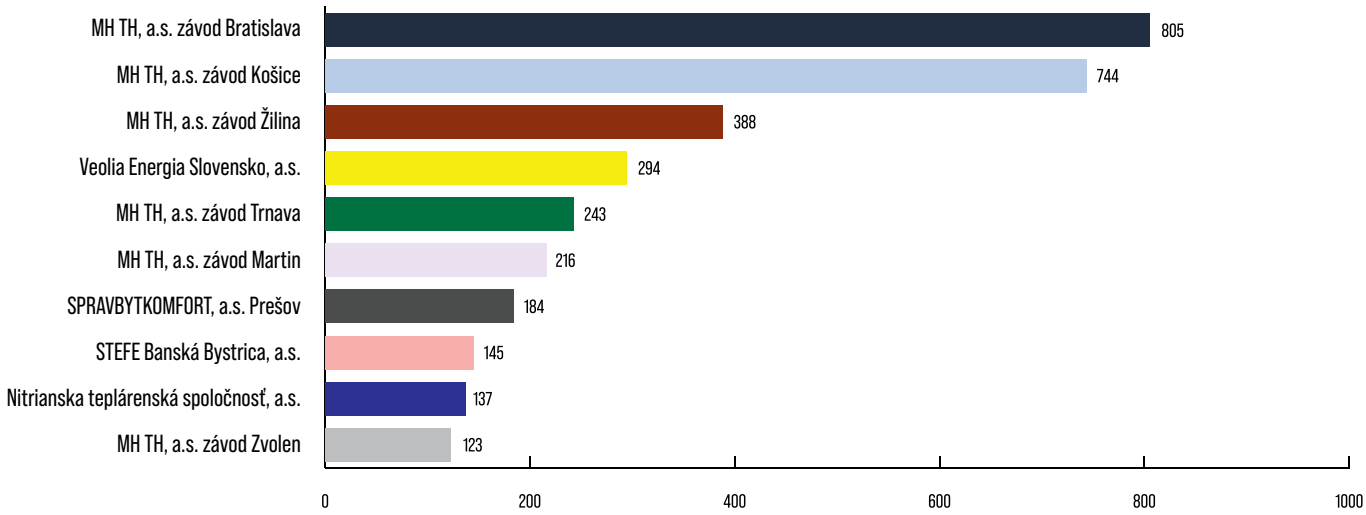
The price regulation itself is regulated by Decree No. 312/2022 Z.z., which establishes price regulation in thermal energy as amended. Despite the liberalized rules for the entry of legal entities and natural persons into the heat market, it cannot be assumed that the heat market will be liberalized, i.e. that heat traders will enter the market. It is necessary to have an ownership or other legal relationship with the thermal equipment systems. There are no plans to change these conditions in the near future either. The systems of heating devices and the heat prices derived from them have a local character, they strictly respect this individuality, and therefore the status of a heat trader would not bring competition and a reduction in prices on the market, but on the contrary, an increase in the final price of heat by the trader's costs.

The number of entities operating in the thermal energy industry is therefore limited by the number and scope of centralized heat supply systems, and their number is stable from year to year. In the recent period, the number of heat suppliers who obtained a business license on the basis of proof of ownership of domestic boiler rooms, or by other decentralized heat sources intended for heating, common preparation of hot water or other use exclusively for the heat consumption object in which they are located, while we point out that the ownership of such heat sources by a person other than apartment owners is in direct conflict with Act No. 182/1993 Z.z. on the ownership of apartments and non-residential premises as amended.

Range of entities doing business in the thermal energy sector

Year	2019	2020	2021	2022	2023
Number of heat suppliers	351	348	343	333	326
Number of suppliers who terminated production, distribution and supply of heat	7	8	8	18	14
Number of suppliers who started producing, distributing and supplying heat	13	11	4	8	7

Crucial heat suppliers in 2023



Structure of thermal equipment systems

The systems of thermal equipment from which the supply of heat is ensured were built and developed in the past together with the intensive development of urban agglomerations, mainly residential and communal construction and civic amenities until 1990. Their character is very diverse in terms of the scope of the systems, the technology used, fuel mix and, last but not least, the age of operation. The largest systems of thermal equipment consist of one or more heat sources, usually heating plants with the technology of combined production of electricity and heat, primary distributions, heat transfer stations, secondary distributions, or object heat transfer stations. In these systems, the supply of heat is usually ensured by several suppliers from production to final consumption. In Slovakia, we register such large systems in 42 cities. On other systems of thermal equipment, which mainly consist of heating, block and domestic boiler rooms, only one supplier carries out the production or distribution of heat.

Systems of thermal equipment according to the number of suppliers in 2023

	Number
Producers being suppliers at the same time	684
Suppliers being a producer and/or first distributor in the system	54
Suppliers being a producer and/or second distributor in the system	17
Suppliers being a producer and/or third distributor in the system	4
Suppliers being a producer and/or first and second distributor in the system	2

Heat supply

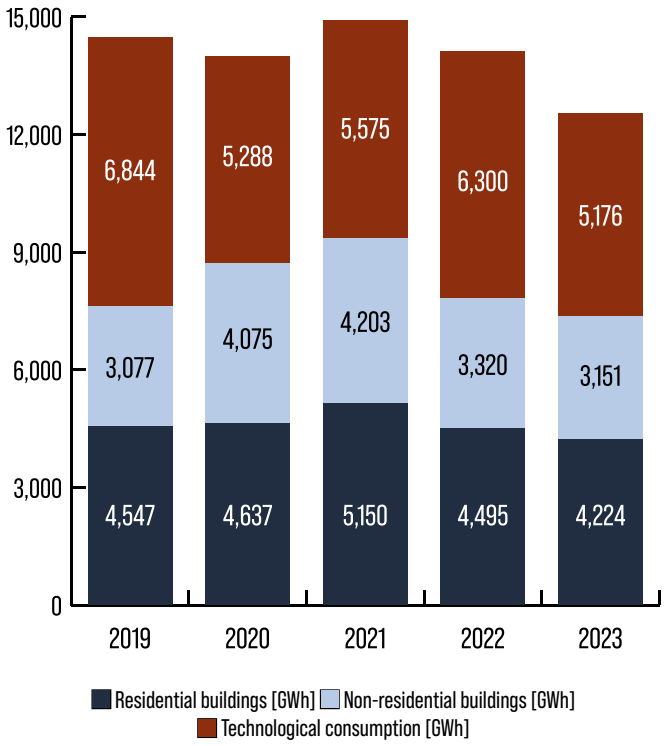
Central heat supply systems are built not only in larger cities but also in several villages, because it is an energy efficient, effective and environmentally friendly way of providing heat in densely populated localities. Such a method of heat supply accelerates the use of renewable energy sources in the production of heat and the use of combined production of electricity and heat. Heat from these systems is delivered to approximately 11,600 end customers to more than 29,000 take-off points for end-use by customers who use the heat for their own use and by end-customers who bill the delivered heat to end-consumers, especially households. The decisive supplier of heat for households is the state joint-stock company MH Teplárenský holding, a. s., with its factories in Bratislava, Košice, Trnava, Žilina, Martina and Zvolen. Delivery from individual plants ranges from 120 GWh to 800 GWh per year. There are also heat producers in the Slovak Republic with a larger volume of production, but their supply to households is minimal.

Heat supply

Year	Number of day-degrees	Supply for residential buildings [GWh]			Supply for non-residential buildings [GWh]	Supply for technological consumption [GWh]	Supply in total [GWh]	Own consumption [GWh]
		Central heating	Domestic hot water	Total				
2019	3,329	2,978	1,569	4,547	3,077	6,844	14,468	214
2020	3,386	3,016	1,621	4,637	4,075	5,288	14,000	256
2021	3,774	3,459	1,691	5,150	4,203	5,575	14,928	273
2022	3,456	2,939	1,556	4,495	3,320	6,300	14,115	284
2023	3,213	2,705	1,519	4,224	3,151	5,176	12,551	250

The total supply of heat in the monitored year amounted to 12,551 GWh, which is 11.1% less than in 2022. The total supply of heat includes supply for heating and preparation of domestic hot water for residential and non-residential buildings and supply for technological consumption. The suppliers' own consumption is an informative figure and is not included in the total. Out of the total heat supply in 2023, 34% was used for heating and preparation of domestic hot water in residential buildings, 25% in non-residential buildings and 41% for technological purposes. The average number of daily degrees in 2023 was 3,213, which is 7% less than in 2022 with an average number of daily degrees of 3,456. In the monitored year, the share of heat supply for heating and preparation of domestic hot water in residential buildings decreased by 6.0% and in non-residential buildings by 5.1%, which was also influenced by the warmer year 2023. The year-on-year decrease in heat supply for technological consumption, which the development of the weather itself has a minimal impact, it was 17.8%. The supply of heat for all monitored segments was significantly affected by the extreme increase in commodity prices on short-term markets in 2022, which caused a multiple increase in heat prices in 2023. The provision of state subsidies decided by the government also had an effect on the supply of heat to consumers in residential buildings regulation. The effort to reduce the adverse economic effects of high energy prices on life and business led to the limitation of heat consumption by most customers.

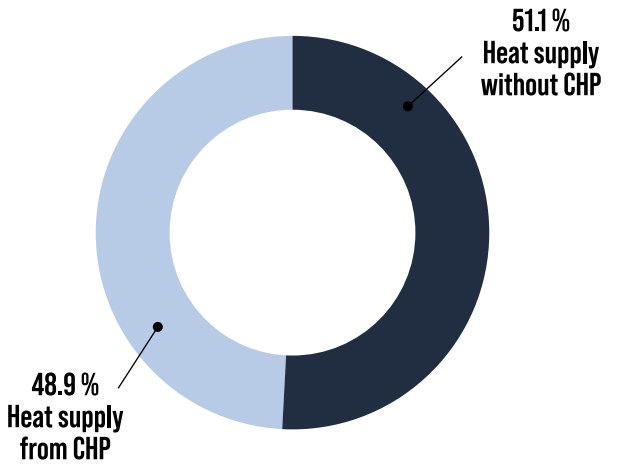
Heat supply



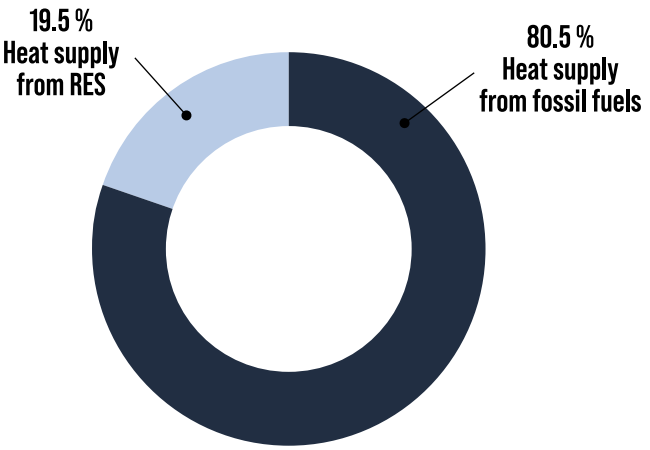
Supply of heat from RES and CHP

In 2023, 48.9% of heat was produced in heating systems with the technology of combined production of electricity and heat. The rest of the regulated heat was produced without the combined production of electricity and heat in the so-called mono production. Compared to 2022, the share of RES in the total heat supply increased slightly to 19.5% of the total heat supply. RES were used in both of the above-mentioned technologies.

Share of heat supply from CHP



Share of heat supply from RES

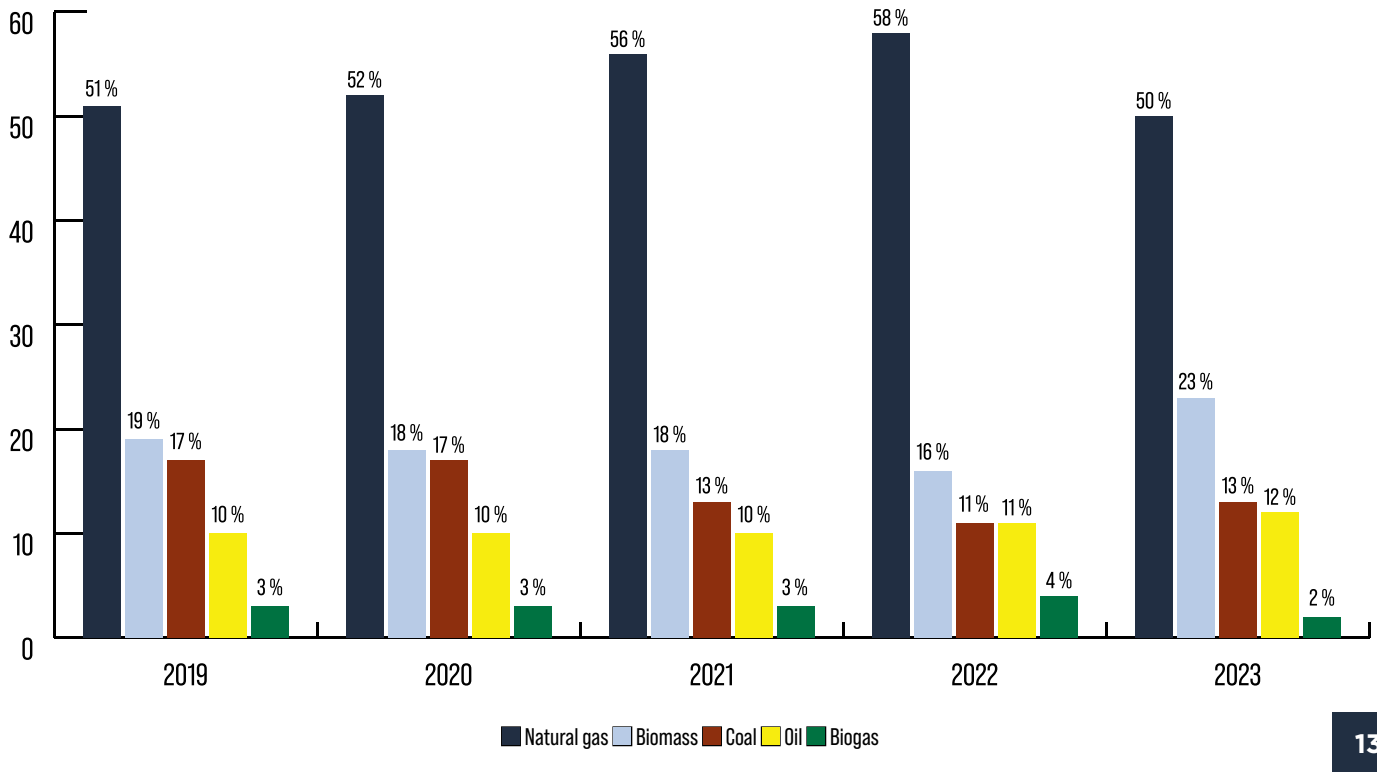


Share of fuels in heat production

Year	Natural gas [GWh]	Biomass [thous.t]	Coal [thous.t]	Biogas [GWh]	Oil [thous.t]
2019	8,597	1,062	595	326	127
2020	8,582	1,020	554	347	127
2021	8,865	1,009	411	337	127
2022	9,338	927	335	503	127
2023	8,333	1,236	368	299	152

The representation of individual types of fuel in heat production is without major deviations in the evaluated period. Year-on-year changes in the consumption of individual types of fuel in the years 2019–2022 are mainly related to changes in the total supply of heat in individual years. In 2023, compared to 2022, we see a decrease in natural gas consumption by 1,005 GWh, which represents approx. 11%, mainly due to its high price. Despite this, natural gas remained the most represented fuel in the production and supply of heat in 2023. On the contrary, the consumption of biomass increased by 309,000 tons, i.e. j. 33% and coal consumption by 33,000 tons, i.e. j. 10%. The

Share of fuels on heat production



price of these fuels also increased unusually in 2023, but per unit it was more favorable for the price of heat than the price of natural gas. This fact was mainly used by heat producers for large systems of thermal equipment that have a multi-fuel base, allowing to vary the amount of specific fuel used for heat production to a certain extent. Other types of fuel are without significant changes.

Prices of fuels and emission allowances

The prices of fuels entering the heat price for 2023 contracted mainly in 2022, while during 2022 they recorded a significant increase.

