



# 2020

## VÝROČNÁ SPRÁVA / ANNUAL REPORT

Úrad pre reguláciu sieťových odvetví  
Regulatory Office for Network Industries

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# Executive Management



**Andrej Juris**  
Chairman



**Szabolcs Hodosy**  
Vice-chairman



**Martin Horváth**  
Vice-chairman



# Chairman's Message

Upon my appointment as Chairman of the Office in July 2020, I announced three key priorities - fair prices, protection of vulnerable consumers, and development of innovation and competition in energy solutions. I am convinced that the common denominator for the systematic fulfillment of these objectives is effective and transparent communication with the public, as is the case with ACER, the European energy regulator, which adopts all major decisions in the form of public consultations. Therefore, I considered maximum involvement of the public, especially the professional one, in the regulatory process during 2020 to be extremely important.

However, 2020 was primarily a year of pandemic for us. Many people in Slovakia experienced difficult economic times due to the coronavirus, and it was our duty as the national regulator to respond adequately, whether to households or businesses. That is why we initiated the creation of several working groups and expert advisory committees. This created space for representatives of industrial as well as vulnerable customers to participate in the discussion on the adjustment of the regulatory framework and the impact of regulated electricity, gas, heat or water prices on the industry and economy of the Slovak Republic, but especially on the households and people affected by energy poverty.

I would like to highlight a novelty in the transparency process of the Office, which resulted from the amendment to the Act no. 250/2012 Coll. on Regulation in Network Industries, as amended. Since 1 September 2020, the Office began to publish on its website, in addition to price (tariff) decisions, all price (tariff) proposals together with the relevant documents submitted to the Office by regulated entities. This publication is one of the steps that has made the Office's activities more open to the public. The regulatory decisions taken in 2020 are therefore also the result of a relatively complex but all the more transparent process of close consultations, in which all parties had sufficient space to provide their views, suggestions and comments.

When assessing 2020, one must not forget the process which was under public scrutiny, even the search for a solution to the difficult situation of producers of electricity from renewable sources and combined heat and power generation, who were in arrears with the payment

of their obligations to the state and thus lost the entitlement to support. We did a systematic and thorough examination of the individual cases in order to identify the objective state of affairs and seek a fair solution. Thanks to the adoption of the relevant amendment to Act no. 309/2009 Coll. on RES and CHP support by the National Council (Parliament) of the Slovak Republic and intensive cooperation with the concerned institutions, we managed to set the parameters of the review of the whole process on a fair and non-discriminatory basis. Here I wish to recall that the Office, based on such practical experience, has the ambition to streamline the comprehensive digitization of the entire process of obtaining data from state institutions and regulated entities, which will of course require the necessary funds from the state budget.

An important event in 2020 was undoubtedly the November decision of the Regulatory Board to adopt the amendment to the regulatory policy, extending the current regulatory period until 2022 and resulting in the Office having adapted the preparation of the new regulatory policy accordingly. In this context, I would like to emphasize that my first year in the Office and my previous experience in the European energy sector confirm that a systematic and transparent performance of regulation remains the right path and a fundamental approach for the Office to achieving fair prices and protecting vulnerable consumers, promoting competition in emerging energy markets, and the integration of innovative solutions into the system of regulation in network industries in the Slovak Republic.

In conclusion, I would like to express my appreciation for the work and involvement of the Office's staff, who, despite the complications caused by the pandemic, were able to ensure the operation of regulatory processes and procedures at the Office. I would also like to thank all the institutions, companies and partners with which we come into working contact in the performance of our regulatory activities.

# Regulatory Board

The Regulatory Board is a body of the Office, which is to provide strategic management and the concept of regulation in network industries.

The Regulatory Board has six members, who are appointed and removed by the President of the Slovak Republic in such a manner, so that three members of the Regulatory Board are appointed on the proposal of the National Council of the Slovak Republic (Parliament) and three members on the proposal of the Government of the Slovak Republic. The President of the Slovak Republic, on the proposal of the Regulatory Board, appoints and removes the Chairman of the Regulatory Board.

In 2020, President Zuzana Čaputová appointed two new Regulatory Board members – Ms. Sylvia Beňová and Mr. Miroslav Dudlák.

## Regulatory Board Members

**Mr. Ján Ďuriš**, chairman

**Mr. Milan Krajčovič**, vice-chairman

**Mr. Juraj Doležal**, member

**Ms. Sylvia Beňová**, member

**Mr. Miroslav Dudlák**, member

## Competences of the Regulatory Board

- adopts regulatory policy, including its amendments,
- elects a candidate for appointment as Chairman of the Regulatory Board from among its members,
- submits a proposal of a candidate for appointment as the Chairman of the Regulatory Board and a proposal for removal of the Chairman of the Regulatory Board to the President of the Slovak Republic,
- elects the vice-chair of the Regulatory Board from among its members,
- comments on draft generally binding legislation to be issued by the Office,
- approves:
  1. draft agreements on mutual cooperation with the regulatory authorities of the EU Member States,
  2. rules of procedure of the Regulatory Board,
  3. reports on the activities of the Office,

4. establishing URSO branches outside its seat,
5. annual accounts of the Office.

The powers of the Regulatory Board also include decision-making in proceedings on appeals against first-instance decisions, with the exception of decisions on the imposition of a fine and decisions on disputes. The parties to the proceedings have the opportunity to lodge an appeal against a first-instance decision issued in proceedings on price (tariff) regulation, proceedings on technical (non-tariff) regulation or in proceedings on extraordinary regulation. The Regulatory Board shall review the procedure of the first instance body, address the objections of the parties and, if necessary, supplement the evidence. The Regulatory Board may decide to amend the decision of the first-instance body or revoke it without compensation, or uphold it and thus reject the appeal, or refer the matter back to the first-instance body for review and decision, or suspend the proceeding. Decisions of the Regulatory Board shall become valid upon their delivery to the parties to the proceeding. During 2020, the Regulatory Board issued 19 decisions, of which:

- four decisions suspending the proceeding,
- six decisions upholding prior decisions contested by an appeal and dismissing the appeal;
- eight decisions annulling prior decisions contested by an appeal and referring them back to the first instance body;
- one decision terminating an appeal proceeding.

## Decisions adopted by the Regulatory Board in appeal proceedings in 2020

Issued decisions	suspended	upheld	revoked	terminated
Quantity	4	6	8	1

## Regulatory policy

At its meeting on 10 November 2020, the Regulatory Board adopted Amendment no. 1 to the Regulatory Policy for the regulatory period 2017 - 2021 (hereinafter as the "Amendment"). The adopted Amendment extended the current regulatory period by one year, i.e. until the end of 2022. It also includes the needed adjustments to bridge this transitional period. The draft Amendment was prepa-

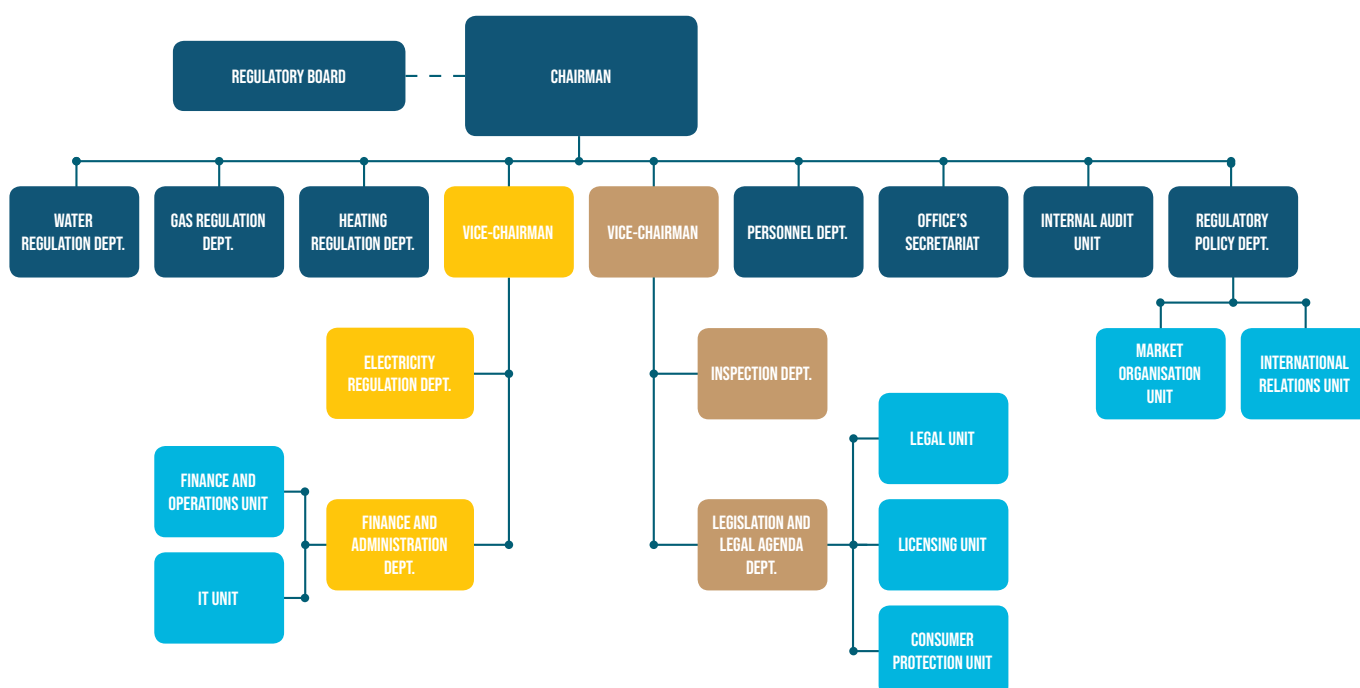
red by a special committee created for this purpose and was subject to a public consultation. Slovakia is currently facing the unprecedented consequences of the global economic crisis caused by the effects of the COVID-19 pandemic. It is therefore vital that the existing regulatory framework provides adequate stability and predictability for regulated entities as well as sufficient consumer protection in this time of crisis.