In the case of natural gas, the price of the commodity with delivery in 2023 from the beginning of January 2022 to the end of August 2022 increased from the level of €45.74/MWh to €314.43/MWh, i.e. j. an increase of 587.43%. Subsequently, in the period from the beginning of September 2022 to the end of December 2022, natural gas prices gradually decreased to the level of €88.72/MWh. The arithmetic average of the daily closing prices of natural gas (product EEX THE NATURAL GAS FUTURES: Cal-23) published by the EEX exchange for the calendar year 2022 was at the level of €118.78/MWh. On 19 September 2022, new Decree No. 312/2022 Z.z., which establishes price regulation in the thermal energy industry, within which the method of determining the maximum amount of the price for the rate of the amount of natural gas taken was changed. The new method of calculating the maximum price for the rate of natural gas taken is based on the product of the coefficient 1.15 and the arithmetic average of the daily closing prices of natural gas (product EEX THE NATURAL GAS FUTURES: Cal-t) published by the EEX exchange for the calendar month in which performed or agreed upon the purchase of natural gas on the basis of the contract.

Average market and regulated fuel prices

Fuel	Price	2019	2020	2021	2022	2023
Natural gas €/MWh (§ 4 par. 4 of Decree No. 312/2022 Z. z.)	EEX THE NATURAL GAS FUTURES: Cal-t (arithm. average for a calendar year)	20.94	18.77	13.85	34.12	118.78
	Maximum amount in heat prices	27.34	23.00	15.90	41.49	* 135.41
Emmission allowances in €/t (§ 4 par.1(d) of Decree No. 312/2022 Z. z.)	EEX EUA SPOT: Spot t (arithm. average for a calendar yea)	24.85	24.73	53.52	80.82	83.47
	Maximum amount in heat prices	average daily prices per cal. month at the time of purchase				
Black coal in €/MWh	Market	14.33	15.07	14.10	15.47	52.08
	Maximum amount in heat prices	17.00				-
Brown coal in €/MWh	Market	18.61	17.87	17.35	19.53	36.51
	Maximum amount in heat prices	20.00				-
Pellets in €/MWh	Market	33.00	34.54	33.68	34.41	110.15
	Maximum amount in heat prices	38.00				-
Dendromass in €/MWh	Market	19.27	18.57	18.59	19.03	44.45
	Maximum amount in heat prices	19.00				-
Agriculture biomass in €/MWh	Market	22.29	22.93	22.96	22.81	28.48
	Maximum amount in heat prices	23.00				-
Landfill gas and gas from sewage treatment in €/MWh	Market	21.35	22.00	22.00	22.00	31.50
	Maximum amount in heat prices	22.00				-
Biogas in €/MWh	Market	26.11	29.67	28.54	28.80	55.79
	Maximum amount in heat prices	35.00				-

* Arithmetic average of the maximum natural gas prices (§ 4 par. 4 of Decree No. 312/2022 Z.z.) established for each calendar month of 2022.

For the 12 calendar months of 2022, the maximum natural gas prices determined in this way for determining the heat price for 2023 ranged from €55.28/MWh to €245.71/MWh, while their arithmetic average was at the level of €135.41/ MWh. In these intervals, the price of natural gas (commodity) fluctuated in the proposals for the price of heat for those regulated entities that concluded the contract during the year 2022. The prices of emission allowances did not show any significant changes during the monitored year. The arithmetic average of the daily closing prices of emission allowances (product EEX EUA SPOT: Spot 2021-2030) published by the EEX exchange for the calendar year 2023 reached a value of €83.47/t, which compared to the value of €80.82/t from 2022 means an increase of 3. 28%.

The prices of other fuels included in the heat price for 2023 were not, unlike previous years, limited by their maximum amount.

Purpose of use of investments

	2019	2020	2021	2022	2023
Heat production facilities [thous.€]	20,241	12,963	55,997	3,562	35,324
Heat distribution facilities [thous.€]	12,035	9,255	8,318	13,029	8,045
Ecologization [thous.€]	10,120	120	0	0	0
RES construction [thous.€]	265	0	0	590	0
Cost of the planned overhaul [thous.€]	-	-	-	-	433
Total [thous.€]	42,661	22,338	64,315	17,181	43,802

The volume of investments that heat suppliers applied in the price of heat for 2023 by using the investment development factor for the modernization, reconstruction and construction of new heating equipment, with the aim of increasing the energy efficiency of heating equipment or reducing operating costs in heat production or heat distribution, is approximately 43, 4 million EUR, which is an increase of 152% compared to 2022. The increase in investments, primarily in heat production equipment, can be attributed to the efforts of regulated entities to achieve in accordance with Act No. 657/2004 Z.z. gradually until 31.12.2025 the concept of the so-called effective cnetral heat supply, or the concept of efficient cnetral heat supply from RES.

Investment costs also include the costs of regular comprehensive restoration of the projected functionality of CHP facilities or facilities for the use of geothermal energy.

Specially monitored and registered investments are only those that cannot be realized by heat producers and suppliers without increasing the maximum limit of economically justified costs.

Scope and method of regulation

The year 2023 was the first year of the sixth regulatory period, which ends in 2027. The regulation of heat prices this year was carried out in accordance with the Office‘s Decree dated 09.08.2022 No. 312/2022 Z.z., which establishes price regulation in thermal energy. Compared to the previous regulatory period, this decree did not change the scope, method or basic principles of regulation. The production, distribution and supply of heat were subject to price regulation in 2023, just as in the past. The prices were set using the specified method of calculating the maximum price of heat, which is based on the cost method using some elements of the price cap method.

The Decree primarily reflected on the adopted Regulatory Policy for the 6th regulatory period, the current dynamically changing situation on world and domestic markets in the area of prices and availability of all energy commodities, high inflation and on practical experience in the previous period. In principle, the changes in the provisions of the new decree did not have a fundamental impact on the scope and amount of economically justified costs that could be applied to the price of heat.

Basic principles of price regulation:

- determination of the two-component price of heat, which ensures an even coverage of financial resources for the production and distribution of heat,
- determination of optimal economically justified costs and reasonable profit in order to ensure efficient, reliable and safe supply of heat,
- determination of binding values of energy efficiency of energy conversion for heat production and heat distribution equipment, thereby excluding the costs of uneconomical heat production and distribution from the price of heat,
- regulation of the maximum price of natural gas as the dominant fuel for heat production with the aim of optimizing economically justified variable costs,
- motivating regulated entities to increase the energy efficiency of heat production and distribu-

tion through regulatory measures,

- support for the use of RES for heat production, especially in central heat supply systems,
- ensuring an objective settlement of the costs incurred in the production and distribution of heat for end customers by settling the costs in the determined price of heat against the actual costs after the end of each calendar year and the mandatory redistribution of fixed costs according to the actual delivered heat in the year.

Monitoring of heat prices

According to Act No. 250/2012 Z.z., price decisions issued for the year 2023 are valid for the entire regulatory period, which ends on 31 December 2027, unless the Office approves a change in the price decision at the proposal of a regulated entity or on its own initiative. The Office issued a total of 428 decisions on heat prices for the year 2023, by which it approved a total of 775 heat prices. The number of decisions for the new regulatory period was 337 for 674 price locations and 13 price decisions for new suppliers and new locations, which approved 14 prices. On its own initiative and based on the requests of regulated entities, the Office issued another 78 decisions for 2023, approving price changes in 87 locations. The changes in the price of heat for 2023 were mainly due to changes in the economic parameters that were used when approving the previous price. Decisions initiated by the Office's own initiative responded to the drop in natural gas prices on short-term markets during the year 2023 and, in the case of several heat producers, significantly reduced the variable component of the heat price in 31 price locations already during the year 2023.

Price decisions

Year	Numbers of price decisions	decisions	prices
2019	Number of new decisions issued for new suppliers or new locations	20	21
	Number of modified decisions	211	301
2020	Number of new decisions issued for new suppliers or new locations	33	58
	Number of modified decisions	89	156
2021	Number of new decisions issued for new suppliers or new locations	15	15
	Number of modified decisions	115	145
	Number of decisions to extend reg. period	207	-
2022	Number of new decisions issued for new suppliers or new locations	13	14
	Number of modified decisions	372	544
2023	Number of new decisions issued for regulatory period 2023 - 2027	337	674
	Number of modified decisions	78	87
	Number of new decisions issued for new suppliers or new locations	13	14

Heat prices

Average heat prices					
YEAR	2019	2020	2021	2022	2023
Variable component in €/kWh	0.0396	0.0402	0.0402	0.0569	0.1308
Fixed price component in €/kW	182.67	182.75	187.77	192.46	209.40
Resulting price in €/kWh	0.0712	0.0732	0.0753	0.0941	0.1699

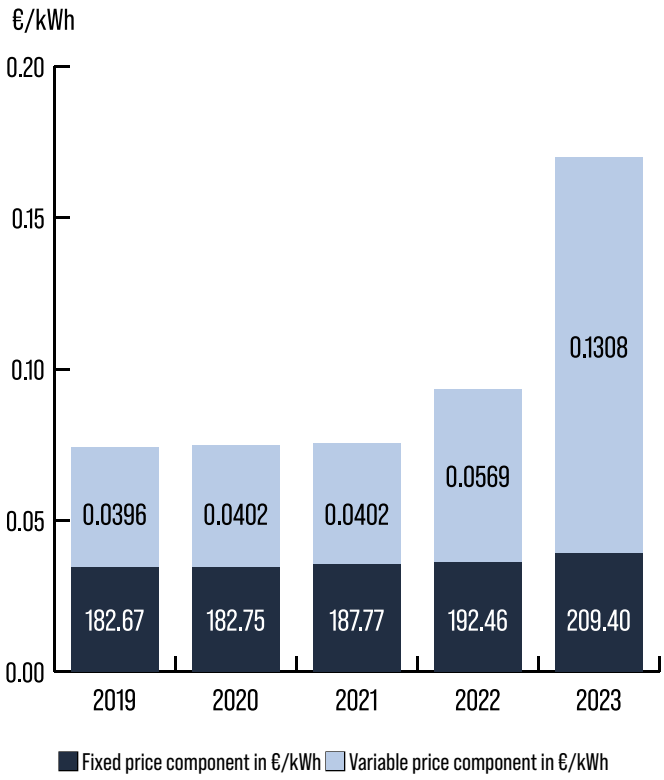
Year-on-year increase in heat prices

Year-on-year change in average heat prices				
YEAR	2020/2019	2021/2020	2022/2021	2023/2022
Variable component in €/kWh	1.6 %	-0.1 %	41.5 %	129.9 %
Fixed price component in €/kW	0.0 %	2.7 %	2.5 %	8.8 %
Resulting price in €/kWh	2.9 %	2.9 %	24.9 %	80.6 %

The Office approves a two-component heat price for each supplier as a common price from all systems of heat equipment from which it supplies heat within the city or district.

The average variable component of the heat price determined by the Office's decisions at the end of 2023 was €0.1308/kWh, which is an increase compared to 2022 by 129.9%. Heat producers usually buy fuels for heat production a year in advance, therefore the development of prices of energy commodities on world markets and domestic markets in 2022 had an extreme impact on the amount of the resulting heat prices in 2023. Commodity prices on world markets (natural gas, electricity) have been rising continuously since the middle of 2021 and reached their highest values in August and September 2022. The prices of other fuels used for heat production grew no less dramatically, as they mainly reacted to the increase in natural gas prices. Not only the price of energy on the short-term markets, but also their imminent shortage, especially when using biomass, caused in many cases the cancellation of existing contracts for its purchase and their problematic replacement at much higher prices. In the production of heat from biomass, due to the high prices of gasoline and diesel, the costs of its transportation have also increased significantly. The variable component of the heat price was also negatively affected by the amount of fees for emission quotas. Although their year-on-year growth compared to 2022 was only 3.3%, the average value in 2023 reached a still high level–more than triple compared to 2019 and 2020. The pan-European crisis in the area of energy prices in 2022 with an overlap into 2023 had a fundamental impact on the extreme increase in the variable component of the heat price and subsequently also the resulting heat price in the monitored year.

Average heat price



The average fixed component of the heat price, which is determined in €/kW of regulatory input, increased for 2023 compared to 2022 from €192.46/kW to €209.40/kW, i.e. by 8.8%. The increase in the fixed component of the heat price was dominantly influenced primarily by the high rate of inflation, which regulated entities could take into account when increasing the maximum authorized volume of fixed costs. In addition to the impact of inflation, the volume of fixed costs can only be increased in specific cases, namely in the case of investments in the greening of equipment and in the efficiency of heat production and distribution, or due to the general repair of equipment for the combined production of electricity and heat or equipment for the use of geothermal energy. The option of increasing fixed costs in 2023 above inflation due to new investments was exercised by 35 suppliers with a total amount of 43.4 million EUR and due to the general repair, four suppliers with the amount of 0.4 mil. EUR.

The amount of the regulatory input depends on the actual heat supply in 2021 and, except for precisely specified cases, e.g. new collection devices, or a collection device in which part of the heat is used in an industrial process, is unchanged for the entire regulatory period.

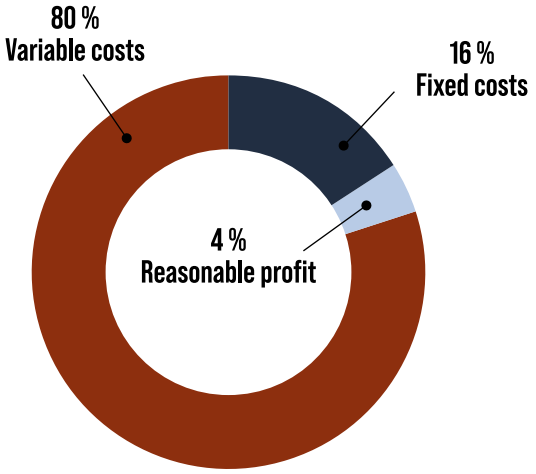
Several producers and suppliers of heat, in an attempt to correct for customers the extraordinary increase in the variable component of the price of heat, did not apply a reasonable profit in the authorized amount in the price proposal.

However, this adjustment had only a small final impact, because variable costs were dominant in the average price in 2023 with a share of 80%.

After the end of each year, the total volume of economically justified fixed costs and reasonable profit for the supply of heat must be redistributed among the individual take-off points of the customers according to the actual delivered amount of heat in a given year.

After the end of the regulatory year, heat suppliers are obliged to account for costs included in the specified variable component and fixed component of the maximum heat price and a reasonable profit for economically justified costs. Customers are obliged to credit the positive cost difference in the approved heat prices compared to the actual ones.

Cost structure in the price of heat in 2023



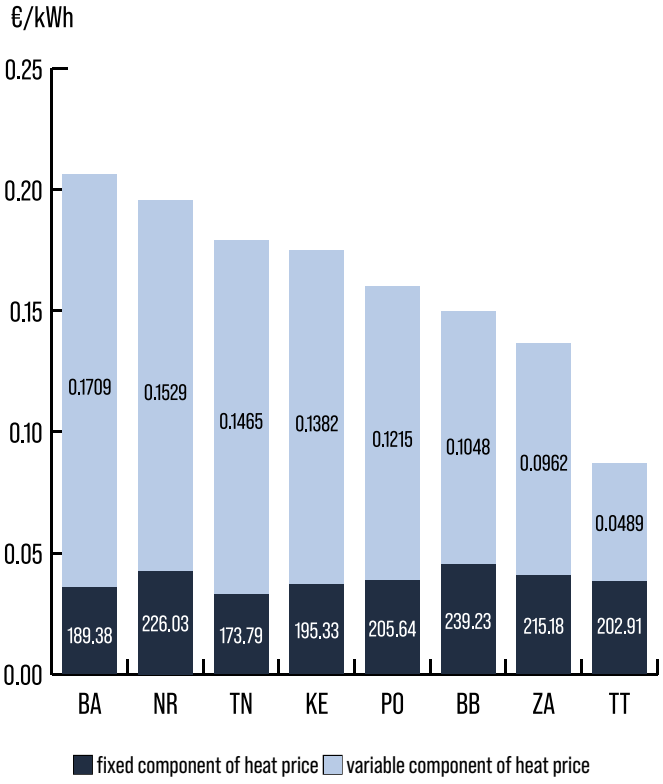
Average heat prices by type of fuel

Prices of heat from individual types of fuel

	year	fixed component €/kW	variable component €/kWh	resulting price
NATURAL GAS	2019	31.61	47.23	78.84
	2020	31.79	47.27	79.05
	2021	31.91	44.41	76.32
	2022	32.87	62.20	95.07
	2023	31.58	164.85	196.42
COAL	2019	28.39	40.33	68.72
	2020	28.61	40.88	69.49
	2021	29.99	44.50	74.50
	2022	26.75	60.10	86.85
	2023	24.16	112.72	136.88
BIOMASS	2019	31.13	37.53	68.66
	2020	30.97	37.93	68.89
	2021	32.50	37.19	69.70
	2022	33.08	48.10	81.18
	2023	43.55	48.10	91.65

The graph shows that the development of heat prices according to individual types of fuel is a reflection of the development of the prices of fuels included in the variable component of the heat price.