Following the adoption of the Amendment by the Regulatory Board, the Office began to work intensively on the preparation of a new regulatory policy. In this process, it counts on the intensive involvement of the professional public and all relevant market participants, commensurate to the importance of drafting such a key document for the energy sector in Slovakia.

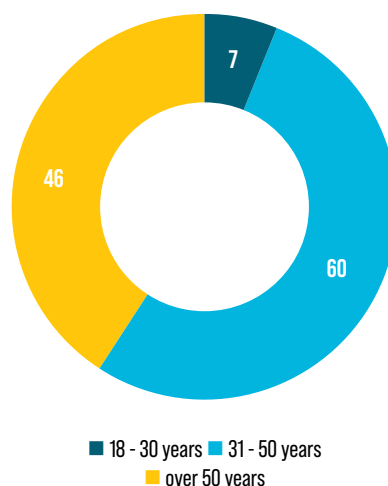
## Human Resources

As of 31 December 2020, the Office had a total of 113 employees (90% of the planned headcount of 125), of which 93 employees were in civil service relationship and 20 employees in regular employment relationship. Of the above number, 21 employees worked at local branches outside URSO's seat, i.e. Inspection Department staff based in Trenčín, Košice and Martin and Regulatory Policy Department staff based in Martin.

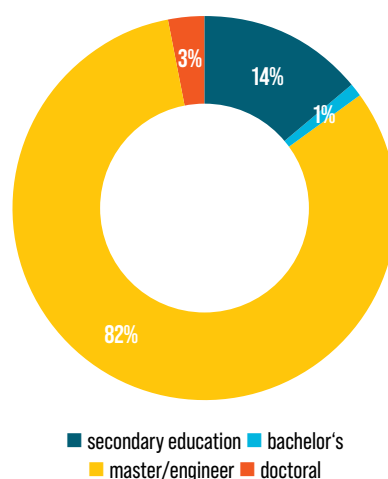
### Organisational structure



### Age composition of URSO staff



### Highest qualification attained by URSO staff



# 01

## ELECTRICITY



The Office carries out tariff as well as technical (non-tariff) regulation in electricity in a relatively wide scope - in the entire chain from generation up to supply to the final consumer. Subject to tariff regulation is not only generation, transmission, distribution and supply of electricity and related services, but also, for example, the activities of the short-term electricity market operator, or the activities of the electricity purchaser. In the area of technical regulation, the Office approves grid codes, business terms and conditions and issues business licenses in the electricity sector. The electricity sector is clearly one of the most dynamic and at the same time most complex regulatory sectors in the field of energy regulation.

The year 2020 in electricity can be characterized as a year of decline. After years of rising commodity prices, world energy exchanges experienced significant falls, which were caused by lower electricity demand. However, the fall in electricity prices on the markets did not paradoxically mean a reduction of all costs in the sector. Low prices in the day-ahead markets during 2020 caused, inter alia, an increase in feed-in-tariff payments. This meant one of the Office's main tasks in electricity regulation in 2020 was to eliminate the negative effects of the pandemic on individual categories of electricity consumers. The Office's efforts were thus aimed to ensure balance and stability between the participants in the electricity market that year.

2020 was also the fourth year of the 2017-2022 regulatory period. A key subject in electricity was clearly the ongoing process of transposition of the EU legislation (Clean Energy Package) into national legislation. In this area, the Office worked closely with the Ministry of Economy of the Slovak Republic on the preparation of the implementation of EU regulations into national primary legislation.

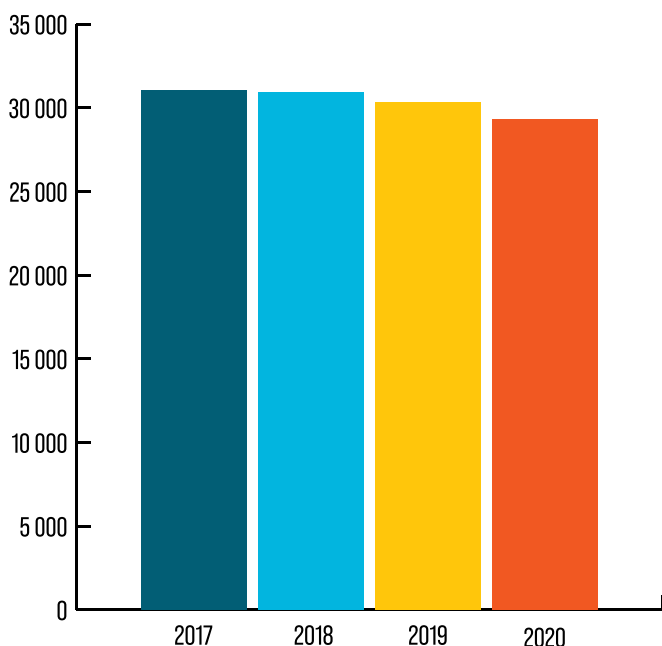
In terms of increasing transparency and open regulation in electricity, it is worthwhile to mention that since 1 September 2020 the Office has been publishing, in addition to valid price (tariff) decision, also the regulated entities' price (tariff) proposals in order to increase public confidence in the Office and access to essential information on which tariff regulation is based.

### Electricity market participants in Slovakia

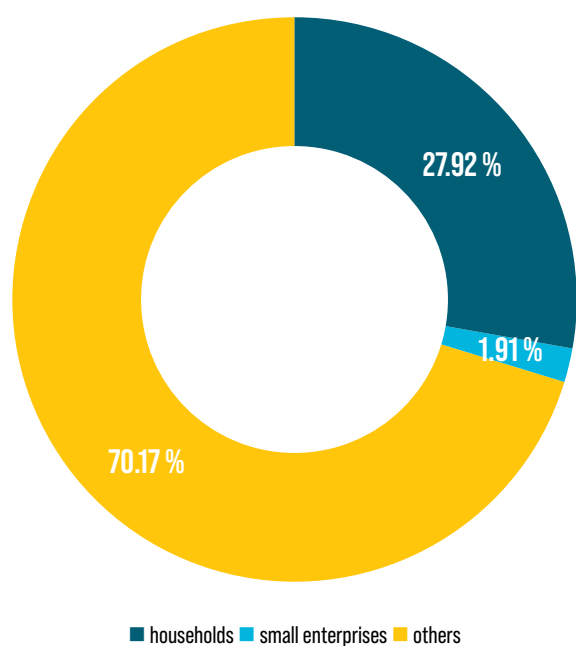
- electricity producers (Slovenské elektrárne, a.s. – dominant producer, 64.71% market share),
- short-term market operator (OKTE),
- Slovakia's power transmission system operator (SEPS),
- three regional distribution system operators (ZSD, SSD, VSD),
- local distribution system operators,
- electricity suppliers,
- electricity consumers,
- the electricity purchaser.

Electricity consumption in Slovakia in 2020 reached 29 328 GWh, which is 3.24% less than in 2019.

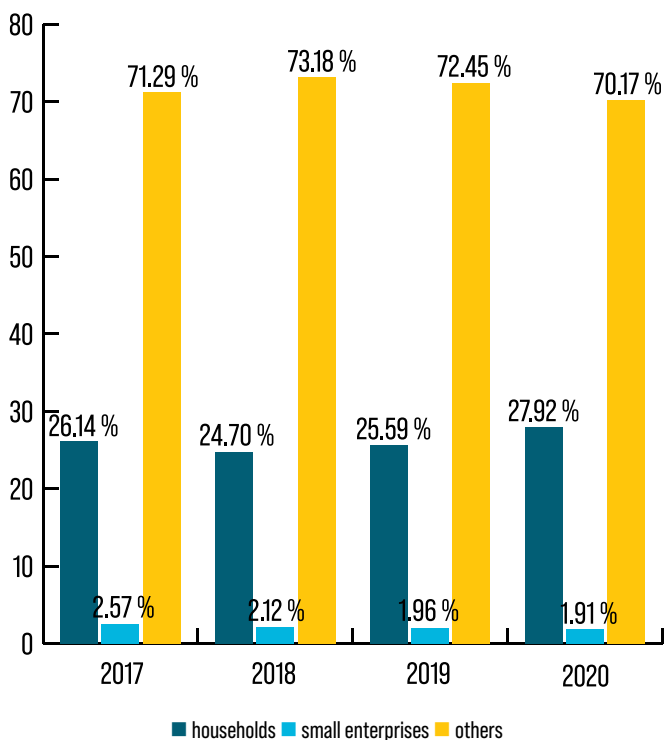
## Electricity consumption in Slovakia 2017-2020 (GWh)



## Shares of consumption by consumer categories in 2020



## Electricity consumption by consumer category



## Decisions adopted under electricity non-tariff regulation

	No. of decisions adopted			
	2017	2018	2019	2020
operation/grid codes	16	21	15	15
business terms and conditions	19	26	10	10
EU legislation-based decisions	7	20	27	5
transit conditions	3	2	4	2

## Decisions adopted under electricity tariff regulation (excl. RES and CHP)

	2017	2018	2019	2020	
				adopted for 2020	adopted for 2021
tariff decisions	487	331	301	49	112
proceedings suspended	15	20	20	20	-
proceedings terminated	4	5	7	2	-

## Grid infrastructure

In 2020 price cap method was applied in the electricity sector in line with the approved regulatory policy for 2017-2022. This tariff regulation method gave system operators, provided they behave efficiently and optimize their costs, an opportunity to retain reasonable profits.

## Transmission grid

The Office fixed the following network tariffs for the TSO, which could be applied towards customers directly connected to the transmission system in 2020:

- tariff for reserved capacity (€/MW/year),
- tariff for transmitted power (€/MWh),
- tariff for transmission losses (€/MWh),
- tariff for system services (€/MWh).

## Distribution networks

In electricity distribution, for customers connected directly to the distribution system at high and extra high voltage levels, the following network tariffs were applied:

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

For customers or electricity producers connected directly to the distribution system at low voltage levels, the following network tariffs set by the Office were applied:

- tariff for electricity distribution without losses, including transmission - reserved capacity component (€/A/month),
- tariff for electricity distribution without losses, including transmission - distributed power component (€/MWh),
- tariff for distribution losses (€/MWh),
- tariff for system services (€/MWh).

Tariff regulation was also applied for the local distribution system operators, namely by determining the method of calculating the maximum electricity supply tariff and tariff for access to the local distribution system and electricity distribution.

## Transmitted electricity (GWh)

Year	2017	2018	2019	2020
Transmitted electricity volume	31 975	28 619	31 395	31 524

## Distributed electricity (GWh)

Year	2017	2018	2019	2020
Distributed electricity volume	19 755	19 973	19 783	19 060

## SEPS – the TSO

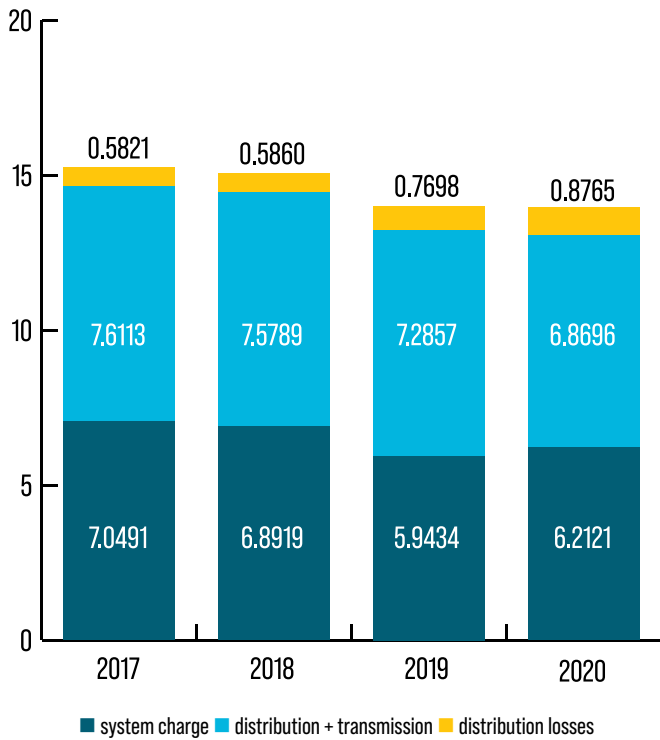
The Office is the responsible authority approving the TSO's grid code by which capacity allocation procedures and congestion management on cross-border profiles are governed. In 2020 cross-border interconnectors' capacities of Slovakia's transmission system provided for the necessary stability and security of the grid not only in the country, but also in the context of the EU.

## Available resources and investments of SEPS

Years	2017	2018	2019	2020
Available resources (€)	125 073 880	109 906 527	115 430 154	109 758 009
Investments (€)	50 456 121	51 355 867	54 367 053	75 509 721
Investments share (%)	40.34%	46.73%	47.10%	68.80%



## Regulated charges of SEPS (€/MWh)



## Ancillary and system services

Ancillary services are services the TSO procures in the open market and, with their assistance, provides network users with system services necessary to maintain the quality of power supply and secure operational reliability of Slovakia's power grid. Following their activation balancing energy can be supplied.

Upon TSO's request for the volumes of specific types of ancillary services, total planned procurement costs for all types of ancillary services from certified ancillary service providers were fixed by the Office for the TSO.

The Office also set maximum tariffs for providing primary and secondary active power control and tertiary active power controls, and maximum annual costs of providing remote voltage control, reactive power and black start. Maximum tariff of offered positive balancing energy and minimum tariff of offered negative balancing energy at the activation of the respective ancillary service type were also fixed by the Office.

The tariffs of balancing energy were set in a transparent manner on the basis of bid prices of used ancillary service providers installations as:

- ➔ the highest price of the generation source providing balancing energy on a quarter-hourly basis, if the balancing energy is positive, but not more than the maximum tariff set in URSO tariff decision,
- ➔ the lowest price of the generation source providing balancing electricity on a quarter-hourly basis, if the balancing electricity is negative, but not less than the minimum price set in URSO tariff decision.

The TSO purchased various types of ancillary services required to secure system services from ancillary services providers. The goal was to achieve minimum costs of ancillary services while organising the procurement in an open, transparent and non-discriminatory manner towards all providers.

The TSO made preferable use of bids from installations within the defined territory while respecting the principle of procurement cost minimisation. Technical qualifications of ancillary service providers were demonstrated by certified measurements as specified in the technical requirements.

## Ancillary services indicators

Indicator/year	2017	2018	2019	2020
No. of providers	25	25	24	24
No. of bids submitted by providers	3637	2809	2429	2673
No. of concluded contracts	32	29	52	30



## Balancing energy supply (MWh)

Type of balancing energy/year	2017	2018	2019	2020
Primary power control +	6 680	6 553	6 284	6 298
Primary power control -	-6 679	-6 567	-6 245	-6 325
Secondary power control +	121 264	112 853	67 522	30 994
Secondary power control -	-105 927	-95 954	-133 695	-98 576
Tertiary power control 3 min. +	5 887	2 097	1 552	404
Tertiary power control 3 min. -	-1 072	-745	-1 074	-1 086
Tertiary power control 10 min. +	2 574	334	539	52
Tertiary power control 10 min. -	-168	-120	-265	0
Tertiary power control 15 min. +	2 178	702	543	98
Tertiary power control 15 min. -	-1 335	-699	-875	-298
Tertiary power control 30 min. +	not in use	not in use	511	0
Tertiary power control 30 min. -	not in use	not in use	0	0
Demand reduction	4 459	285	511	0
Demand increase	0	-6.795	0	0
Import of emergency electricity	3 300	0	0	0
Secondary voltage control via reactive power compensation	0	0	0	-658
Non-guaranteed balancing energy+	50	0	0	0
Non-guaranteed balancing energy -	0	0	0	0
e-GCC+	54 425	40 209	31 170	51 410
e-GCC-	-36 430	-38 969	-59 383	-92 933
IGCC+	0	0	0	0
IGCC-	0	0	0	0
Positive balancing energy	200 816	163 032	108 121	89 256
Negative balancing energy	-151 611	-143 060	-201 537	-199 875

## Market coupling

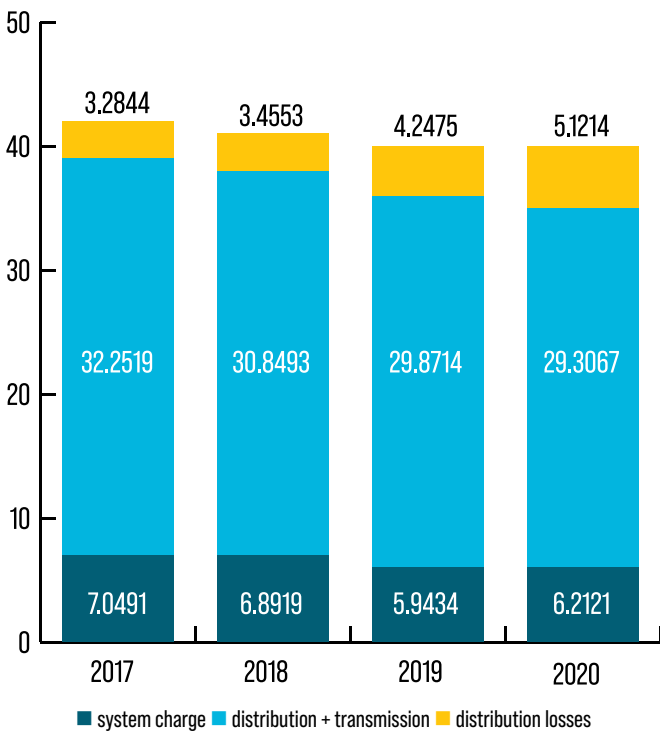
The market coupling (4M MC) project (coupling of Czech, Slovak, Hungarian and Romanian day-ahead markets) is one of the ways contributing to the creation of the single pan European electricity market. In the 4M MC, systems are already in place which were designed for the target model of the single day-ahead electricity market. This model of European price coupling simultaneously determines volumes and prices in each bidding zone based on the marginal pricing principle pursuant to the Commission regulation on capacity allocation and congestion management (CACM).