Average heat prices in individual regions of Slovakia in 2023



In the monitored year, the average prices in individual regions in the heat equipment systems of specific heat suppliers were very different, as were the prices in the decisions of individual heat suppliers. There were significant price differences between individual locations, mainly depending on the fuel used for heat production, but also on the size of the heating system, production technology, investments in heating equipment and the amount of supplied heat. The key factor that negatively affected the price differences of consumers connected to the central heat supply system was the significant increase in the prices of natural gas and wood chips, which produce the most heat in Slovakia. However, in the case of consumers of heat in residential buildings, on the basis of extraordinary measures of the Slovak Government, the actually applied prices for the supply of heat in 2023 increased by a maximum of 20 EUR per MWh, including VAT, compared to the prices last approved or determined by the Office for 2022. Adopted extraordinary measures of the Government The Slovak Republic had priority over the price decisions of the Office and significantly reduced the price differences in the heat prices of the individual regions of the Slovak Republic.

Prices of heat from heating equipment systems for household end customers

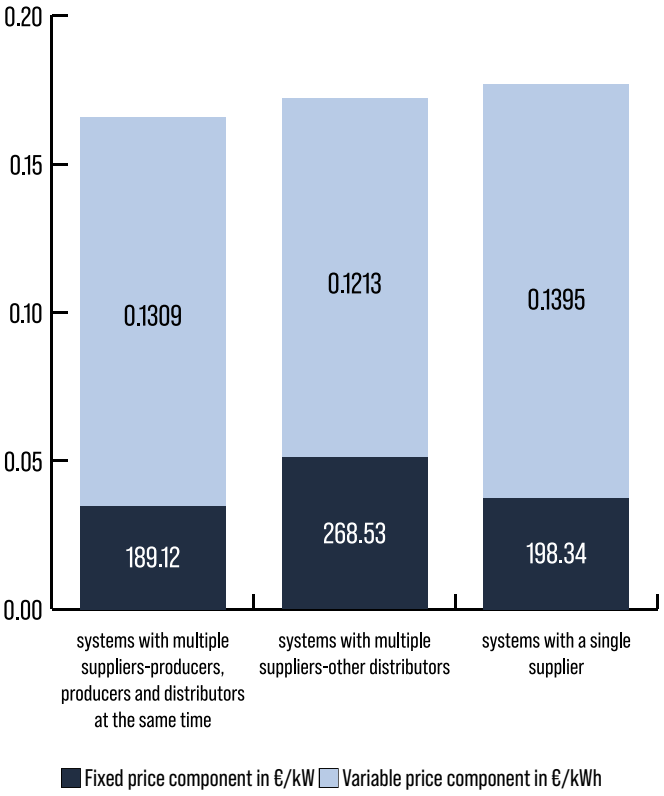
In 2023, a change was recorded in the average heat prices of heat suppliers who supply heat directly to households compared to the previous long-term period. The average heat price of heat suppliers who supply heat to households and are at the end of a chain of several suppliers ensuring the production and supply of heat to the end customer in one central heat supply system was for the first time lower than the average heat price in heat equipment systems where there is only one producer and heat supplier regulated entity.

Heat prices for end customers - households in 2023

Systems according to the number of suppliers in the chain		Variable price component in v €/kWh	Fixed price component v €/kW	Final price in v €/kWh
System with multiple suppliers	Producers and producers being distributors at the same time	0.1309	189.12	0.1657
	Second and third distributors	0.1213	268.53	0.1723
Systems with a single supplier		0.1395	198.34	0.1771

This fact was caused by several factors, especially the fact that the so-called the chaining of heat suppliers is mostly implemented in large cities, where a large number of customers are supplied from the heat equipment systems. A large amount of delivered heat usually allows the heat producer a better starting position when negotiating the price of the purchased fuel, than in the case of thermal equipment systems with much lower heat delivery, because it allows to take advantage of quantity discounts. This was clearly reflected in the heat prices in 2023, which were the result of the contracting of fuel prices at a time of high prices for all energy commodities, especially in 2022. Large systems of thermal equipment often have several heat production sources that burn different types of fuel. Such a multi-fuel basis makes it possible to change the proportion of individual types of fuel to a certain extent and to prioritize the one that currently has a more favorable price. The smaller the heat supply system, the more often heat is produced from only one type of fuel, which, however, also means a much smaller possibility of flexible reaction to a significant change in its price on the market.

Heat prices according to system size in 2023



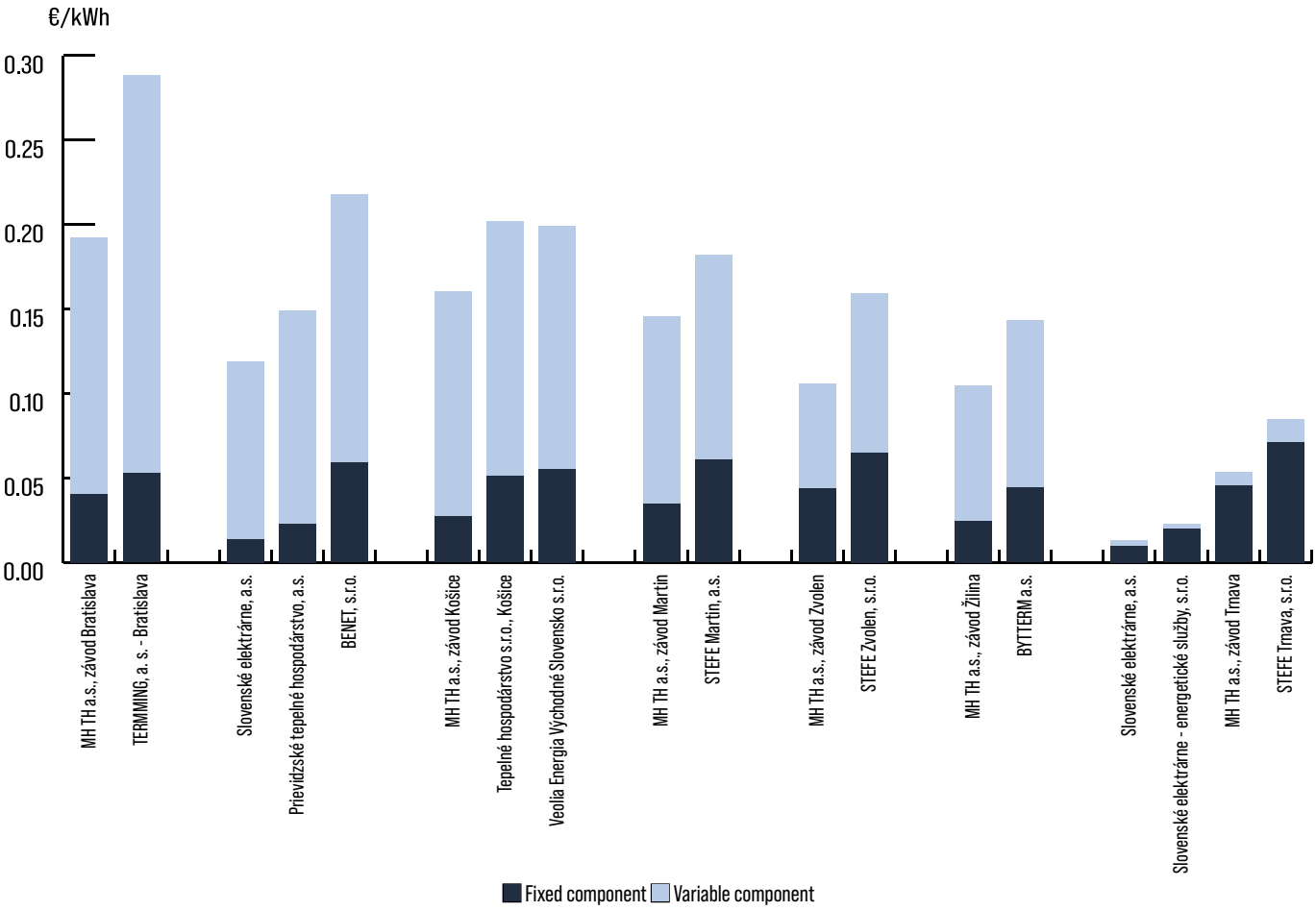
Household costs of heat

The Office monitors and annually evaluates the actual consumption of thermal energy for heating and preparation of household hot water. The observed sample represents 41,000 apartments. The heat consumption of one household in the monitored year amounted to 5,388 kWh, which is 6% less than in 2022. The decrease in heat consumption is mainly related to the warmer year 2023, which documents a lower number of daily degrees in 2023 by 7% compared to 2022.

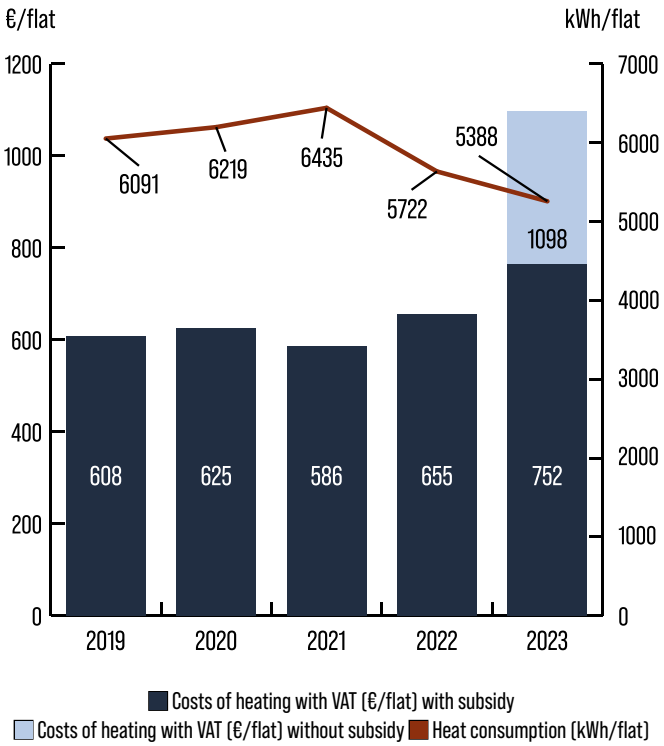
Household costs of heat

	2019	2020	2021	2022	2023
Heat consumption (kWh/apartment)	6,091	6,219	6,435	5,722	5,388
Heat costs incl. DPH (€/apartment) without subsidy	608	625	586	655	1 098
Heat costs incl. DPH (€/apartment) with subsidy	608	625	586	655	752

Heat prices in systems with several suppliers in 2023



Household costs of heat



Based on the price decisions of the Office, the annual costs of heat of one household, used for heating and preparation of domestic hot water including VAT, amounted to 1,098 EUR, which is an increase of approximately 68% compared to 2022. This increase in costs, despite the reduced heat consumption in residential buildings, was caused by higher costs of the production and supply of heat in 2023, caused by high energy costs and high inflation.

To mitigate the effects of the societal energy crisis for consumers of heat in residential buildings, the Government of the Slovak Republic adopted measures that, in the case of heat prices, determined the maximum limit of the increase in heat prices that heat suppliers can apply to consumers of heat in residential buildings when invoicing. Pursuant to SR Government Regulation No. 464/2022 Z.z., which establishes the limit of the increase in the approved or determined price of heat as amended by SR Government Regulation No. 523/2022 Z.z., the limit for the increase in the price of heat from 1 January 2023 to 31 December 2023 was established in the amount of a single-component value of the maximum price of heat last approved or determined by the Office for the year 2022 increased by 20 EUR per MWh including VAT. It was possible to claim a subsidy for the difference between the price approved or determined by the Office and the price applied according to the government regulation. After taking into account the state subsidy, the real average costs of one household for thermal energy in 2023 reached the value of 752 EUR, which means a year-on-year increase of 14.8%.

04. WATER MANAGEMENT

Description of market regulation in water management

In water management, the Office carries out price regulation in the area of public water supply systems and public sewers, as well as in the area of services related to the use of surface water. In the field of public water supplies and public sewers, the regulated activity is the production, distribution and supply of drinking water through public water supplies and the removal and purification of waste water through public sewers. As from 01.01.2023, the price for connection to the public sewerage system is also subject to price regulation, since the new obligation imposed on the owner of the public sewerage system by the amendment to Act No. 442/2002 Z.z. on public water supplies and public sewers and on amendments to Act No. 276/2001 Z.z. on regulation in network industries, as amended, resulted in the obligation to build outlets for public sewers located in public spaces up to 10 m in length.

In the field of surface water use, the regulated activity is the abstraction of surface water and energy water from watercourses and the use of hydropower potential of watercourses. In the field of production, distribution and supply of drinking water and removal and treatment of waste water, 14 large water companies are established as natural local monopolies with majority representation on the market, in addition to them there are also smaller operators of public water supply and public sewerage systems that operate in smaller territorial units, such as village or only part of the village. In a given locality, it is always one supplier defined by the area of its scope, or operating water supply or sewage networks, without the possibility of its selection by the consumer. Until 01.05.2023, it was the only regulated entity with a monopoly position in services related to the use of surface water – SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik – as the state-appointed administrator of water-economically important streams in the Slovak Republic. Based on the amendment to Act No. 364/2004 Z.z. on water and on the amendment of Act of the Slovak National Council No. 372/1990 Z.z. on offenses as amended (Water Act) as amended, the management of water courses in territories that are necessary to ensure the tasks of state defense is carried out by a legal entity, the founder of which is the Ministry of Defense of the Slovak Republic, namely Vojenské lesy a majetky SR, štátny podnik. The business environment within public water supply and sewerage systems is stabilized by the scope of price regulation established by law and the definition of a regulated entity. The Office issues registration certificates to regulated entities stating the regulated activity and the category of public water supply or public sewerage that are used for the regulated activity.

In 2023, based on the requests of regulated entities to issue a certificate of registration pursuant to § 23 of Act No. 250/2012 Z.z., the Office issued a total of 114 certificates of registration, out of which 16 certificates for new regulated entities and 98 certificates based on notification of changes to the data specified in the registration confirmation.

As of 31.12.2023, a total of 685 regulated entities operating public water supply systems and public sewers were registered. Out of this number of regulated entities, 14 were water companies, 1 city, 41 municipalities and 87 smaller companies operating public water supply or public sewerage of I. and II. categories. Public water supply or public sewage system of III. Category were operated by 542 small towns and municipalities.

Method of price regulation of drinking and waste water

In price proceedings, the Office sets the price by issuing a price decision for regulated entities that operate public water supply and/or public sewerage of category I and II, and issuing a price confirmation for regulated entities that operate public water supply and/or public sewerage of category III.

Type and number of issued decisions

Type of a decision	2019	2020	2021	2022	2023
New price decisions	7	12	16	85	94
Modified price decisions	17	19	18	30	20
Price confirmations	20	17	532	19	556
Decisions to terminate proceedings	6	6	19	19	16
Decisions to suspend proceedings	21	38	40	229	77
Decisions on termination of a price decision	3	1	1	1	0
Decisions on connection to a public sewage system	0	0	0	0	1
Total	74	93	626	383	764

Monitoring and development of drinking water and waste water prices

The year 2023 was the first year of the new (sixth) regulatory period. According to the current legislation, price decisions and price confirmations issued for the first year of the regulatory period are valid until the end of the regulatory period (2023 – 2027), if the Office does not approve an amendment in the price decision. Price decisions for 2023 were issued according to Decree No. 323/2022 Z.z., which establishes price regulation of production, distribution and supply of drinking water by public water supply and removal and purification of waste water by public sewerage and some conditions for carrying out regulated activities in water management, as amended. Part of the decisions for 2023 were issued in 2022, namely 72 decisions. For the new regulatory period, the Office issued 547 price confirmations and in the course of 2023 also 9 price confirmations with price changes. In the monitored year, the Office issued 94 price decisions valid for the first year of the regulatory period. In 2023, the Office also issued 20 changes to price decisions, out of which 8 were issued to water companies and 12 price decisions to smaller regulated entities. 4 amendments in price decisions for large water companies were made on the basis of a proven increase in economically justified costs, and 4 changes in price decisions by large water companies were initiated by the Office based on a reduction in economically justified costs, namely a reduction in electricity costs.