In 2020, operation, evaluation, clearing and settlement was performed in the short-term market on a daily basis including final monthly settlements. OKTE reported an increase in the volume of electricity traded in the 4M MC day-ahead market in 2020 as compared to the previous year – total volume reached 13.27 TWh, up by 2.19 TWh against 2019.

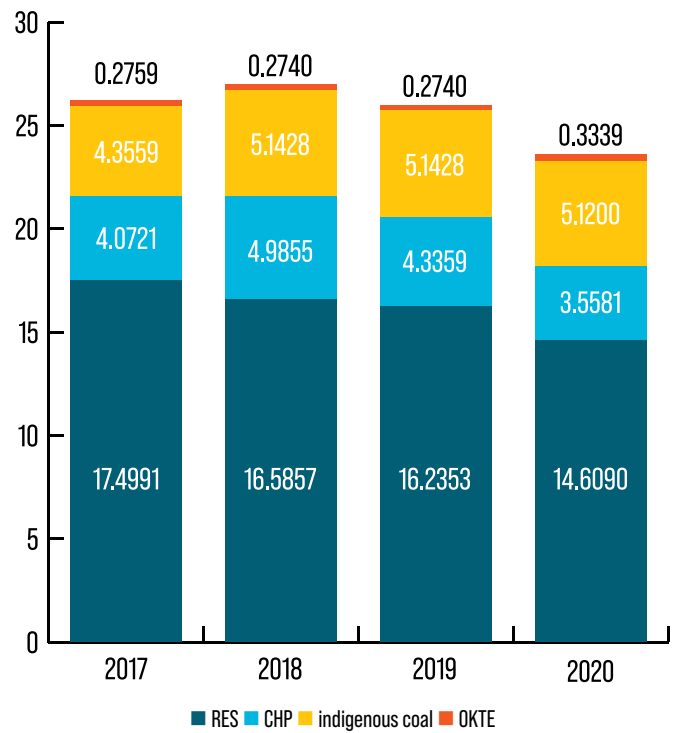
## GCC

Balancing energy procured by the TSO under contracts concluded with ancillary service providers or balancing energy suppliers in the GCC system was, in the framework of imbalance evaluation, clearing and settlement, billed as secondary control balancing energy at a specific tariff set by the Office. The allocation of revenue from the implementation of GCC was fixed by the Office in a tariff proceeding. Part of the revenue was left to SEPS and another part was used to reduce the system services tariff. The actual result of balancing energy purchases in the GCC system in 2020 became a revenue of the TSO in the amount of 8 711 574.37 EUR.

## Evolution and structure of regulated charges in €/MWh



## System operation tariff components (€/MWh)



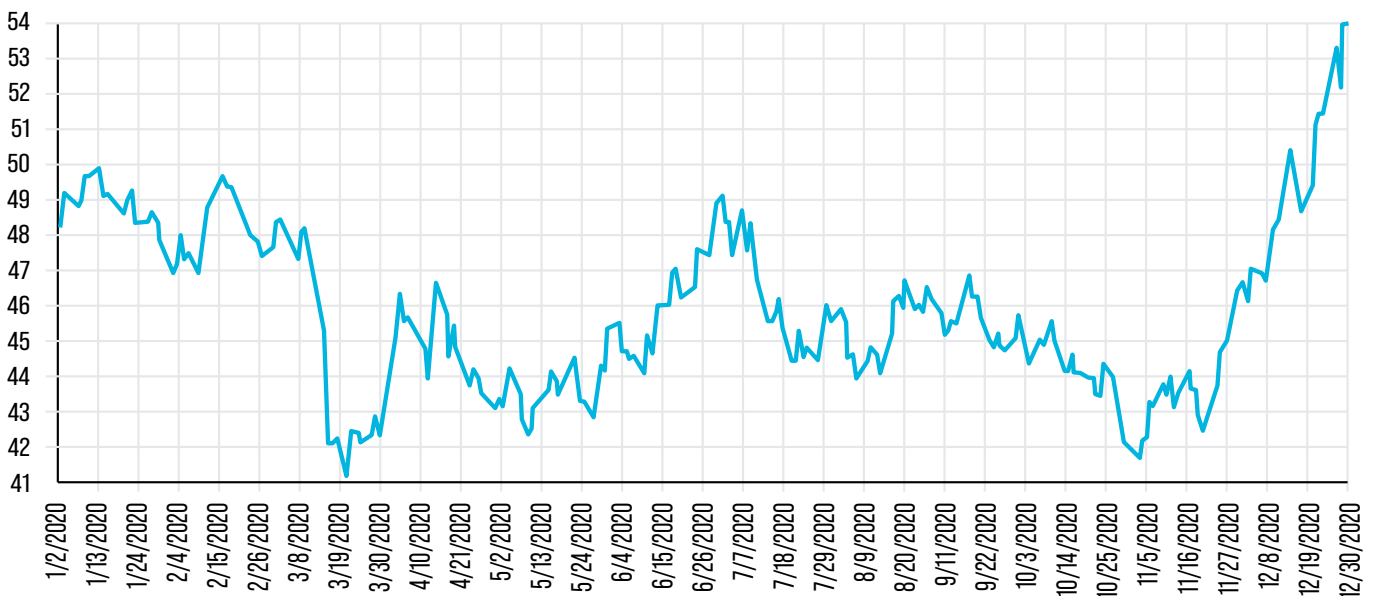
## System operation tariff

The system operation tariff is a fixed price for electricity volume which includes aliquot parts of costs of electricity generation from indigenous coal, renewable energy sources (RES), high-efficiency co-generation (CHP) and activities of the short-term market operator (OKTE). The tariff was applied to end consumption.

The Office set fixed prices for electricity produced from RES and CHP depending on the electricity generation's technological process, date of commissioning, installed capacity and the method of financing.

## Evolution of the commodity price

POWER EXCHANGE CENTRAL EUROPE (PXE), Product: F PXE SK BL CAL-t, Period: 01/2020 to 12/2020; average price: 46.05 €/MWh



## Wholesale market

In the wholesale electricity market, the Office's powers lay only in the creation of the legislative framework and monitoring compliance.

## Retail market

Act No. 250/2012 introduced tariff regulation of electricity supply to vulnerable customers comprising households and small enterprises.

Tariff regulation was applied to:

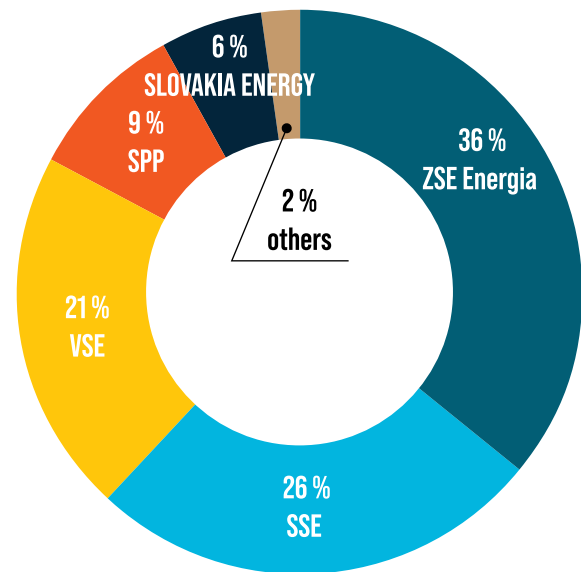
- supply to households,
- supply to small enterprises,
- the last resort supplier regime.

## Electricity supply to households

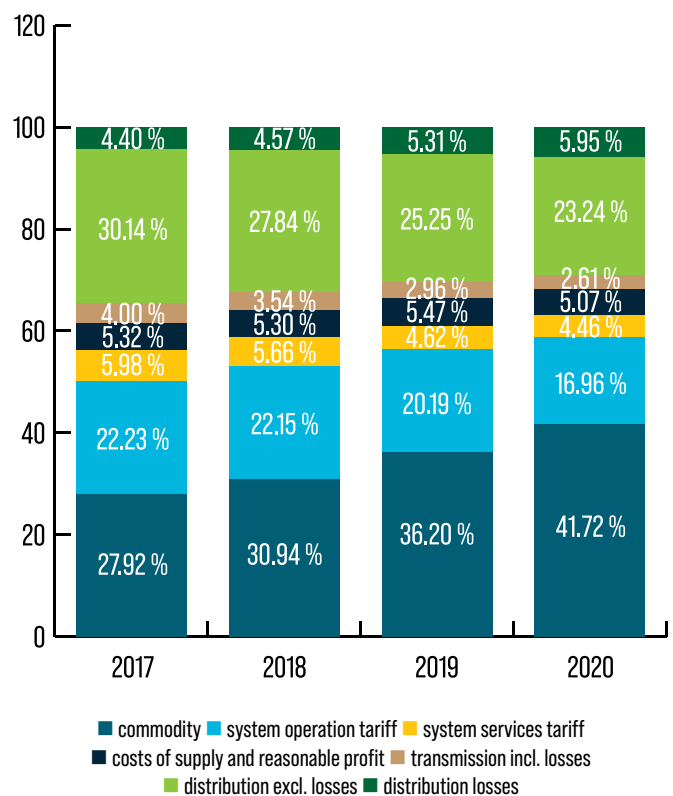
The default parameters for setting the maximum tariff of electricity supply to households for 2020 were: arithmetic average of day-ahead prices published in the official price list of PXE (Power Exchange Central Europe) on its website, of the F PXE SK BL Cal-t product for the period between 1 January and 30 June 2019; the percentage coefficient of up to 10% to cover the forecasted profile of electricity supply to households; and costs of imbalance related to electricity supply to households.

On top of the supply tariff, electricity suppliers charged the tariff for electricity distribution including transmission and transmission losses, distribution losses, system services tariff and system operation tariff pursuant to an URSO tariff decision. By this decision tariffs were approved or fixed for access to the distribution system and electricity distribution for the DSO to whose network the household consumer was connected.

## Market shares of electricity suppliers to households in 2020



## Breakdown of end user electricity price for households

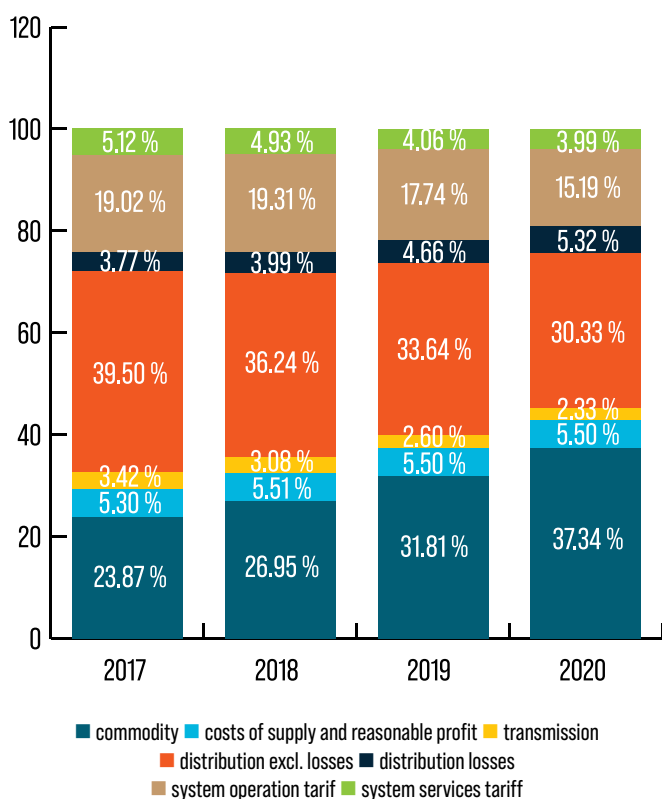


## Electricity supply to small enterprises

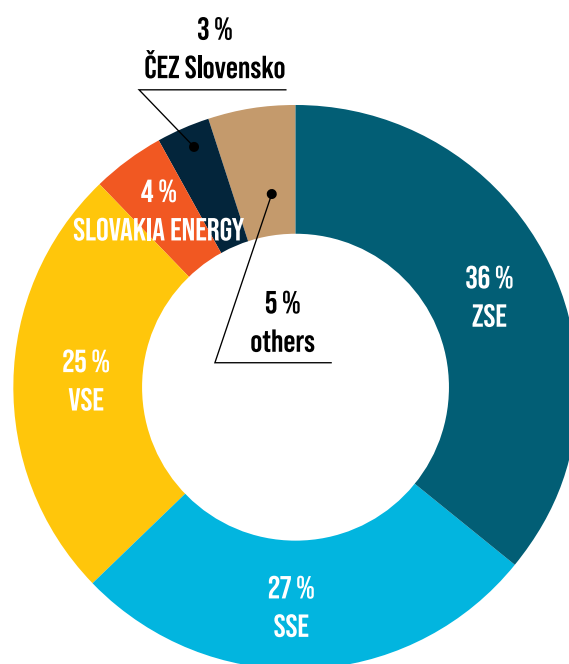
A small enterprise is defined as an end consumer with total annual consumption in all of their meter points of up to 30 000 kWh for the year preceding the year for which the respective tariff proposal is submitted. Electricity supply to small enterprises was divided into eleven tariffs. In 2020, the Office issued 105 tariff decisions on electricity supply to vulnerable consumers (households and small enterprises), up by ten compared to 2019.

The default parameters for setting the maximum tariff for electricity supplied to small enterprises for 2020 were: arithmetic average of day-ahead prices published in the official price list of PXE (Power Exchange Central Europe) on its website, of the F PXE SK BL Cal-t product for the period between 1 January and 30 June 2019; percentage coefficient of up to 10% to cover the forecasted profile of electricity supply to small enterprises; and costs of imbalance related to electricity supply to small enterprises.

## Breakdown of end user electricity price for small enterprises



## Market shares of electricity suppliers to small enterprises in 2020



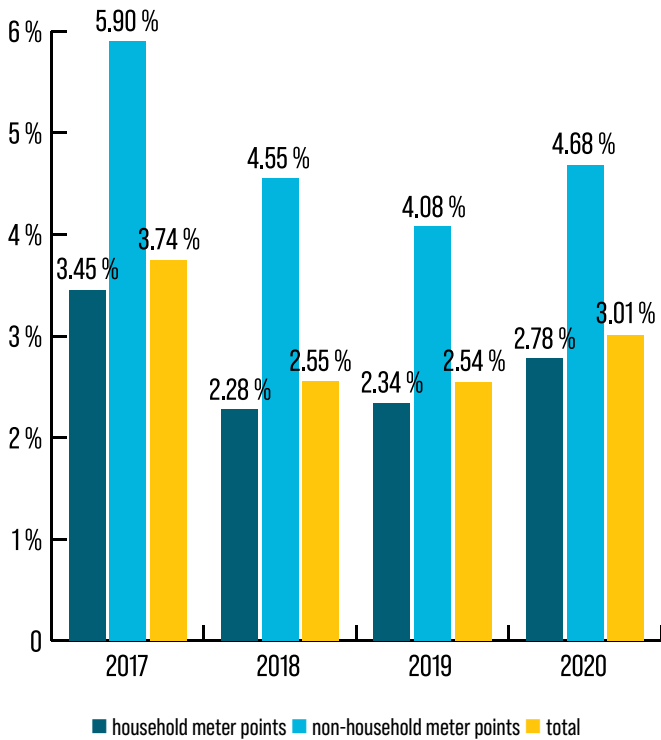
## Last resort supply

In 2020, no notification of the application of the last resort supplier regime was submitted to the Office. The last resort suppliers were ZSE Energia, Východoslovenská energetika and Stredoslovenská energetika, which are to supply power after the original supplier lost its ability to supply under Act 251/2012.

## Switching

In order to assess the level of electricity market liberalization, a per cent indicator (“switching”) is used, which is the ratio of the number of meter points with a change of electricity supplier, to the total number of meter points in a given year.

## Switching rates by consumer category



Measures taken by the government, especially during the first half of 2020, when also some major industrial enterprises had to be closed, inevitably led to a cut in final electricity consumption, resulting in decreased revenues from the system operation tariff.

Apart from the fall of final electricity consumption, reduced electricity prices on the day-ahead market in 2020 led to increased expenditures on RES and CHP promotion, which negatively affected the financial stability of OKTE, the party responsible for the RES/CHP support settlement.

## Impact of the corona crisis

In connection with the spread of COVID-19 and the emergency measures taken in response to it, the Office called as early as March 2020 on regulated entities and all participants in the regulated commodities market asking them to offer flexible and responsive solutions to potential problems arising in business and consumer relations and consider the restrictions resulting from measures announced by Slovakia's government and relevant public authorities.