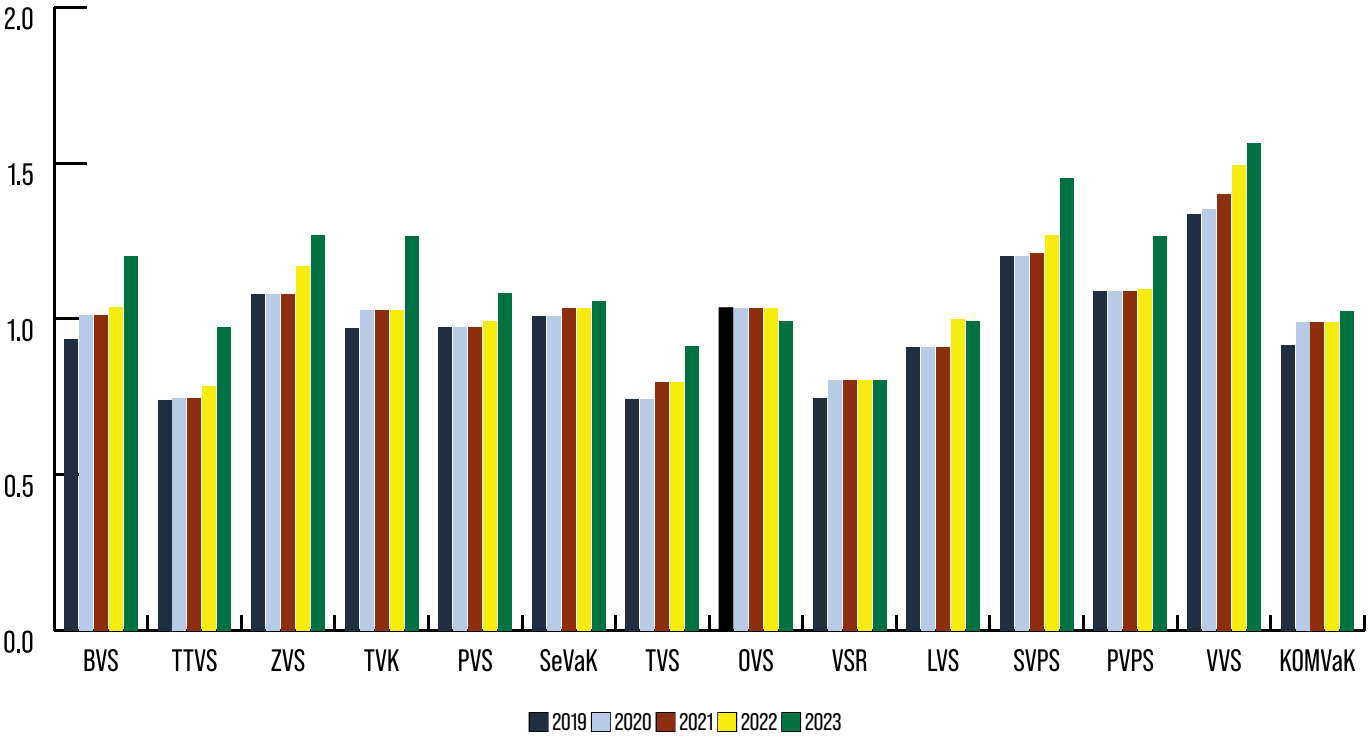
The average maximum price for the production and supply of drinking water as of 31.12.2023 in water companies was €1.2741/m^3 (price calculated by weighted average), which is an increase of 10.6% compared to the average maximum price valid at the end of the previous regulatory period , i.e. at the end of 2022, which was €1.1516/m^3. The average maximum price for waste water removal and treatment as of 31.12.2023 in water companies was €1.2956/m^3, which is an increase of 14% compared to the average maximum price valid at the end of the previous regulatory period, which was €1.1354/m^3 (price calculated by weighted average). This increase in prices occurred due to the increase in energy prices and high inflation, which was reflected in the prices of materials and services used in water management. The prices are indicated without VAT.

Prices for the production and supply of drinking water by public waterworks

Water management company	2019 €/m^3	2020 €/m^3	2021 €/m^3	2022 €/m^3	2023 €/m^3
Bratislavská vodárenská spoločnosť (BVS)	0.9359	1.0135	1.0135	1.0387	1.2025
Trnavská vodárenská spoločnosť (TTVS)	0.7398	0.7449	0.7449	0.7847	0.9737
Západoslovenská vodárenská spoločnosť (ZVS)	1.0802	1.0802	1.0802	1.1683	1.2700

Trenčianske vodárne a kanalizácie (TVK)	0.9684	1.0293	1.0293	1.0293	1.2643
Považská vodárenská spoločnosť (PVS)	0.9741	0.9741	0.9741	0.9937	1.0829
Severoslovenské vodárne a kanalizácie (SeVaK)	1.0094	1.0094	1.0343	1.0343	1.0557
Turčianska vodárenská spoločnosť (TVS)	0.7427	0.7427	0.7978	0.7978	0.9142
Oravská vodárenská spoločnosť (OVS)	1.0353	1.0353	1.0353	1.0353	0.9927
Vodárenská spoločnosť Ružomberok (VSR)	0.7460	0.8024	0.8024	0.8024	0.8024
Liptovská vodárenská spoločnosť (LVS)	0.9102	0.9102	0.9102	0.9991	0.9934
Stredoslovenská vodárenská prevádzková spoločnosť (SVPS)	1.2010	1.2010	1.2119	1.2680	1.4517
Podtatranská vodárenská prevádzková spoločnosť (PVPS)	1.0884	1.0884	1.0884	1.0960	1.2664
Východoslovenská vodárenská spoločnosť (VVS)	1.3362	1.3530	1.4004	1.4944	1.5648
Vodárne a kanalizácie mesta Komárna (KOMVaK)	0.9162	0.9900	0.9900	0.9900	1.0267

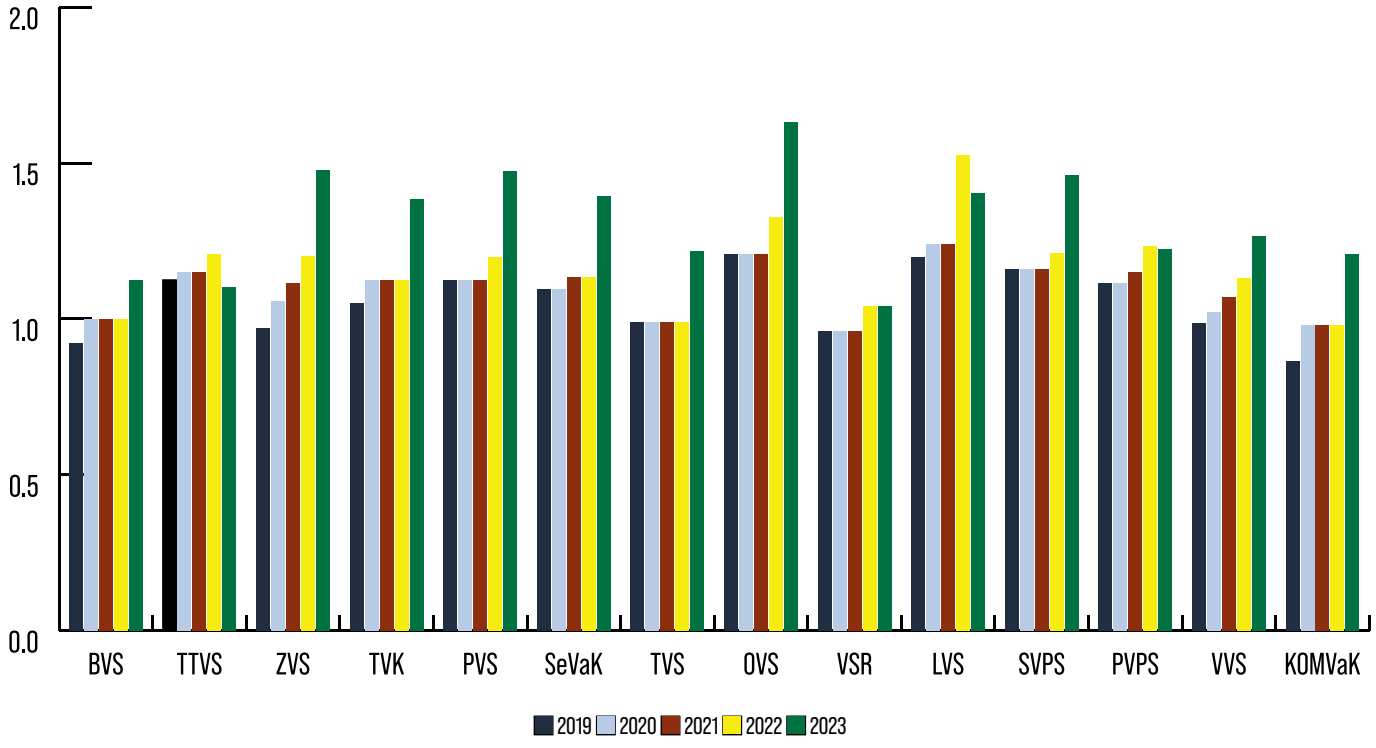
Development of prices for production and supply of drinking water in €/m³ (without VAT)



Prices for removal and cleaning of waste water through public sewers

Water management company	2019 €/m³	2020 €/m³	2021 €/m³	2022 €/m³	2023 €/m³
Bratislavská vodárenská spoločnosť (BVS)	0.9216	0.9985	0.9985	0.9985	1.1251
Trnavská vodárenská spoločnosť (TTVS)	1.1251	1.1497	1.1497	1.2071	1.1035
Západoslovenská vodárenská spoločnosť (ZVS)	0.9721	1.0573	1.1157	1.2024	1.4783
Trenčianske vodárne a kanalizácie (TVK)	1.0509	1.1251	1.1251	1.1251	1.3832
Považská vodárenská spoločnosť (PVS)	1.1235	1.1235	1.1235	1.1993	1.4745
Severoslovenské vodárne a kanalizácie (SeVaK)	1.0947	1.0947	1.1352	1.1352	1.3957
Turčianska vodárenská spoločnosť (TVS)	0.9907	0.9907	0.9907	0.9907	1.2181
Oravská vodárenská spoločnosť (OVS)	1.2075	1.2075	1.2075	1.3271	1.6317
Vodárenská spoločnosť Ružomberok (VSR)	0.9603	0.9603	0.9603	1.0415	1.0415
Liptovská vodárenská spoločnosť (LVS)	1.1978	1.2398	1.2398	1.5262	1.4032
Stredoslovenská vodárenská prevádzková spoločnosť (SVPS)	1.1615	1.1615	1.1615	1.2122	1.4629
Podtatranská vodárenská prevádzková spoločnosť (PVPS)	1.1164	1.1164	1.1499	1.2336	1.2246
Východoslovenská vodárenská spoločnosť (VVS)	0.9870	1.0235	1.0716	1.1305	1.2671
Vodárne a kanalizácie mesta Komárna (KOMVaK)	0.8643	0.9813	0.9813	0.9813	1.2074

Development of prices for waste water removal and treatment in €/m³ (without VAT)



The average unit price for water and sewage together, excluding VAT, in water companies in the Slovak Republic was €2.5697/m³ and increased by 12.36% year-on-year.

Development of the average price for the production and supply of drinking water and for waste water removal and treatment in €/m³ (without VAT)

	2019	2020	2021	2022	2023
Drinking water	1.0533	1.0888	1.1032	1.1516	1.2741
Waste water	1.0199	1.0597	1.086	1.1354	1.2956

Considering that the monitored year was the first year of the new regulatory period, all smaller companies and municipalities that supply drinking water or drain and treat wastewater in municipalities and smaller peripheral parts of cities submitted a price proposal for 2023. In 2023, the Office issued 94 price decisions and a total of 556 price confirmations for smaller companies, of which 542 were issued based on the price notification for the new regulatory period, 5 price confirmations for newly registered municipalities, and subsequently, during the year, 9 price confirmations were issued with a price change compared to the originally approved one.

In this group of regulated entities, the average price for the production and supply of drinking water for the year 2023 increased by 0.8% and the average price for waste water removal by 1.0%. However, these average prices are lower than the average prices of water companies. In the case of prices for the supply of drinking water, the increase was mainly caused by the fact that small companies and also some municipalities buy drinking water from water companies, and therefore the increase in the price of the water company will be reflected in the increase in the cost of purchasing water from these companies. The prices for waste water removal and treatment mainly reflect the inclusion of new sewerage and WWTP assets built by municipalities from EU funds and state subsidies.

Development of average prices of small regulated entities (€/m³)

	2019	2020	2021	2022	2023
Drinking water	0.7912	0.8815	0.8885	0.9061	0.9855
Waste water	0.9014	0.9812	0.9908	1.0078	1.0966

Development of drinking water supply and wastewater disposal

The development of the supply of drinking water, as well as the removal and treatment of waste water, recorded a decline in the year under review. Water companies delivered 3,057,000 m³ (-1.5%) less drinking water in 2023 than in the previous year. At the same time, this is the smallest delivered amount of drinking water in the last 5 years. The amount of waste water discharged through public sewers also decreased, which decreased compared to the previous year by 1,111,000 m³ (-0.6%) and is also the lowest amount in the last 5 years. These decreases could have been caused by lower water consumption and, consequently, the discharge of waste water due to cost-saving measures on the part of consumers as a result of increasing inflation and price increases for water management services.

The capacity utilization of waterworks assets used for the supply of drinking water remained at the same level as in 2022, at an average of 96%. The utilization of the capacities of the waterworks assets used for the removal and purification of wastewater increased by 1% compared to the previous year, to a value of 89%, i.e. even the completion of public sewer connections did not help to increase the amount of wastewater discharged, it only prevented a further decrease.

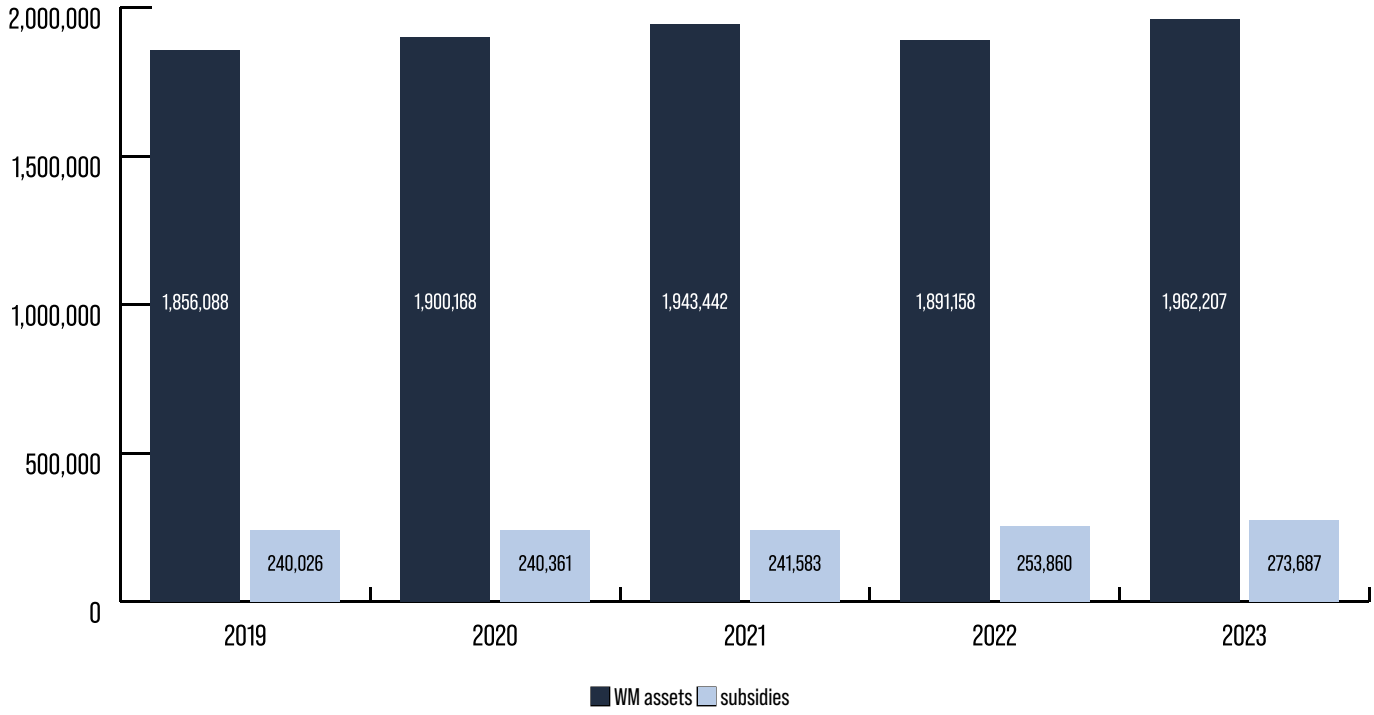
Development of drinking water supply and waste water disposal in thous. m³

	2019	2020	2021	2022	2023
Drinking water	198,816	200,447	198,602	201,262	198,205
Waste water	201,791	201,652	201,464	201,585	200,474