In 2020, due to the pandemic, the price of the commodity on the PXE exchange fell, which had a positive effect on the price of electricity supply. Due to the decrease in the commodity price, which is included in the calculation of the tariff for electricity supply (-11.08%), the Office initiated proceedings to amend tariff decisions for electricity suppliers, which has a positive impact on the end electricity price for vulnerable customers in 2021.

# 02

## GAS



The gas industry in Slovakia is specific within the EU, especially due to the nature and scope of gas networks. The transmission network is characterized by significant transit use. Natural gas consumption in Slovakia reached about 8% of the total volume of transmitted gas in 2020. Transit through the transmission network served about 15% of the natural gas demand in the EU.

Another specific feature is the scope of distribution networks. Slovakia is the second most gasified country in the EU after the Netherlands. In 2020, SPP - distribúcia, the country's DSO, distributed gas to more than 1.5 mil. meter points for more than 94% of Slovakia's population with access to natural gas.

The Office performs price (tariff) and technical (non-tariff) regulation in the gas sector, namely for network fees - the use of infrastructure in the framework of gas transport to the customer's meter point, as well as for the tariffs of gas supply, but only for vulnerable customers under Act 250/2012.

In tariff regulation of gas infrastructure the subject of regulation is mainly:

- access to the transmission network and gas transmission,
- access to the distribution network and gas distribution,
- connection to the transmission and distribution networks, both for gas producers and gas customers,

In the area of infrastructure (non-tariff) regulation, in the framework of setting the rules of network operators in relation to network users, the most significant proceed-

ings were approvals of rules of operation for network operators, including underground storage.

Non-tariff regulation by the Office for gas market participants also includes approvals of business terms and conditions for gas suppliers providing universal service.

Access to storage facilities and storage of gas is not subject to tariff regulation. The agreed access of gas market participants to storage may be, in case of extraordinary regulation and after prior consultation with the EC, superseded by the Office with regulated access in accordance with Act 250/2012.

After previous years of rising prices, 2020 saw a sharp decline in natural gas prices on commodity exchanges, which was caused by lower natural gas demand, but also climate change. The outlook for the coming years is rather the opposite, with a gradual rise in natural gas prices, mainly due to the advancing wave of decarbonisation across all EU countries and the associated increasing demand for gas as an alternative fuel for coal-fired power plants over a transitional period. The Office was also actively involved in international fora on currently hotly debated issues like decarbonisation of the energy industry, including EU strategies on hydrogen, the use of biomethane, methane emissions reduction, or carbon dioxide capture and storage. From the Office's point of view, the im-

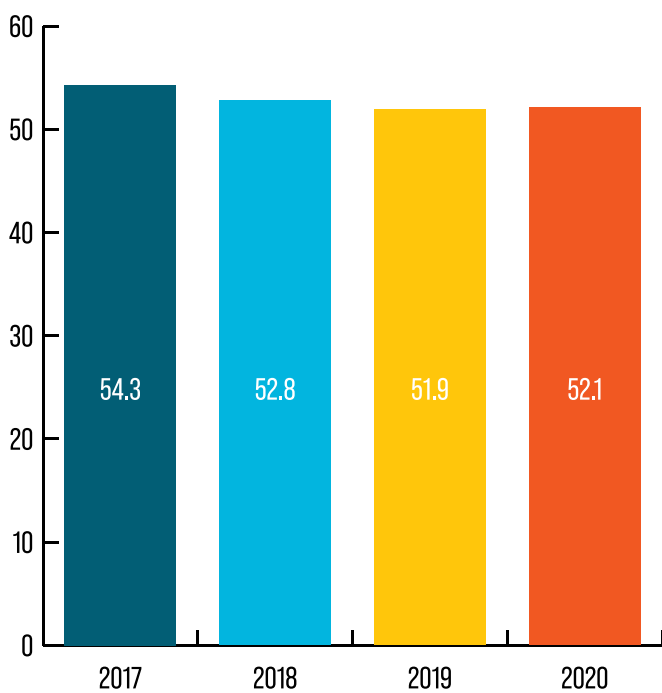
plementation of these strategies may represent not only an important contribution to decarbonisation, but a clear opportunity for further use of the existing large-scale gas infrastructure in Slovakia.

## Gas market participants

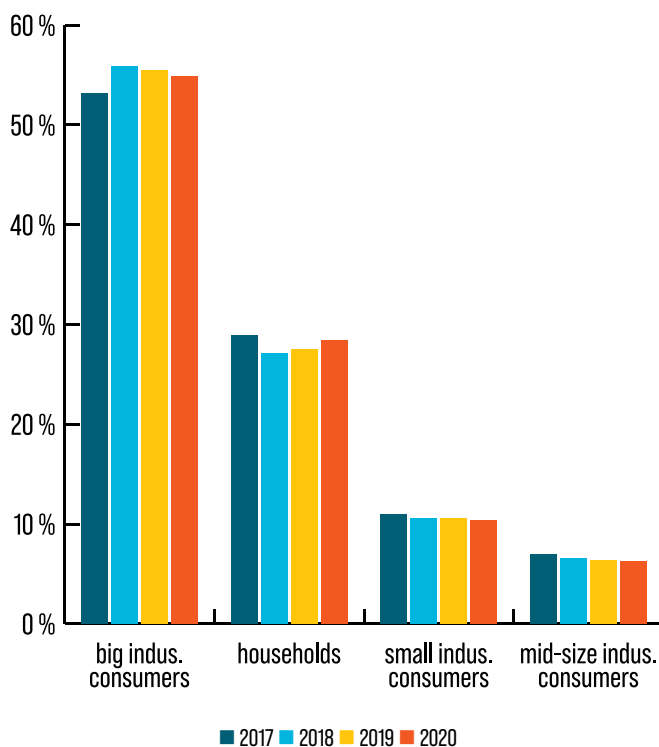
- the transmission system operator (Eustream),
- the distribution system operator on the territory of the Slovak Republic (SPP - distribúcia),
- 37 local distribution system operators,
- two underground storage operators (NAFTA, POZAGAS),
- 26 active gas suppliers,
- gas consumers.

Gas consumption in Slovakia reached 52.1 TWh in 2020, up by about 0.4% compared to 2019.

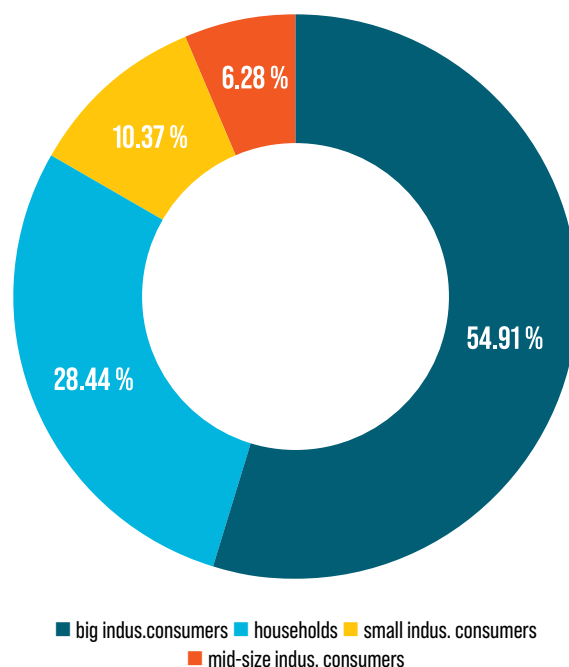
## Gas consumption (TWh)



## Gas consumption by consumer category



## Gas consumption by consumer category in 2020





## Decisions adopted by Gas Regulation Department

Tariff regulation-related decisions		2017	2018	2019	adopted in 2020 for 2020	adopted in 2020 for 2021
of which	gas supply to vulnerable consumers - country-wide suppliers	19	4		1	1
	gas supply to vulnerable consumers - country-wide suppliers - decisions amended		17	10		21
	gas supply to vulnerable consumers - local distribution systems (LDS)	19	1	1		
	gas supply to vulnerable consumers - local distribution systems (LDS) - decisions amended		12	6		19
	distribution network access and gas distribution (LDS - § 10 (6))	19	1	2		
	distribution network access and gas distribution (LDS - § 10 (6)) - decisions amended		1	2	1	3
	distribution network access and gas distribution (LDS - § 10 (7))	9	2			
	distribution network access and gas distribution (LDS - § 10 (7)) - decisions amended	7				1
	distribution network access and gas distribution (LDS - § 10 (8))			1		
	distribution network access and gas distribution (LDS - § 10 (8)) - decisions amended					9
	distribution network access and gas distribution (LDS - § 11 (1))	20	2	4		1
	distribution network access and gas distribution (LDS - § 11 (1)) - decisions amended					2
	distribution network connection (LDS)	7	1	4		
	distribution network access and gas distribution (SPP-D)	1				
	distribution network access and gas distribution (SPP-D) - decision amended	1	1			
	distribution network connection (SPP-D)	1				
	repurchasing of gas equipment	1				
	transmission network access and gas transmission	1		1		
	transmission network access and gas transmission - decision amended	1			1	
	<b>Total</b>		<b>106</b>	<b>42</b>	<b>31</b>	<b>60</b>
terminated tariff proceedings		1	1		0	0
suspended tariff proceedings		3	2	5	1	0
decisions revoked	3				0	3

### Rules of operation for the TSO, DSO and SSOs

In 2020, the Office adopted decisions on the approval or amendment of a total of six Rules of operation for gas network operators, of which three were decision amend-

ments for the TSO, one decision amendment for SPP – distribúcia (the DSO), one decision amendment for a local DSO and one decision for a new local DSO.