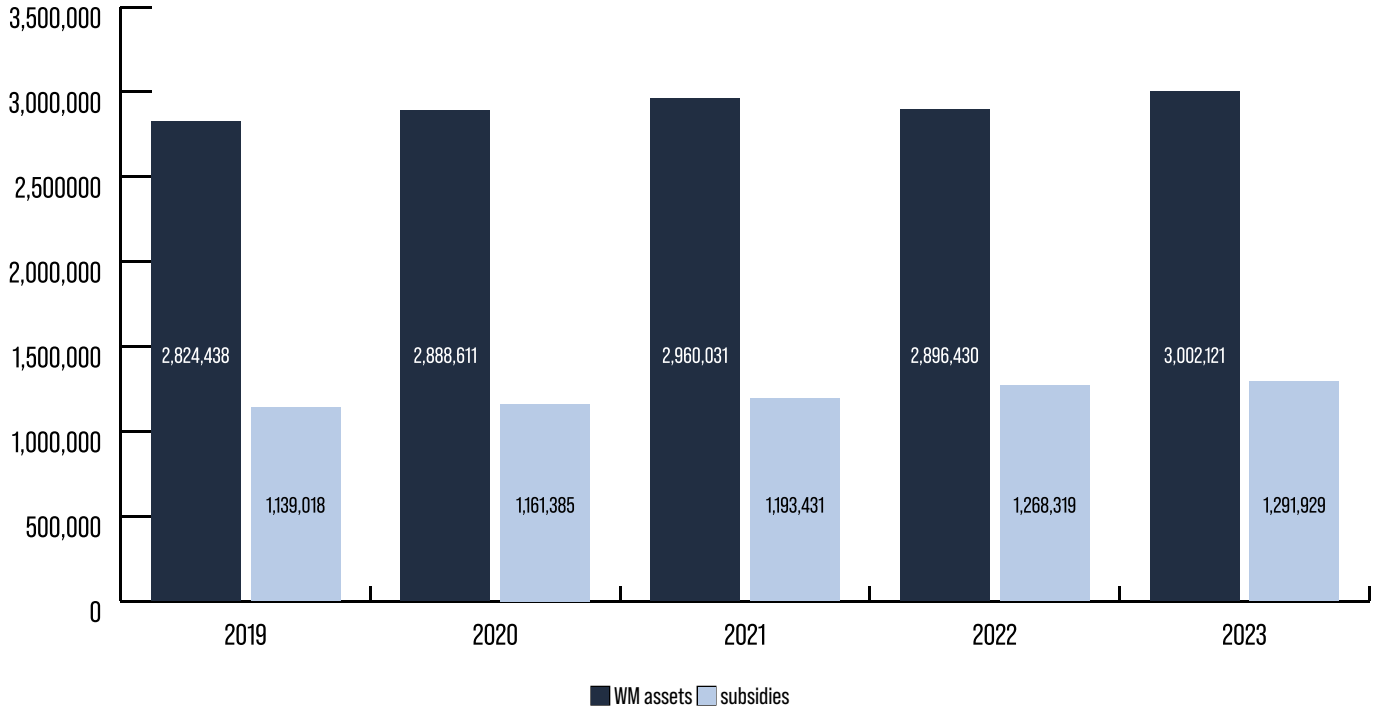
Investments

The value of property used for drinking water supply increased by 3.8% compared to the level of 2022 in the year under review, while the value of property procured from subsidies from EU funds and the state budget increased by 7.8%. In the area of waste water drainage and treatment, the total value of assets increased by 3.6% in 2023, and the value of assets built from subsidies increased by 1.9%.

Development of WM assets and subsidies - public water supply (in thous. €)



Development of WM assets and subsidies - public sewers and WTP (in thous. €)



Development of indicators for regulated activities in large water companies

Drinking water	2019	2020	2021	2022	2023	modification 2023/2022	%
Revenues from regulated activity in thous. €	209,210	212,753	215,892	223,701	246,947	23,246	10.4
Eligible costs in thous. €	204,659	207,746	210,760	232,898	229,642	-3,255	-1.4
Financial result in thous.€	4,551	5,007	5,132	-9,197	17,304	26,501	288.2
WM assets in thous. €	1,856,088	1,900,168	1,943,442	1,891,158	1,962,207	71,049	3.8
From subsidies in thous. €	240,026	240,361	241,583	253,860	273,687	19,828	7.8
WM assets repairs in thous. €	32,344	31,057	27,423	28,318	32,487	4,169	14.7
Water quantity in thous. m^3	198,816	200,447	198,602	201,262	198,205	-3,057	-1.5
Utilization of WM assets capacities	94 %	94 %	94 %	96 %	96 %	0	0

Waste water	2019	2020	2021	2022	2023	modification 2023/2022	%
Revenues from regulated activity in thous. €	202,194	207,268	216,546	225,900	262,605	36,705	16.2
Eligible costs in thous. €	209,751	210,101	217,936	237,931	236,816	-1,115	-0.5
Financial result in thous.€	-7,557	-2,833	-1,390	-12,031	25,789	37,820	314.3
WM assets in thous. €	2,824,438	2,888,611	2,960,031	2,896,430	3,002,121	105,691	3.6
From subsidies in thous. €	1,139,018	1,161,385	1,193,431	1,268,319	1,291,929	23,610	1.9
WM assets repairs in thous. €	20,641	19,976	19,801	21,520	21,996	476	2.2
Water quantity in thous. m^3	201,791	201,652	201,464	201,585	200,474	-1,111	-0.6
Utilization of WM assets capacities	84 %	85 %	91 %	88 %	89 %	1 %	1

Collection of surface and energy water and utilization of HEP

Regulated activities in the field of surface water use are the abstraction of surface water, the abstraction of energy water from watercourses and the use of hydropower potential (HEP) of watercourses.

Regulated activities in this area with monopoly status in the Slovak Republic are carried out by the state-appointed administrator of watercourses SLOVENSKÝ VODOHOSPODÁRSKY PODNIK, štátny podnik, and from 01.05.2023 also by Vojenské lesy a majetky SR, štátny podnik, which pursuant to amendment to Act No. 364/2004 Z.z. administers watercourses in territories that are necessary to ensure the tasks of state defense.

For 2023, as the first year of the regulatory period, the prices for the abstraction of surface water from watercourses, for the abstraction of energy water from watercourses and the average price for the use of hydropower potential were increased.

Development of prices for regulated activities in the area of surface water use in EUR

	2019	2020	2021	2022	2023
Price for surface water collection for m^3	0.1250	0.1250	0.1250	0.1250	0.1341
Average price for utilization of hydroenergy potential for 1 MWh	15.9615	15.9615	15.9615	15.9615	16.9524
Price for energy water collection for thous. m^3	0.1691	0.1691	0.1691	0.1691	0.1669

05.

LEGISLATIVE ACTIVITIES

Among others, pursuant to Act No. 250/2012 Z.z., the Office is entrusted with the competence to issue generally binding legal regulations, represented by decrees. During the regulatory year of 2023, the Office monitored development of the electricity market and gas market, while evaluating the impact of current and upcoming legislation on market participants, customer protection and the protection of legitimate interests of regulated entities.

As part of its own legislative activity, the Office mainly dealt with issuing price decrees. Furthermore, following the change of primary legislation related to the implementation of EU legislation, as well as with regard to the situation on the electricity market and the gas market, the Office issued new decrees establishing the rules for the functioning of the internal electricity and gas market, as well as new decrees establishing details of system operation.

On the basis of the authorizing provisions of Act No. 250/2012 Z.z., Act No. 251/2012 Z.z. and Act No. 309/2009 Z.z. in the monitored year, the Office drafted the following decrees, submitted them to the legislative process and then submitted them for publication in the Official Journal of SR:

Price decrees:

1. Decree of the Regulatory Office for Network Industries No. 107/2023 Z.z., which establishes price regulation of electricity supply,

2. Decree of the Regulatory Office for Network Industries No. 246/2023 Z. z., which establishes price regulation of selected regulated activities in the electricity industry and some conditions for the performance of selected regulated activities in the electricity industry,

3. Decree of the Regulatory Office for Network Industries No. 370/2023 Z. z., which establishes price regulation in the area of supporting electricity generation and some related conditions for the performance of regulated activities,

4. Decree of the Regulatory Office for Network Industries No. 498/2023 Z. z., which amends the Decree of the Regulatory Office for Network Industries No. 323/2022 Z.z., establishing price regulation of the production, distribution and supply of drinking water by public water supply and the removal and treatment of waste water by public sewerage and some conditions for the performance of regulated activities in water management

Market rules:

5. Decree of the Regulatory Office for Network Industries No. 207/2023 Z. z., which establishes the rules for the functioning of the internal electricity market, the content of the operating rules of the system operator, the organizer of the short-term electricity market and the scope of business conditions that are part of the operating rules of the system operator,

6. Decree of the Regulatory Office for Network Industries No. 208/2023 Z. z., which establishes the rules for the functioning of the internal gas market, the content requirements of the network operator‘s and storage operator‘s operating regulations and the scope of business conditions that are part of the network operator‘s operating regulations,

7. Decree of the Regulatory Office for Network Industries No. 491/2023 Z. z., which amends the Decree of the Regulatory Office for Network Industries No. 208/2023 Z.z., which establishes the rules for the functioning of the internal gas market, the content requirements of the network operator‘s and storage operator‘s operating regulations and the scope of business conditions that are part of the network operator‘s operating regulations,

8. Decree of the Regulatory Office for Network Industries No. 492/2023 Z. z., which amends the Decree of the Regulatory Office for Network Industries No. 207/2023 Z.z., which establishes the rules for the functioning of the internal electricity market, the content of the operating rules of the system operator, the organizer of the short-term electricity market and the scope of business conditions that are part of the operating rules of the system operator,

Other decrees:

9. Decree of the Regulatory Office for Network Industries No. 92/2023 Z. z., which establishes the conditions of the tender procedure for the provision of electricity storage facility services,

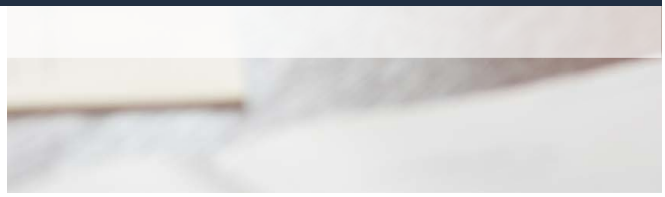
10. Decree of the Regulatory Office for Network Industries No. 230/2023 Z. z., which establishes the content requirements of the distribution system development plan,

11. Decree of the Regulatory Office for Network Industries No. 493/2023 Z. z., which establishes some details in the field of reactive electric power flows and its compensation.

The Office also provided representation before the courts and the General Prosecutor‘s Office of the Slovak Republic, decided on the issuance of prior approvals, decided on the certification of the storage tank operator, conducted proceedings in the matter of dispute resolution pursuant to § 38 of Act No. 250/2012 Z.z., performed supervision, provided opinions, legal advice, statements and consultations.

06.

LICENSES, CONFIRMATIONS, CERTIFICATES, NOTIFICATIONS



Licenses

The Office issues business licenses according to Act No. 251/2012 Z.z. and Act No. 657/2004 Z. z.

Licenses for conducting business in energy – Act No. 251/2012 Z. z.:

In 2023, the Office issued a total of 231 decisions on issuing, amending or canceling a license to conduct business in the energy sector, which represents an 11% increase compared to the previous year (for 2022, the Office issued 208 decisions).

The Office in total:

- issued 84 new licenses for energy business conduct; out of which 61 in the field of electricity, 21 in the field of gas and 2 in the field of fuels and oil, which represents an increase of 65% compared to the previous year (for 2022, the Office issued 51 new licenses),
- cancelled 15 licenses for conducting business in the energy sector; out of which 11 in the field of electricity, 4 in the field of gas and 0 in the field of fuels and oil, which represents a decrease of 43% compared to the previous year (for 2022, the Office cancelled 26 new licenses),
- issued 132 modifications in the issued licenses, most of which were due to a change in the scope of technical equipment, a change in the responsible representative or the identification data of the license holder.

In addition, in 2023, the Office ceased a total of 16 submissions for the issuance, amendment or cancellation of a license. The proceedings were stopped due to the withdrawal of the application, non-payment of the administrative fee, or non-fulfillment of the conditions for issuing, changing or canceling the license.

Overview of submitted applications and issued decisions in 2023

	new licenses	cancelled and expired licenses	license modifications	suspended proceedings	terminated proceedings
Electricity industry	61	11	101	59	13
Gas industry	21	4	29	11	3
Fuels and oil	2	0	2	0	0
Total	84	15	132	70	16

Overview of valid licenses in electricity industry as of 31.12.2023

electricity generation	3
electricity transmission	1
electricity distribution	10
electricity generation and supply	112
electricity generation, distribution and supply	23
electricity generation, supply and aggregation	1
electricity distribution, supply and aggregation	1
electricity distribution and supply	112
electricity supply	209
electricity supply and aggregation	6
electricity supply and storage	5
electricity supply, aggregation and storage	1
organizing short-term electricity market	1
electricity activites of electricity purchaser	1
Total	486

Overview of licenses in electricity industry (activities are overlapping) as of 31.12.2023

electricity generation	139
electricity distribution	146
electricity supply	470

Overview of valid licenses in gas industry as of k 31.12.2023

gas production	1
gas production and transportation	1
gas transportation	1
gas distribution	5
gas distribution and supply	42
gas storage	2
gas supply	165
Total	217

Overview of licenses in gas industry (activities are overlapping) as of 31.12.2023

gas distribution	47
gas supply	207

Overview of valid licenses in the energy sector - the field of fuels and oil as of 31 December 2023

operation of fuel pipelines	1
operation of pressure vessel filling equipment	18
operation of oil pipelines	2
operation of pressure vessel filling equipment and operation of equipment for the distribution of liquefied hydrocarbon gas	1
Total	22

Licenses for conducting business in thermal energy

In 2023, the Office issued a total of 148 decisions on issuing, changing or canceling licenses for conducting business in thermal energy.

The Office in total:

- issued 7 new licenses in the scope of business conduct in production and distribution of heat,
- cancelled 14 licenses for thermal energy business conduct, out of which 13 in the scope of business conduct in heat production, heat distribution, 1 in the scope of business conduct in heat distribution,
- issued 127 modifications in the issued licenses in the thermal energy industry, most of which were due to changes in the scope of technical equipment for heat production and heat distribution, or by changing the responsible representative or identification data of the license holder,
- terminated 4 proceedings for license modification, while in one case the applicant withdrew his proposal, in two cases the applicant did not eliminate the deficiencies of the submission and in one case the reason was dropped.

Overview of issued decisions in 2023

	new licenses	cancelled licenses	license modifications	suspended proceedings	terminated proceedings
Thermal energy	7	14	127	46	4

Overview of valid licenses in thermal energy as of 31.12.2023

heat production and distribution	302
heat production	14
heat distribution	10
Total	326

Confirmations

The Office issues confirmations of compliance with the reporting obligation pursuant to Act no. 251/2012 Z.z. and confirmations on the production of electricity from a local source according to Act No. 309/2009 Z. z.

Confirmations on compliance with the reporting obligation pursuant to Act No. 251/2012 Z. z.

In 2023, the Office issued a total of 687 confirmations of compliance with the reporting obligation, which represents an increase of 177% compared to 2022.

Out of the total number, 687 confirmations on compliance with the reporting obligation were issued:

- 624 for the production or storage and supply of electricity by electricity production facilities or electricity storage facilities with a total installed capacity of up to and including 1 MW,
- 2 for the production and supply of gas from biogas,
- 6 for the sale of compressed natural gas for vehicle propulsion,
- 28 for the sale of liquefied hydrocarbon gas in pressurized containers,
- 25 for the sale of liquefied hydrocarbon gas intended for driving motor vehicles, incl filling the tank of a motor vehicle with liquid hydrocarbon gas intended for driving motor vehicles with the exception of filling pressure vessels,
- 2 for transport of liquefied hydrocarbon gas in pressure containers.

Out of the total number of issued confirmations of compliance with the reporting obligation in 2023, there were issued:

- 23 confirmations for the production and supply of electricity in small hydropower plants,
- 542 confirmations for the production and supply of electricity in photovoltaic facilities,
- 49 confirmations for the production and supply of electricity in biogas stations and in wastewater treament plants,
- 17 confirmations for the production and supply of electricity in CHP facilities,
- 54 confirmations for the sale of compressed natural gas and liquified hydrocarbon gas.

Overview of issued confirmations according to § 6(5) of Act No. 251/2012 Z. z.:

Production and supply of electricity by electricity production facilities with the overall installed capacity of up to and including 1 MW

distribution of electricity production activity	number of issued confirmations	number of new confirmations(-new facilities)	number of new confirmations (facilities transferred from other entities)	number of issued confirmations on amendments (seat, statutory body, etc.)/modifications (installed capacity, adress, etc.)	number of completed confirmations (facilities transferred to other entities)	number of completed confirmations
from water energy	23	6	2	7	2	6
from solar energy	542	426	4	33	4	75
from combustion	42	12	1	19	1	9
in a combined cycle combustion turbine	17	2	0	10	0	5
TOTAL:	624	446	7	69	7	95

- Out of the total number of 426 new confirmations issued on the fulfillment of the notification obligation, 373 confirmations on the fulfillment of the notification obligation were issued on the basis of the issuance of a confirmations on the production of electricity in a local source according to § 4b(7) of Act No. 309/2009 Z. z.

Production and supply of gas from biogas

number of issued confirmations	number of new confirmations(new facilities)	number of new confirmations (facilities transferred from other entities)	number of issued confirmations on amendments (seats, statutory body, etc.)/modifications (installed capacity, adress, etc.)	number of completed confirmations (facilities transferred to other entities)	number of completed confirmations
2	1	0	1	0	0

Sale of compressed natural gas for vehicle propulsion

number of issued confirmations	number of new confirmations (new facilities)	number of new confirmations (facilities transferred from other entities)	number of issued confirmations on amendments (seats, statutory body, etc.)/modifications (installed capacity, adress, etc.)	number of completed confirmations (facilities transferred to other entities)	number of completed confirmations
6	6	0	0	0	0

Sale of liquefied hydrocarbon gas in pressurized containers

number of issued confirmations	number of new confirmations (new facilities)	number of new confirmations (facilities transferred from other entities)	number of issued confirmations on amendments (seats, statutory body, etc.)/modifications (installed capacity, adress, etc.)	number of completed confirmations (facilities transferred to other entities)	number of completed confirmations
28	24	0	2	0	2

Sale of liquefied hydrocarbon gas for motor vehicle propulsion, including the refueling of motor vehicle tanks with liquefied hydrocarbon gas intended for motor vehicle propulsion, except for the filling of pressure containers

number of issued confirmations	number of new confirmations (new facilities)	number of new confirmations (facilities transferred from other entities)	number of issued confirmations on amendments (seats, statutory body, etc.)/modifications (installed capacity, adress, etc.)	number of completed confirmations (facilities transferred to other entities)	number of completed confirmations
25	21	0	4	0	0

Transport of liquefied hydrocarbon gas in pressure containers

number of issued confirmations	number of new confirmations (new facilities)	number of new confirmations (facilities transferred from other entities)	number of issued confirmations on amendments (seats, statutory body, etc.)/modifications (installed capacity, adress, etc.)	number of completed confirmations (facilities transferred to other entities)	number of completed confirmations
2	2	0	0	0	0

Confirmations on the generation of electricity in a local source according to Act No. 309/2009 Z. z.

In 2019, the Office began to issue confirmations on the generation of electricity in a local source according to § 4b(7) of Act No. 309/2009 Z.z.

According to Act No. 309/2009 Z.z. means a device for the production of electricity from RES, which produces electricity to cover the consumption of a collection point identical to the transfer point of this electricity production device and whose total installed power does not exceed the maximum reserved capacity of such a collection point. A local resource institute, which is based on the production and consumption of energy in one place, is not considered an energy business.

As of 31.12.2023, the Office issued a total of 766 confirmations on the generation of electricity in a local source.

Confirmations (local sources)	issued (new + amended)	Finalized
2019	10	
2020	45	
2021	68	
2022	200	1
2023	759	7

Compared to 2022, the total number of confirmations issued for the generation of electricity from a local source represents an almost four-fold increase, based on several challenges and the possibility of subsidies, as well as the possibility of building photovoltaic devices (power plants) by distribution companies (using the form of an installment plan), which ensured complete documentation and implementation of the project.

The enormous increase in confirmations issued for the generation of electricity in a local source started already in 2022 and then continued in 2023. This increase was caused by a change in the legislation with effect from 01.04.2022, when according to § 4b(12) of Act No. 309/2009 Z.z. the producer of electricity in the local source may, within the scope of the maximum reserved capacity of the local source, supply the system with electricity produced in the local source, which is not consumed in a collection point identical to the transfer point of the local source. If the technical conditions for connecting the local source to the distribution system do not allow the maximum reserved capacity of the local source to be contractually agreed in the amount of the total installed capacity of the local source, the maximum reserved capacity of the local source will be agreed at a lower value that the technical conditions for connecting the local source to the distribution system allow.

Before this amendment to Act No. 309/2009 Z.z. an electricity producer in a local source who was authorized to supply electricity could sell electricity produced in a local source that is not consumed in a collection point identical to the delivery point of the local source; the maximum reserved capacity of the local source was no more than 10% of the total installed power of the local source.

Certificates

By amending Act No. 251/2012 Z.z. with effect from 01.10.2022, a possibility of creating energy communities and communities producing energy from RES was created.

By issuing Decree No. 207/2023 Z.z., which establishes the rules for the functioning of the internal electricity market, the content requirements of the operating rules of the system operator, the organizer of the short-term electricity market and the scope of business conditions that are part of the operating rules of the system operator, procedural conditions were set for the implementation activities of the energy community and community producing energy from RES.

In 2023, one certificate was issued for the energy community.

Notifications

Notifications pursuant to Act No. 251/2012 Z. z.

Entities (persons) who supply gas or supply electricity at purchase prices without any additional increase or operate a publicly accessible charging station are in accordance with § 4(9) of Act No. 251/2012 Z.z. obliged to report this fact within 30 days, to notify the Office of the beginning, end and change of this activity.

In 2023, the Office registered a total of 11 notifications in the electricity industry and 4 notifications in the gas industry. The Office received 26 notifications about the start of operation of publicly accessible charging stations.

With effect from 01.10.2022 according to § 4(4) of Act No. 251/2012 Z.z., the production of electricity in an electricity production facility with an installed capacity of up to 11 kW by an electricity producer is not deemed business in the energy sector, if he does not apply for support with additional payments according to a special regulation, and the storage of electricity in an electricity storage facility with an installed capacity of up to 11 kW by the operator of the electricity storage facility.

Likewise, with effect from 01.10.2022, the notification obligation according to § 4(9) of Act No. 251/2012 Z.z. does not apply to sources with an installed power of up to 11 kW.

Despite the mentioned fact, throughout the year 2023, entities (persons) continued providing the Office with information on launching a small resource, or on electricity production equipment with an installed capacity of up to 11 kW by an electricity producer in a total of 778 notifications.

Notifications pursuant to Act No. 657/2004 Z. z.

According to § 11(1) of Act No. 657/2004 Z.z., a legal entity that produces heat or distributes heat according to § 1(3)(b) and a natural person or legal entity that performs activities according to § 1(3)(c and d) are obliged to notify the Office of this fact no later than 30 days after starting the performance of these activities; the notification obligation does not apply to special objects and facilities under the jurisdiction and use of the Ministry of Defense of the Slovak Republic, the Armed forces of the Slovak Republic, the Ministry of the Interior of the Slovak Republic, the Slovak Information Service and the Corps of Prison and Judicial Guards.

In 2023, 26 notifications were delivered pursuant to § 11(1) of Act No. 657/2004 Z. z.

Requests for access to information

According to § 2(1) of Act No. 211/2000 Z.z. on free access to information and on amendments to certain laws (the Freedom of Information Act), as amended (hereinafter referred to as the „Freedom of Information Act“), the Office is the entity obliged to make information available.

In 2023, 52 requests for the access to information pursuant to the Freedom of Information Act (hereinafter referred to as „the request“) were submitted to the Office.

One request was withdrawn in its entirety within the same day due to its lack of purpose.

Another application was postponed, because after sending the request of the Office to supplement it, the applicant informed the Office about the completion of this application by the obliged person who submitted the application in terms of § 15(1) of the Freedom of Information Act to the Office for processing.

The Office processed 50 applications, while:

- information was made available to 24 applicants,

- in 25 cases, decisions were issued as follows:
- in 13 cases, the Office did not partially make information available, due to the protection of trade secrets of regulated entities and/or the protection of personality and personal data, and/or the Office did not have part of the information available,
- in 6 cases, the reason for not making information available was the fact that the Office did not dispose of it,
- in the other 6 cases, the submitted request was not a request under the Freedom of Information Act,
- in one case, the request was partially processed and subsequently transferred to another obligated person for direct processing in accordance with § 15(1) of the Act on Freedom of Information.

In the monitored year, the following information was mainly requested:

- price proposals of respective regulated entities,
- respective decisions of the Office,
- information on issued and amended business licenses, including attachments,
- interpretations of generally binding legal regulations,
- lists of public officials of the Office,
- questions about the energy crisis and the development of prices on the stock exchanges,
- parameters entering into the calculation of the WACC value, rates, TPS, TSS and others.

In the monitored year, in one case, the applicant appealed, while the Chairman, as the Body of Appeals, confirmed the decision of the first-instance authority, as it was a request that was not indicated as a request to make information available according to § 3(1) of the Act on Freedom of Information, i.e. it was not possible to process it under the regime of the Freedom of Information Act, as it required processing on the basis of a specific request from the applicant, or developing answers to the applicant's specific questions and also answering the questions formulated by the applicant would be providing analyzes and forecasts that the Office did not have at disposal and that are excluded from the information that is made available on the basis of the Freedom of Information Act.

Statistics of requests for access to information pursuant to Act No. 211/2000 Z.z.

Year	2019	2020	2021	2022	2023
Submitted	38	57	67	51	52
Postponed	2	1	1	1	1
Processed, out of which:	36	56	66	50	50
Information made available	30	45	47	18	24
Issued non-access decisions, or decisions on partial access to information	1	6	8	26, of which 1 request was only partially forwarded	25
Forwarded to the specialized department of the Office / competent authority of public administration	5	5	11	6	request only partially forwarded
Withdrawal / full or partial	0	0	0	0	1
Appeals against the decision of the first-instance authority	0	1	3 applicants appealed the matter again three times	2	1
Appeal dismissed by an appeal authority	0	1	1	1+2 requests, or appeals dating back to 2021	1

07. CONTROL PERFORMANCE

The Office carries out controls in regulated entities on the basis of the scope resulting mainly from Act No. 250/2012 Z.z. and Act No. 251/2012 Z.z. The reason is the protection of vulnerable customers, supervision of the functioning of the market with regulated commodities, as well as compliance with legal regulations in the field of regulation, especially the decrees of the Office.

The Office also focused on administrative checks of the documents it had available from its own resources. Based on them, he could subsequently initiate administrative proceedings at the initiative of the Office.

When carrying out controls, the Office also focused on protecting the rights of the consumer as the more vulnerable party in customer-supplier relations, especially on compliance with the provisions of the business conditions of electricity and gas suppliers.

In 2023, on the basis of the organizational change of the Office, which took place in 2022, in addition to the Control Department, it carried out controls of compliance with Act No. 250/2012 Z.z., Act No. 251/2012 Z.z., generally binding legal regulations and compliance with the decisions of the Office and the RES and CHP Department, namely in the field of RES and CHP.

Overview of control findings

In 2023, the Office carried out controls in 39 regulated entities, out of which 33 controls were carried out by the Control Department and 6 by the RES and CHP Department, while in 8 regulated entities the controls were carried out on the basis of submitted submissions and in 31 regulated entities were carried out on the basis of an control activity plan.

In 33 regulated entities, the Office concluded controls by drawing up a report on the results of the control, that is, with a detected violation of the applicable legislation, 5 controls were terminated by drawing up a record of the result of the control, i.e. without finding a violation of the applicable legislation, and 1 control was terminated with an official record without discussion of the protocol, since the regulated entity did not submit the required documents to the Office, did not respond to the request for comment on the non-submission of the required documents to the Office, and did not contact the Office in any other way, and during the control, the District Court in Prešov declared bankruptcy proceedings on its property.

The controls carried out by the control department were aimed at compliance with applicable legal regulations in the performance of regulated activities in network industries for the period 2019–2023. In this context, the controls were aimed at compliance with the scope of price regulation, material regulation and quality regulation approved by the Office.

In 2023, controls were carried out in 22 regulated entities that conduct activities in the electricity industry, while in 3 cases it was the area of RES and in 3 cases it was the area of RES and CHP, out of which 63 violations of Act No. 250/2012 Z.z. and Act No. 251/2012 Z.z. were indicated. In the area of the gas industry, the Office carried

out controls in 11 regulated entities, while in 8 of them 25 violations of Act No. 250/2012 Z.z. and Act No. 251/2012 Z.z. were indicated.

The most frequent violations in the electricity and gas industry covered non-compliance with the approved business conditions of electricity and gas supply, invoicing prices without the Office's price decision or in contradiction with the Office's price decision, and also provision of incorrect data in the submitted evaluation of quality standards, errors in billing invoices (e.g. . absence of mandatory statutory information on the share of RES, information on quality standards, etc.).

In the case of entities that perform regulated activities in the thermal energy sector, the Office carried out controls in 19 subjects, out of which in 3 cases it was in the area of RES and CHP, while in 13 of them 25 violations of Act No. 250/2012 Z.z. were recorded. In the field of thermal energy, the most common crime was that the heat supplier did not settle unauthorized costs included in the variable component of the maximum heat price or the fixed component of the maximum heat price with an adequate profit with its consumers, thereby withholding the heat consumers' funds until the measure imposed by the Office for their settlement was met.

In water management, the Office carried out controls in 10 regulated entities and in all 10 cases found 25 violations of Act No. 250/2012 Z.z. In the field of water management, the most frequent offenses were incorrect data in the tables submitted at the request of the Office and incorrect (contrary to the price decision) billing of the price for the supply and distribution of water and for wastewater treatment.

In addition to conducting on-site controls in regulated entities, the Office also found violations of the provisions of Act No. 250/2012 Z.z., Act No. 251/2012 Z.z., Act No. 250/2007 Z.z. and the REMIT regulations. It resulted in imposition of fines by the Control Department on 15 regulated entities in the amount of 56,800 EUR, while these were 13 administrative proceedings for 1 to 11 violations of the provisions of Act No. 250/2012 Z.z. and/or No. 251/2012 Z.z. in the field of electricity industry regulation and/or gas industry regulation and/or thermal energy industry regulation or water management, 1 administrative procedure for violation of the provisions of § 4(2)(c) of Act No. 250/2007 Z.z. in connection with § 7(1), § 7(2)(a) and (b), § 7(4) and § 8(1)(d) of Act No. 250/2007 Z.z. and 1 administrative procedure for violation of the provisions of Art. 9 par. 5 and Art. 8 par. 1 of the REMIT regulation. In addition to these 15 regulated entities, the Office found violations of the provisions of Act No. 250/2012 Z.z. in other 7 regulated entities, in which it did not initiate separate administrative proceedings, since it also carried out an control in these regulated entities and included the detected violations in these administrative proceedings.

The Control Department, in addition to the controls carried out with the authority to perform the control, checked the fulfillment of measures to eliminate and correct the deficiencies laid down in the minutes of the discussion of the protocol on the result of the performed control, which were completed in 2018 and 2019 by regulated entities that were not checked by the Control Department as part of the performed controls in the following years, since no control was carried out in these regulated entities.

A total of 17 regulated entities were inspected as of 31.12.2023, in which measures were imposed to eliminate and correct deficiencies found during the control, out of which 4 regulated entities were found to have violated the provisions of § 29(1)(l) of Act No. 250/2012 Z.z. and against 3 of these entities, administrative proceedings will be initiated regarding the imposition of a fine, in the case of 3 regulated entities, the review was not completed and will continue in 2024, and in 10 regulated entities, no violation was detected, as the measures to eliminate and correct the identified deficiencies during the performance of the control were fulfilled within the specified period.