## Technical terms and conditions

In 2020 the Office also reviewed the technical terms and conditions of two local DSOs.

## Terms and conditions of gas supply in the provision of universal service

In 2020, the Office adopted five decisions on the approval or amendment to business terms and conditions for the provision of universal service for households and small enterprises.

## Decisions based on COM regulations

In the year under review, the Office adopted, pursuant to Commission Regulation (EU) 312/2014 (network code on gas balancing of transmission networks), decision 0001/2020/P-EU of 14 April 2020 approving the “Updated report on the application of interim measures” for the TSO.

Additionally, the Office approved decision 0002/2020/P-EU of 5 May 2020 pursuant to Commission Regulation (EU) 2017/459 (network code on capacity allocation mechanisms in gas transmission systems) approving the TSO’s incremental capacity project proposal based on the rulebook of the binding incremental capacity procedure for gas transmission from Hungary to Slovakia.

## Gas infrastructure

Regulatory policy for the 2017-2022 period and the Office Decree 223/2016 establishing tariff (price) regulation in the gas sector in accordance with Act 250/2012, continued to be the foundation of the regulatory framework for tariff regulation for the following regulated activities in the field of networks:

- transmission network access and gas transmission,
- distribution network access and gas distribution,
- transmission and distribution networks connection
- provision of ancillary services in the gas sector.

## Transmission system

Slovakia’s transmission network is owned and operated by Eustream. This transmission system represents an important energy link between the Russian Federation and the EU. Interconnection of Slovakia’s transmission network with neighbouring EU countries (the Czech Republic, Austria, Hungary and Poland) is provided via four entry/exit points. The transmission system is also interconnected with the transmission routes in Ukraine.

The entry/exit point to/from the transmission system in Poland (Výrava) is under construction. There are two entry/exit points to/from the transmission systems in the territory of third countries outside the EU, namely Velké Kapušany and Budince, on the border with Ukraine.

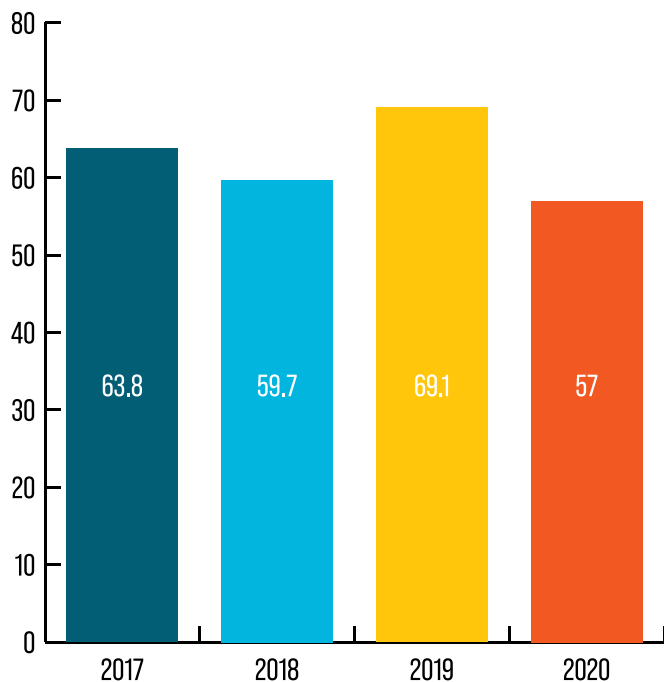
The entry/exit point to/from distribution systems and underground storage facilities in Slovakia is the domestic point.

Data on the volumes of technical, available and contracted capacities at individual entry/exit points are available on Eustream’s website.

## Eustream - the TSO

The tariff decision for access to the transmission system and gas transmission adopted by the Office in 2016 is valid for the entire 2017-2022 regulatory period. However, in accordance with Commission Regulation (EU) 2017/460 (network code on harmonised transmission tariff structures for gas), the Office adopted a tariff decision for access to the transmission system and gas transmission on 29 May 2019, which will be come into effect under that regulation from 1 January 2022. In 2020, the Office did not adopt any tariff decision for connection to the transmission system, as no new gas installation was connected to the transmission network.

## Gas transmission volume in bcm



## Transmission capacity

The annual capacity of the transmission system is 90 bcm. In 2020, Eustream transported 57 bcm of gas, of which 4.6 bcm was for domestic users (about 8 % of the total volume).

## Share of network users by country of origin in gas volume transmitted

Transmission network domestic users (transmission to the network's domestic point)	2017 (%)	2018 (%)	2019 (%)	2020 (%)
Slovakia	5.30	5.20	7.40	8.40
<b>Transiting users of the transmission network</b>				
Russia	69.27	72.23	66.80	71.30
Germany	5.17	5.97	4.00	1.70
Czech Republic	4.73	5.72	7.10	1.80
Hungary	0.00	0.00	0.10	2.40
Switzerland	1.44	0.73	1.60	5.10
UK	0.27	0.03	1.10	4.50
Austria	0.00	0.03	0.80	0.40
Denmark	0.00	0.00	0.00	0.00
France	0.02	0.17	0.10	0.60
Luxembourg	0.39	0.27	0.30	1.10
Ukraine	13.41	9.65	10.10	0.00
Poland	0.18	0.03	0.00	0.00
Romania	0.00	0.00	0.40	0.50
Netherlands	0.00	0.00	0.20	2.20
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Ten-Year Network Development Plan and cross-border cooperation

Responsibility for the technical functioning of the transmission network lies with Eustream, the transmission system operator. The TSO submitted to the Office for approval its proposal for the Ten-Year Network Development Plan (TYNDP) for 2020-2029 together with the Report on the Implementation of the Ten-Year Network Development Plan for 2019-2028.

The Office reviewed the TYNDP proposal and published information on the results of consultations with existing and potential transmission system users on the TYNDP together with information on the evaluation of the Report on its website.

The development of gas interconnectors is also part of the TYNDP. The plan is developed in accordance with the Union-wide TYNDP (EU TYNDP), which includes, inter alia, so-called projects of common interests (PCIs).

Regulation (EU) 2019/942 establishing a European Union Agency for the Cooperation of Energy Regulators obliges the national regulatory authority to cooperate with ACER in monitoring and assessing the consistency of cross-border network development investment plans with their implementation. The Office, in close cooperation with ACER and in accordance with Regulation 347/2013 on guidelines for trans-European energy infrastructure (TEN-E), sub-

mits reports and assessments of the status of the projects and monitors the whole process of PCI identification.

The TSO actively cooperates in the creation of the Union-wide TYNDP, which is prepared by ENTSO-G, as well as in the preparation of two gas regional investment plans (GRIP).

## Transmission system – overview of requests and contracts

Indicator/year	2017	2018	2019	2020
No. of requests for transmission network access	1 418	1 212	2 639	1 294
No. of requests for transmission network connection	0	0	0	0
No. of concluded contracts on transmission network connection	0	0	0	0
No. of concluded contracts on gas transmission with firm transmission capacity	994	995	2 276	1 150
of which: long-term	0	1	0	0
yearly	74	24	27	29
short-term, of which:	920	970	2 249	1 121
quarterly			53	28
monthly			83	98
daily			2 013	874
intraday			100	121
No. of concluded contracts on gas transmission with interruptible transmission capacity	407	213	363	128
of which: long-term	3	0	0	0
yearly	0	0	1	0
short-term, of which:	404	213	362	128
quarterly			9	16
monthly			23	51
daily			315	51
intraday			15	10
No. of concluded contracts on gas transmission with combined transmission capacity	17	4	19	16
of which: long-term	0	0	0	0
yearly	1	0	0	4
short-term, of which:	16	4	19	12
quarterly			0	7
monthly			0	3
daily			19	2
intraday			0	0
No. of transmission system users	33	27	45	31

Within the GRIPs, Slovakia is part of two regions:

- Central East Europe region,
- Southern Corridor region.

The Union-wide TYNDP, 2020 edition, includes the following projects:

- Eastring - Slovakia,
- Polish-Slovak gas interconnector,
- Incremental capacity project at Lanžhot entry point,
- Incremental capacity project at Velké Zlievce IP.

The Polish-Slovak (PL-SK) interconnector project and the incremental capacity project at Lanžhot entry point, which have a PCI status according to TEN-E Regulation, are also parts of the EU priority energy corridors, namely the Southern Gas Corridor and the North-South gas interconnections in Central Eastern and South Eastern Europe.