Detected violations

The overview shows the number of individual types of violations of Act No. 250/2012 Z.z., Act No. 251/2012 Z.z., Act No. 250/2007 Z.z. and REMIT regulations, which the control department and the RES and CHP department found out during the control of regulated entities and from official activities:

- E – electricity industry
- G – gas industry
- T – thermal energy industry
- W – water management

IDENTIFIED VIOLATIONS		AREA				TOTAL	
		E	G	T	W		
§ 13(4) of Act No, 250/2012 Z. z.	non-compliance with the operating rules of the distribution system operator	1	0	0	0	1	
§ 14(5)(a) of Act No. 250/2012 Z. z.	failure to submit a price proposal by 31 August 2022 for the first year of the regulatory period 2023 – 2027 connection to the system for regulated activity	6	0	0	0	6	
§ 14(5)(b) of Act No. 250/2012 Z. z.	failure to submit a price proposal by September 30, 2022 for the first year of the regulatory period 2023–2027 for the regulated activity of removing and cleaning wastewater through public sewer	0	0	0	1	1	
§ 14(5)(c) of Act No. 250/2012 Z. z.	failure to submit a price proposal by 31 October 2022 for the first year of the regulatory period 2023–2027 for regulated activity, access to the distribution system and distribution of electricity	3	0	0	0	3	
§ 15(6) of first sentence of Act No. 250/2012 Z. z.	failure to fulfill the obligation of the system operator or the network operator to notify within 15 days of the delivery of the permit that it is taking over the model operating procedure of a distribution system operator or a model operating order of a distribution network operator that provides services to less than 100,000 connected gas customers	1	1	0	0	2	
§ 15(6) of third sentence of Act No. 250/2012 Z. z.	failure to submit to the Office for approval a proposal to change the operating rules within 90 days from the date when the conditions on the basis of which the operating rules were approved, including changes resulting from generally binding legal regulations	6	0	0	0	6	
§ 22 (4)(f) of Act No. 250/2012 Z. z.	failure to send an overview of paid compensation payments for the previous calendar year year of office until the end of February	2	1	4	0	7	
§ 22(4)(h) of Act No. 250/2012 Z. z.	failure to send the evaluation of quality standards for the previous year to the Office by the end of February	3	2	4	0	9	
§ 22(5) of Act No. 250/2012 Z. z.	non-payment of compensation to the customer for non-compliance with quality standards in in the amount and manner determined by the Office's decree	2	3	0	0	5	
§ 23(1) of Act No. 250/2012 Z. z.	non-fulfillment of the obligation of a person who has an ownership relationship or a lease relationship with property that is used to carry out a regulated activity according to § 2(c) point six and point seven, apply to the Office for registration on the basis of a written request within 30 days from the inclusion of the property in the accounting records or from the date of conclusion of the lease agreement	0	0	0	1	1	171
§ 23(5) of Act No. 250/2012 Z. z.	non-notification of a change in the data specified in the confirmation of the Office's registration within 15 days of its creation of this change	0	0	0	4	4	
§ 29(1)(a) of Act No. 250/2012 Z. z.	non-performance of regulated activity based on and within the scope of the permit, confirmation of compliance notification obligation or confirmation of registration	1	0	1	0	2	
§ 29(1)(b) of Act No. 250/2012 Z. z.	failure to perform a regulated activity in accordance with a valid decision or confirmation of the Office and failure to comply with price regulation according to generally binding legal regulation issued by the Office	26	7	9	5	47	
§ 29(1)(c) of Act No. 250/2012 Z. z.	non-accounting for costs in the production, distribution and supply of heat, which are not considered to be economically justified costs, within the time limit and in the manner established by the Office	0	0	15	0	15	
§ 29(1)(k) of Act No. 250/2012 Z. z. (or. § 29 (1)(j) of Act No. 250/2012 Z. z. as amended of Act No. 256/2022 Z. z.)	failure to provide the Office with complete and true data, documents, and documents free of charge and any information necessary for the purposes of this Act and for the performance of the Office's powers in the scope, manner and within the time limits determined by the authority	19	6	3	16	44	
§ 29(1)(l) of Act No. 250/2012 Z. z.	non-implementation of the measure determined by the Office according to § 9(1)(e) within the specified period	1	0	3	1	5	
§ 29(1)(n) of Act No. 250/2012 Z. z. (or. § 29(1)(o) of Act No.. 250/2012 Z. z. as amended of Act No. 256/2022 Z. z.)	non-compliance with market rules	8	4	0	0	12	
§ 34(2)(b) of Act No. 250/2012 Z. z.	failure to provide the required cooperation corresponding to the authorizations of the employees of the Office at performance of control according to § 33(1)(b)	1	0	0	0	1	

§ 4(7) of Act No. 251/2012 Z. z.	non-fulfillment of the notification obligation within 30 days when not doing business in the energy sector	2	0	0	0	2	
§ 6(1) of Act No. 251/2012 Z. z.	business in the energy sector without or in violation of a permit or confirmation of compliance notification obligation	2	0	0	0	2	
§ 10 (1) of Act No. 251/2012 Z. z.	failure to fulfill the obligation to request the Office in writing to make a change in the license, if they have changed conditions and facts on the basis of which the license was issued	2	0	0	0	2	
§ 11(16)(e) of Act No. 251/2012 Z. z.	failure to comply with the notification obligation within 30 days when changing the performance of the licensed activity	2	0	0	0	2	
§ 17(12) of Act No. 251/2012 Z. z.	failure to deliver the final bill of payments for the supply of electricity to the consumer of electricity in households no later than four weeks after making the change	1	0	0	0	1	
§ 34(2)(c) of Act No. 251/2012 Z. z.	non-fulfillment of the obligation to provide the electricity consumer with information on the individual's share types of primary energy sources of electricity	1	0	0	0	1	
§ 34(2)(d) of Act No. 251/2012 Z. z.	non-fulfillment of the obligation to provide the electricity consumer with information on the impact of electricity production	1	0	0	0	1	19
§ 34(2)(h) of Act No. 251/2012 Z. z.	non-fulfillment of the obligation to provide the electricity consumer with information about his rights relating to the means of settlement of the dispute	1	0	0	0	1	
§ 34(3) of Act No. 251/2012 Z. z.	failure to fulfill the obligation to provide information according to § 34(2)(c), d) and h) of Act No. 251/2012 Z.z. on the drawn-up invoice for the supply of electricity or in material sent simultaneously with such an invoice and in promotional materials sent by the end consumers of electricity	4	0	0	0	4	
§ 64(7)(p) point 1. of Act No. 251/2012 Z. z.	failure to fulfill the obligation of the distribution network operator to publish a sample on the website requests for access to the distribution network	0	1	0	0	1	
§ 64(7)(p) point 2.3. of Act No. 251/2012 Z. z.	failure to fulfill the obligation of the distribution network operator to publish a sample on the website contracts on connection to the distribution network	0	1	0	0	1	
§ 64(7)(p) point 2.5. of Act No. 251/2012 Z. z.	non-fulfillment of the obligation of the distribution network operator to publish on the website a sample application for connection to the distribution network and installation of a meter for a gas customer outside households,	0	1	0	0	1	
§ 4(2)(c) of Act No. 250/2007 Z. z. in connection to § 7(1), § 7(p)(a) and (b), § 7(4) and § 8(1)(d) of Act No.250/2007 Z. z.	violation of the prohibition to use unfair business practices	0	1	0	0	1	1
Art. 9 par. 5 of REMIT Regulation	failure to comply with the obligation to notify the national regulatory authority of a change in connection with information provided in the registration form	1	0	0	0	1	2
Art. 8 par. 1 of REMIT Regulation	failure to fulfill the obligation to provide the Agency for Cooperation of Energy Regulators with records of transactions on wholesale energy markets, including trading instructions	1	0	0	0	1	
TOTAL		98	28	39	28	193	

Measures to eliminate deficiencies

In accordance with § 9(1)(e) of Act No. 250/2012 Z.z., the Office imposes measures to eliminate and correct deficiencies after detecting a violation of the applicable legislation, and in the monitored year imposed 19 measures during the control, out of which 15 measures in the field of thermal energy, 2 measures in the area of water management, 1 measure in the area of the gas industry and 1 measure in the area of RES, while this measure was imposed by the Department of RES and CHP.

The Office imposed 16 measures on 8 regulated entities to settle economically unjustified costs with consumers of heat, consumers of drinking water and producers of waste water in the total amount of EUR 128,528.80, out of which:

- dealing with heat consumers
  - variable component of the maximum heat price 85,105.81 EUR,
  - fixed component of the maximum heat price 26,407.52 EUR,
- dealing with drinking water consumers 11,928.46 EUR,
- dealing with wastewater producers 5,087.01 EUR,

while at the same time, in one of these regulated entities, the Office also imposed 1 measure in the field of thermal energy, namely to fulfill the measure for the elimination and correction of deficiencies found during the control from the previous control.

The Office imposed a measure in the field of gas industry on one regulated entity, namely to issue a correction bill to customers for access to the distribution network and gas distribution.

The Office imposed a measure in the area of RES on one regulated entity.

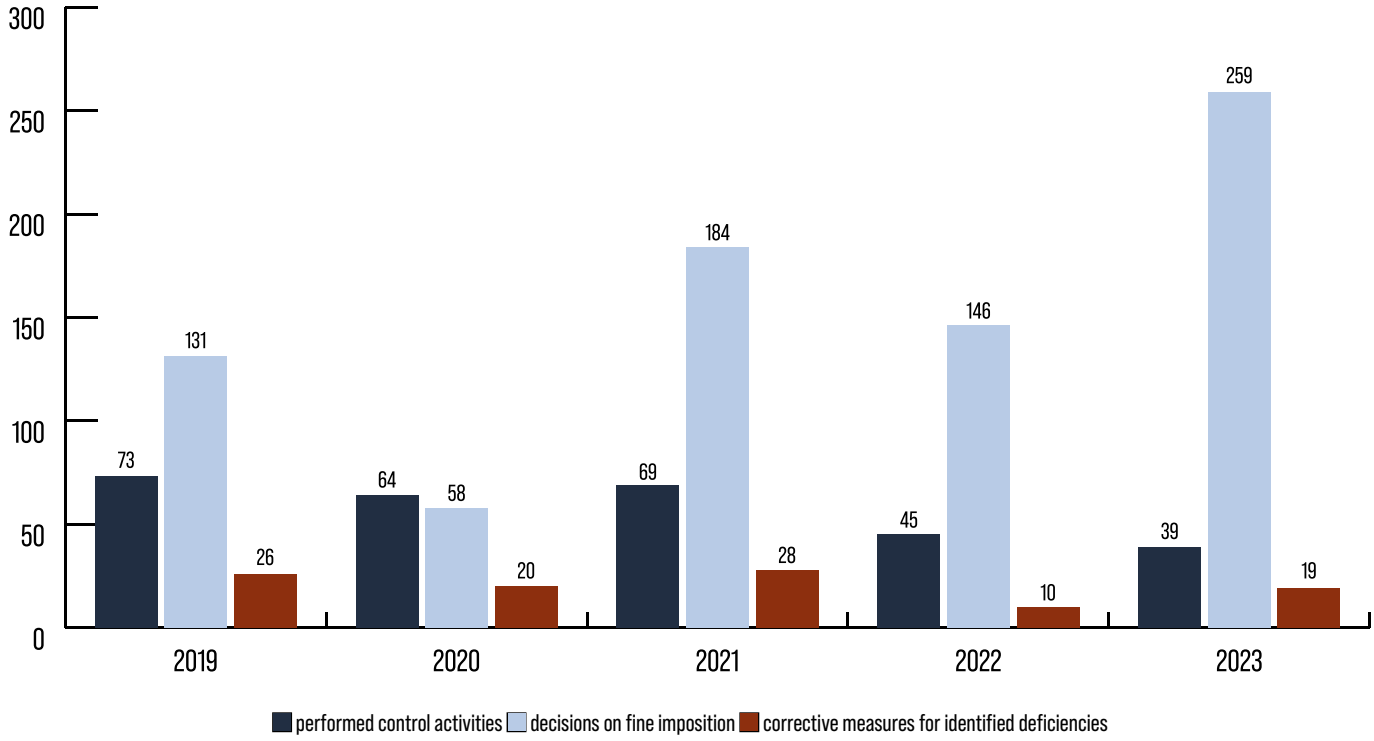
Fines for violation of the law imposed at the 1st stage of administrative proceedings

In the overview, the Office lists the sanctions imposed at the first level of administrative proceedings as for the entire Office, i.e. that the table, in addition to fines imposed by the control department for violations detected during controls in regulated entities and directly from official activity, also contains fines imposed for violations detected from official activity by other organizational units of the Office.

Overview of administrative proceedings

ISSUED DECISIONS		NUMBER	PENALTY (€)
I. ADMINISTRATIVE PROCEEDINGS BASED ON FINDINGS AT CONTROLS IN REGULATED ENTITIES (7 of them also associated with findings of violations from official activities - violations Act No. 250/2012 Z.z. in the field of regulation of electric power, thermal energy and water management)		31	125,600.00
II. ADMINISTRATIVE PROCEEDINGS BASED ON INDICATED VIOLATIONS OF OFFICIAL ACTIVITIES	imposing a penalty for violations of Act No. 250/2012 Z.z. of the Act No. 251/2012 Z.z., Act No. 250/2007 Z.z. and REMIT regulations in the field of regulation of electricity, gas, thermal energy and water management	15	56,800.00
	imposing a penalty for violations of Act No. 250/2012 Z.z. in the field of electricity regulation	127	349,100.00
	imposing a penalty for violations of Act No. 250/2012 Z.z. in the field of electricity and gas industry regulation	13	16,600.00
	imposing a penalty for violations of Act No. 250/2012 Z.z. in the field of thermal energy regulation	9	9,550.00
	imposing a penalty for violations of Act No. 250/2012 Z.z. in the field of water management regulation	46	56,500.00
	imposing a penalty for violations of Act No. 250/2012 Z.z., concerning quality standards, in the field of regulation of the electric power industry, gas industry and thermal energy	18	25,950.00
TOTAL		259	640,100.00

Overview of the number of controls carried out, the number of measures imposed and the decision to impose a fine



Initiatives and complaints

In 2023, in general, as in the previous year, the negative impact of the increase in energy prices on consumers continued, especially with regard to business entities. The most common reason for which consumers decided to contact the Office in the year under review was, as in the previous year, energy prices, especially electricity and gas, which continued to be unstable due to market developments. It was not entirely clear to consumers whether they have agreed on the correct price, whether they meet the conditions for inclusion in the regulated segment, or under what conditions they can have a state-regulated commodity price.

Compared to the previous year, 2022, the number of complaints handled by the Consumer Protection Department dropped to a total of 572 complaints, i.e. 111 complaints less than the previous year, which is less by 16.3%. Also, in the monitored year, the Office received some initiatives (52), which did not belong to the competence of the Office, and which the Office subsequently forwarded to the competent authorities for processing them.

Number of initiatives processed by the Department of Consumer Protection

	2019	2020	2021	2022	2023
Number of delivered initiatives	350	353	538	683	572
out of which number of forwarded initiatives outside of the Office	41	50	48	27	52
out of which number of initiatives concluded with a response	223	222	388	530	477
out of which number of initiatives concluded otherwise	86	81	102	126	43

In addition to the Department of Consumer Protection and the Department of Control, 21 complaints from natural and legal persons were received, 2 of which were included in the control plan, 2 submissions were forwarded to another state administration body for processing, and 3 submissions were used as a basis for administrative proceedings.

The Department of Control registered 1 complaint in the Office's central record of received complaints and petitions, the handling of which was not completed as of 12/31/2023.

Alternative dispute resolution

According to Act No. 391/2015 Z.z., the Office is an authority in charge of alternative resolution of consumer disputes arising from contracts on connection to the distribution system, contracts on connection to the distribution network, contracts on the joint supply of electricity, contracts on the joint supply of gas, contracts on the supply and removal of heat, contracts on the supply of drinking water and contracts on waste water disposal, concluded with an entity performing a regulated activity according to § 1(c) of Act No. 250/2012 Z.z. Pursuant to § 9(1)(o) of Act No. 250/2012 Z.z., the Office also carries out alternative resolution of consumer disputes of an end customer of electricity, end customer of gas, a customer who uses delivered heat for own consumption, a water customer or a producer of waste water who is a consumer according to a special regulation and decides to impose a sanction for administrative offenses committed by violating the obligations established in a special regulation.

In the monitored year, the Office received a total of 5 proposals for alternative resolution of consumer disputes. Out of these, 3 proposals were submitted on the basis of Act No. 391/2015 Z.z., where the party in the dispute was a natural person consumer and 2 proposals were submitted in accordance with § 37 of Act No. 250/2012 Z.z., where the party in the dispute was a legal entity - an end customer.

Out of the listed proposals, 1 proposal was rejected in accordance with the rules of alternative resolution of consumer disputes due to the unsubstantiated nature of the submission according to § 13(2)(c) Act No. 391/2015 Z.z.

One of the submitted proposals was rejected by postponement on the grounds that the consumer's rights were not violated in accordance with § 19 of Act No. 391/2015 Z.z.

In 2 cases filed on the basis of § 37 of Act No. 250/2012 Z.z., the deadline has passed in vain. Both cases related to invoicing, and the entity against which the proposal was directed, concluded an agreement with the party to the dispute outside of the alternative resolution of consumer disputes, in which it partially complied with the demands of the petitioner.

In one case, the alternative resolution of the dispute was not completed until 31.12.2023.

Statistics of alternative resolution of consumer disputes

	2019	2020	2021	2022	2023
Acceoted proposals	18	9	4	13	5
- rejected *	3	5	1	2	1
- agreement in favour of the customer *	3	0	1	1	0
- postponed or expiration of the deadline in vain *	12	0	2	10	3
- substantiated opinion*	0	4	0	0	0
- pending proposal for alternative dispute resolution until 31. 12. 2023	0	0	0	0	1

* statutory reasons for the termination of alternative dispute resolution pursuant to § 17 to 20 of Act No. 391/2015 Z. z. and § 37 of Act No. 250/2012 Z. z.

The most frequent reason for which consumers submitted proposals for alternative resolution of consumer disputes in 2023 was invoicing, while 80% of proposers had doubts about the correctness of consumption invoicing by the regulated entity. Consumers demanded an investigation into the correctness of the measured consumption data, consumption invoicing by the supplier and subsequent repair, or changes to the issued consumption invoice and 20% of the proposals were related to contractual terms and conditions. Circumstances that cause most consumer disputes to be resolved in an alternative way can be characterized by great differences between regulated and unregulated prices, insufficient communication on the part of the regulated entity, or between the consumer and the regulated entity and also insufficient knowledge and information of the consumer about his rights, but especially the obligations arising for him as a customer by law.

It can be stated that regulated entities as well as consumers generally comply with the conclusions of the resolution of consumer disputes. The Office does not have information that would indicate that the conclusions of the alternative resolution of consumer disputes are being disregarded, or that they are being deliberately violated. To make it more efficient and improving the quality of the alternative resolution of consumer disputes can mainly be contributed by increasing the awareness of consumers about the possibilities of solving their problems, as well as the increase in the experience of authorized persons who deal with the agenda of the alternative resolution of

consumer disputes. The reality is that if one of the parties is unwilling to conclude an agreement, the Office has no other option but to end the proceedings with a reasoned opinion.

Monitoring of Regulated Activities

In order to ensure balance between the interests of a consumer and a regulated entity, the Office monitors the activity of regulated entities, with the aim of obtaining necessary information so that it has sufficient tools available to verify the structure and amount of costs incurred for the performance of regulated activities, in order to set transparent and non-discriminatory regulation and prevent abuse vertical integration of regulated entities. The monitoring of the activities of regulated entities takes place by monitoring compliance with quality standards, achieved economic indicators, the procedure for procurement of goods and services and conclusion of contracts for provision of services within connected enterprises.

Rules for allocation of assets, liabilities, costs, revenues

For the purpose of preventing the occurrence of discrimination and cross subsidies in accordance with § 16 of Act No. 250/2012 Z.z., based on the request of 18 entities that meet the conditions, the Office approved rules for the allocation of assets, liabilities, costs, revenues separately for each activity in a total of 18 rules for the year 2023.

Monitoring of economic indicators

The Office monitors economic indicators of regulated entities, monitors the impact of price and material regulation on the achieved management results and economic efficiency of regulated entities in the field of electricity and gas industry through selected economic indicators.

In 2023, the Office monitored data on separate records for 2022, while receiving a total of 1,031 records from individual market participants in the following structure:

- 971 records only from the field of electricity industry,
- 8 records only from the field of gas industry,
- 52 records simultaneously from the fields of electricity and gas industry.

To a large extent, the fulfillment of the individual evaluated parameters was demonstrated on average at the level of 81.10%, which represents an improvement compared to the previous year (84.10%), as energy companies were exposed to several adverse external factors, such as the war in Ukraine, high electricity prices energy or a significant increase in inflation. Despite this, the regulated entities were able to create suitable conditions for maintaining financial stability and achieving favorable economic results.

Quality standards

By monitoring quality standards, the Office protects the consumer‘s right to receive adequate quality for the price he pays for energy and water in the conditions of the dominant position of the regulated entity. The decrees establishing quality standards primarily aimed to protect the consumer in the conditions of the dominant position of a regulated entity doing business in one of the network industries. Compensation payments have a supporting function in quality regulation, which aims to motivate regulated entities to increase the level of compliance with quality standards and to make investments that will ensure the growth of safety, stability and infrastructure development of regulated entities.

Number of delivered evaluations and recorded events in the electricity industry

Electricity industry	Electricity transmission	Electricity distribution	Electricity supply
Number of submitted evaluations	1	131	153
Number of recorded events	2	7,941,581	2,237,017
Number of recorded events with a violated standard Quality	0	14 936	471
Proportion of events with violated quality standard to recorded events	0.00 %	0.19 %	0.02 %

Number of delivered evaluations and recorded events in the gas industry

Gas industry	Gas storage	Gas transportation	Gas distribution	Gas supply
Number of submitted evaluations	2	1	40	57
Number of recorded events	777	168	37,156	960,775
Number of recorded events with a violated standard Quality	0	1	100	158
Proportion of events with violated quality standard to recorded events	0.00 %	0.01 %	0.27 %	0.02 %

Number of delivered evaluations and recorded events in the thermal energy sector

Thermal energy sector	Heat supply
Number of submitted evaluations	284
Number of recorded events	43,682
Number of recorded events with a violated standard Quality	38
Proportion of events with violated quality standard to recorded events	0.08 %

Number of delivered evaluations and recorded events in the water industry

Water Management	Potable water supply	Wastewater disposal
Number of submitted evaluations	404	410
Number of recorded events	68,043	47,155
Number of recorded events with a violated standard Quality	241	136
Proportion of events with violated quality standard to recorded events	0.35 %	0.29 %

Overview of paid compensation payments

Regulated activity		Paid compensation payments
Elektricity industry	Electricity transmission	0.00 €
	Electricity distrbution	248,878.25 €
	Electricity supply	11,142.64 €
	Total	260,020.89 €
Gas industry	Gas storage	0.00 €
	Gas transportation	0.00 €
	Gas distribution	3,780.00 €
	Gas supply	6,811.58 €
	Total	10,591.58 €
Thermal energy industry	Heat supply	16,205.00 €
	Total	16,205.00 €
Water management	Drinking water supply	1,163.38€
	Wastewater disposal	74.84 €
	Total	1,238.22 €
TOTAL		288,055.69 €

A total of 288,055.69 EUR was paid to customers for the year 2023.

Procurement of goods and services and conclusion of contracts

In order to create equal conditions on the market, the Office monitors the activity of system and network operators in order to prevent them from using vertical integration. A regulated entity that carries out regulated activity in the electricity or gas industry and is part of a vertically integrated enterprise is obliged to submit a service contract or its amendment to the Office for approval. In 2023, 12 contracts were approved by the Office.

In order to ensure a higher degree of control and management of heating and water supply companies, the Office will also monitor the conclusion of contracts for the provision of services with a connected enterprise from 2020, if such contracts are concluded by heating and water supply companies, outside of the public procurement process. In 2023, 32 contracts for the provision of services were approved, which were concluded with a connected enterprise by an entity that does business in the field of heating and water supply.

The purpose of approving contracts for the provision of services, primarily subject to the fulfillment of the condition that the regulated entity observes the appropriateness of the costs incurred when performing regulated activities, is to optimize the costs of performing regulated activities.

The Office further monitors transparent methods of procurement of goods and services necessary for the performance of regulated activities at entities that are part of vertically integrated enterprises and perform activities in the electric power and gas industry.

According to § 29(3) of Act No. 250/2012 Z.z., the Office registered 964 announced business tenders announced by 19 regulated entities. Out of the business public tenders announced in 2023 and in the previous period, 826 were completed and 66 business public tenders were canceled in the monitored year. There were 15 business public tenders that ended without a winner. As of 31.12.2023, 244 business tenders were in progress.

Pursuant to § 29(6) of Act No. 250/2012 Z.z., 99 regulated entities, which are not vertically integrated, notified the Office of 945 executed contracts, the value of which is higher than 300,000 EUR.

Business and financial agreements

The Office monitors the conclusion of commercial and financial agreements between the transmission network operator and another person who is part of the same vertically integrated gas company in order to ensure control of its independence from other parts of the vertically integrated company.

The Office will grant consent to the conclusion of the contract or its amendment if the operator of the transmission network proves that the terms of the contract or its changes correspond to the conditions customary in normal business relations, otherwise the Office will not grant consent to the conclusion of the contract or its amendment. During the year 2023, 5 business agreements were approved by the Office.

Guaranteed amount of electricity and/or gas

With effect from 01.07.2023, in accordance with Decree No. 207/2023 Z.z. and Decree No. 208/2023 Z.z., electricity and gas suppliers who ensure the supply of electricity or gas to end customers, on the basis of an electricity or gas supply contract or on the basis of the contract on the combined supply of electricity or gas, are oblged to provide the Office with information about the guaranteed amount of electricity and/or gas. From 01.07.2023, approximately 130 electricity and gas suppliers send information on the guaranteed amount of electricity and/or gas to the Office on a monthly basis.

8. INTERNATIONAL COOPERATION

Just like 2022, the year under review was marked by turbulent energy development. Despite ongoing problems, it was possible to maintain the security of energy supplies in EU countries. As a reaction to reaching the peak of energy prices in August 2022, the EC initiated discussions on a proposal that changes the concept of the EU electricity market. The aim of the reform was to make electricity prices less dependent on fluctuating fossil fuel prices, to protect consumers from price spikes, to accelerate the introduction of energy from renewable sources and to improve consumer protection. It also introduced restrictive measures against Russia, including a total ban on the import of hard coal and a ban on the import of oil transported by sea. The EU has phased out imports of Russian hard coal completely, reduced its dependence on Russian oil by around 90%, and imports of Russian gas fell by 75% from March 2021 to March 2023. The situation on the commodity market has thus become unstable, difficult to predict, while great emphasis is placed on the management of production and consumption. The massive production of electricity from RES requires investments in flexibility, energy storage and mandatory energy savings cause a change in consumption management.

Due to the ongoing tight balance between supply and demand, gas supply disruptions can have a significant impact on gas and electricity prices, which significantly harms the economy, reduces competitiveness, market liquidity and negatively affects the entire chain. Consumer protection is one of the priority issues that received considerable attention during 2023.

The importance of cross-border cooperation and solidarity of regulators, especially in the regional context, opens up the possibilities of using and sharing a set of tools and expertise for the coordinated solution of cross-border and global problems.

Facing the energy crisis, the EU intensified and accelerated the installation of energy technologies from renewable sources. Overall, the share of energy from renewable sources in the energy mix increased significantly between 2022 and 2023, and the EU agreed to accelerate the deployment of energy from renewable sources with a target of 42.5% in the EU‘s energy mix by 2030, with the ambition to reach 45%.

The year 2023 was a demanding and extremely active year in the adoption of legislative acts, guidelines or recommendations of the EU with an impact on national activity:

- RED III–Directive (EU) 2023/2413 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999, and Directive 98/70/EC regarding the promotion of energy from renewable sources (RES),
- EED–Directive 2023/1791 on energy efficiency and amending Regulation (EU) 2023/955;
- in March 2023, the revision process of two important legal acts was launched: REMIT II and

EMD–Organization of the electricity market–ongoing negotiations to amend the package;
- ongoing negotiations on a hydrogen and decarbonized gas market package;
- Council Regulation (EU) 2023/706 amending Regulation (EU) 2022/1369 as regards the extension of the demand reduction period for gas demand reduction measures and the strengthening of reporting and monitoring in relation to their implementation;
- Commission Implementing Regulation (EU) 2023/1162 on interoperability requirements and non-discriminatory and transparent access procedures to metering and consumption data;
- AFIR: Regulation (EU) 2023/1804 of the European Parliament and of the Council on the deployment of alternative fuels infrastructure;
- Council Regulation (EU) 2023/2919 on enhancing solidarity through better coordination of gas purchases, reliable reference prices, and cross-border gas exchanges (extension of the period of application);
- Council Regulation (EU) 2023/2920 on a market correction mechanism to protect EU citizens and the economy from excessively high prices (extension of the period of application).

During the year 2023, representatives of the Office were also active members of several thematic working groups operating on the ACER and CEER platforms. The Office provided cooperation in the creation of methodologies, comments on documents, rules for the common electricity and gas market, strengthening of cross-border energy infrastructure or monitoring and supervision of wholesale energy markets. An important activity of the Office in connection with building a unified electricity market covered involvement in working groups composed of representatives of regulators (and transmission system operators) of the Core capacity calculation region, who intensively discussed, prepared and commented on proposals and fine-tuned the rules for connecting daily, intraday and long-term markets with electricity and balancing markets.

In the area of the gas industry, discussions were held on the upcoming legislative package for the hydrogen and decarbonized gas market. In accordance with the obligation to fill reservoirs set by the EC, the introduction of the neutralization German fee had a negative impact on the development of transit tariffs, while the issue was resolved at the level of working groups during the year. Underground natural gas reservoirs have seen an increase in importance also from the point of view of supply security.

The Office‘s foreign trips during 2023 were carried out with the aim of solving professional tasks, exchanging experience, participating in conferences and resulted primarily from the fulfillment of the Office‘s obligations from membership in international organizations, working groups (especially ACER, CEER, ERRA or the Core region). An important part of the duties was to ensure the implementation of common rules for the single electricity and gas market in the EU, the issue of the energy crisis and high energy prices and the related consumer protection were addressed.

As part of the ongoing TSI (Technical Support Instrument) project, workshops were held with partner regulatory authorities (Spain and Hungary) with the aim of sharing experience in the transposition of Directive (EU) 2019/944 on common rules for the internal electricity market into national legislation.

REMIT

Regulation of the European Parliament and the Council (EU) No. 1227/2011 of 25 October 2011 on the integrity and transparency of the wholesale energy market (REMIT) establishes rules for market participants active in the wholesale electricity and gas market. The aim of the regulation is to increase confidence in the integrity of trading on wholesale markets in the EU, while this European legislation prohibits the misuse of confidential information in business transactions and market manipulation, including attempted manipulation. In the course of 2023, a comprehensive amendment of this regulation took place, the aim of which is to adjust the legislative framework so that it is able to respond adequately to new challenges on the market, to solve cases of market manipulation with international consequences and the use of algorithmic energy trading. The Department of International Cooperation was actively involved in the relevant comment procedures.

On the basis of Act No. 250/2012 Z.z. with effect from 01.09.2012, the Office performs registration of wholesale market participants, investigates suspected cases of market abuse and has the authority to impose sanctions in case of violation of the regulation. At the European and cross-border level, ACER coordinates market monitoring and cooperation between national regulators. In close cooperation with ACER, which identifies suspicious cases from transaction data, the Office closely examines received warnings on a regular basis. Other means (in addition to the regulatory body‘s own monitoring) through which potential cases of REMIT violations are received for investigation by the regulator are reports from energy exchanges or other trading and brokerage platforms

(so-called PPAT), or anonymous submissions by other market participants. The Office also conducted this activity during the year 2023.

In accordance with Commission Implementing Regulation (EU) No. 1348/2014 of 17 December 2014 on the notification of data, which implements Article 8 par. 2 and 6 REMIT, market participants are obliged to register in the national register of market participants and report data on wholesale transactions through authorized persons, which are the so-called registered reporting mechanisms (RRM) certified by ACER.

As of 31 December 2023, the Office registered 175 registered market participants operating on the Slovak wholesale energy market. Most market participants reported transaction data to ACER through Slovak RRMs, represented by the companies OKTE, a.s., and Solien, s. r. o.

Twinning projects

In the year under review, together with partner institutions from Italy and Greece, the Office continued the EU twinning project, aimed at providing professional assistance and capacity building to two bodies of the state administration of Palestine: PENRA (Palestinian Authority for Energy and Natural Resources) and PERC (Palestinian Regulatory Council for Electricity energy).

At the same time, in 2023, the Office started participating in the twinning project for the Malawi Regulatory Authority (MERA). The two-member consortium of providers is led by the Italian agency Gestore dei Servizi Energetici GSE SpA, and the Office acts as a junior partner in this project.

9. FINANCIAL MANAGEMENT OF THE OFFICE

The Office fulfilled the binding indicators of the state budget for the monitored year and managed the allocated funds as follows:

Revenue fulfillment

As of 31.12.2023, total revenues were fulfilled in the amount of 538,558.01 EUR, out of which the amount of 535,022 EUR represented paid fines imposed to regulated entities by the Office, and other non-tax revenues in the amount of 3,536.01 EUR, which in percentage terms represents fulfillment of this binding indicator to 179.52%, compared to the approved budget of the Office, where the income fulfillment item represented 300,000 EUR.

Expenditure fulfillment

The approved budget of total expenses for the year under review was broken down in the amount of 5,614,497 EUR. As of 31 December 2023, it was adjusted to the amount of EUR 6,373,043.90 by the budget measures of the Ministry of Finance of the Slovak Republic and the payment unit of the Ministry of Investments, Regional Development and Informatization of the Slovak Republic. The actual expenditure disbursement as of 31.12.2023 reached the amount of 6,373,013.85 EUR, which in percentage terms represents 100% (savings in the amount of 30 EUR).

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