The projects represent an important interconnection of gas infrastructures of Western and Northern Europe with South-Eastern Europe, which, thanks to access to new natural gas sources from different regions, will significantly increase security of supply in the Central Eastern and South Eastern Europe. The projects are of great significance not only for the Slovak Republic, but also for the whole European region.

## PL-SK interconnector

The Polish - Slovak interconnection project represents the construction of a new cross - border interconnector of gas pipelines connecting the transit systems of Poland and Slovakia.

The aim of the integration of Poland's and Slovakia's gas pipeline systems, as part of the North-South Corridor, is to provide diversification and stability of gas supply in both countries, as well as to strengthen the development of a competitive gas market across the region. The interconnector may open access to Polish companies to gas supply from the Southern Corridor which is to supply natural gas from the Caspian Sea region, or to LNG supply from the Adriatic Sea, or, vice versa, in the future it may offer not only the Slovak market but also the whole region an opportunity of gas supply from the Baltic Sea region, as well as from unconventional deposits in Poland.

## Incremental capacity project at Lanžhot entry point

By having implemented the project, the fixed capacity at the Lanžhot entry point reached 55.1 bcm/year. The reason for the transmission capacity increase was to satisfy the indicated interest of Eustream customers in the transmission of natural gas in the direction from the Czech Republic to Slovakia.

In case of yet increased interest of transmission network users in the transmission of gas in the direction from the Czech Republic, further expansion of fixed capacity to around 61.7 bcm/year is foreseen. The expected date of commissioning of the project's second phase is 2025.

## Incremental capacity project at Velké Zlievce IP

Due to the expected changes in natural gas flows within Europe, an investment project is underway for increasing fixed transmission capacity at the Velké Zlievce interconnection point.

The implementation of the project will contribute to effective diversification of natural gas sources, thus promoting competition in the internal energy market, and to the increase of security of gas supply in Central and Eastern Europe and new opportunities for price arbitrage in Central European gas hubs.

In 2020, internal analyses of the project continued. Its implementation and commissioning will depend on market demand for a given capacity based on the developments associated with the natural gas extraction project in the Black Sea region.

## Eastring

The aim of the foreseen Eastring project, which includes Eastring - Slovakia in the territory of the Slovak Republic, is to build a bi-directional gas pipeline connecting the existing key infrastructure in Slovakia, connected to West European gas hubs, with gas infrastructures in Hungary, Romania, Bulgaria and Turkey.

The countries of South-Eastern Europe would thus gain access to Western European gas hubs thanks to the Eastring project. In the north - south direction, the project will also offer business opportunities for natural gas suppliers from Central and Western Europe to establish themselves in the Balkan and Turkish markets.

The technical capacity of the gas pipeline in the initial phase should reach 20 bcm per year and may be increased in the final phase up to 40 bcm per year. Its length, depending on the routing decision, should be about 1 200 km with pipelines with a DN 1400 diameter in bi-directional traffic.

## Distribution system

As at 31 December 2020, the distribution network of SPP - distribúcia, the country's DSO, had a total length of 33 336 km. The length of high-pressure gas pipelines was 6 287 km and the length of medium-pressure and low-pressure gas pipelines was 27 049 km.

### Investments in the renewal and reconstruction of the SPP – distribúcia distribution system

Volume in mil. €	2017	2018	2019	2020
	26.36	28.16	33.6	34.87

## Distribution network balancing

It is performed in such a way so that a safe and reliable gas distribution is provided in the event of a gas shortage, or surplus in the distribution network.

SPP - distribúcia has for this purpose gas stored in the underground storage Dolní Bojanovice located in the Czech Republic.

### Network balancing (in mil. m<sup>3</sup>/day) – gas withdrawal/injection from/into underground storage

	2017	2018	2019	2020
gas shortage - withdrawal	1.9	1.8	1.5	1.6
gas surplus - injection	2.5	1.4	1.3	1.9

## SPP-distribúcia – the DSO

### No. of meter points and volumes of gas distributed by SPP - distribúcia

	2017	2018	2019	2020
No. of meter points	1 514 282	1 518 200	1 522 710	1 526 582
Distributed gas volume in m <sup>3</sup>	4 901 064 256	4 777 815 776	4 841 280 704	5 003 958 741

Of the total number of meter (off-take) points, fourteen are CNG filling stations with the distributed gas volume of 7 476 015 m<sup>3</sup>, roughly the same volume as in 2019.

### Local distribution system (LDS) operators

In 2020, there were 37 registered LDS operators distributing gas in 53 local distribution systems (large company premises, industrial parks, shopping centers, residential complexes) in the total volume of 884 609 250 m<sup>3</sup>.

Ten customers (or meter points) changed their supplier in LDS. In addition to the LDS operators themselves, who performed the role of a gas supplier to the meter points, eight other suppliers also supplied gas to the meter points in LDS.

### Underground storage system operators (SSOs)

Underground storage is used primarily for seasonal storage of natural gas. It also represents an important tool increasing the country's energy security. In Slovakia's territory, underground storage facilities are operated by NAFTA, a.s. and POZAGAS, a.s. Access to storage and gas storage were not subject to tariff regulation in 2020.

## Storage capacity of the SSOs

SSO	Technical working volume (mil.m <sup>3</sup> /year)				Technical injectability (mil.m <sup>3</sup> /day)				Technical deliverability (mil.m <sup>3</sup> /day)			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
NAFTA	2 931	3 061	3 357	3 357	31.87	31.87	31.87	31.87	36.96	36.96	39.51	39.51
POZAGAS	655	655	655	655	6.85	6.85	6.85	6.85	6.85	6.85	6.85	6.85
<b>Total</b>	<b>3 586</b>	<b>3 716</b>	<b>4 012</b>	<b>4 012</b>	<b>38.72</b>	<b>38.72</b>	<b>38.72</b>	<b>38.72</b>	<b>43.81</b>	<b>43.81</b>	<b>46.36</b>	<b>46.36</b>

### Utilisation of NAFTA storage in 2020

Users (by country)	share
UK	43.82%
Slovakia	26.53%
Switzerland	17.14%
Czech Republic	8.83%
Germany	2.86%
Denmark	0.82%
<b>Total</b>	<b>100.00%</b>

NAFTA concluded 72 contracts with storage users, of which one contract with interruptible capacity and 71 contracts with firm capacity. The company received 100 requests, of which 34 requests were rejected due to capacity allocation to other requesters in line with applicable legislation.

POZAGAS received 26 requests for access to storage and concluded 11 contracts with firm capacity. Other applications were rejected due to a better price offered by other bidders.

### Utilisation of POZAGAS storage in 2020

Users (by country)	share
France	37.68%
Germany	22.48%
Czech Republic	13.97%
Italy	10.48%
UK	7.36%
Slovakia	5.70%
Denmark	2.34%
<b>Total</b>	<b>100.00%</b>

## Gas market monitoring Competition promotion

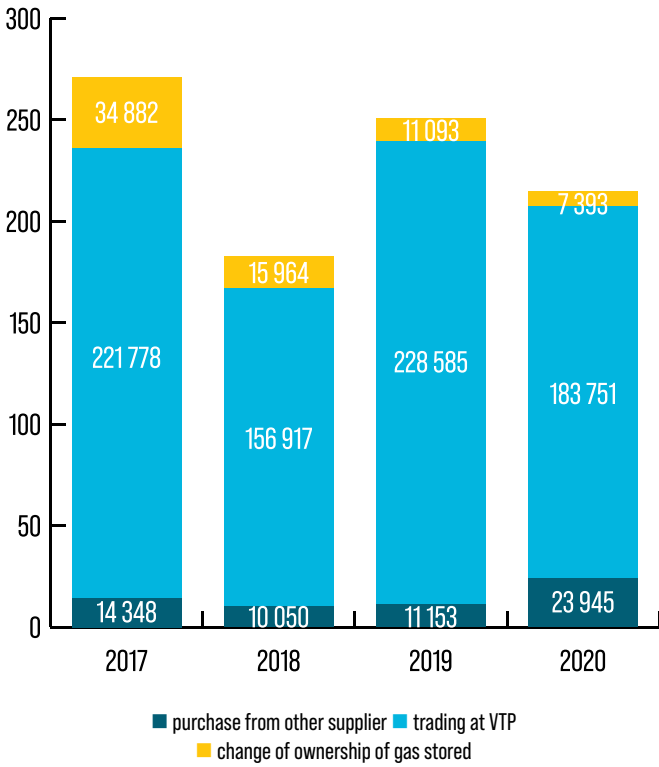
### Wholesale market

Slovakia's wholesale gas market is characterized by:

- ➔ gas purchases on the basis of long-term contracts,
- ➔ gas purchases on commodity exchanges,
- ➔ gas purchases from another trader - gas supplier (23 945 GWh in 2020, up by about 100% compared to 2019),
- ➔ trading at the virtual trading point of Eustream in the volume of 183 751 GWh, which is approximately 20% less than in 2019,
- ➔ trading, or changing gas ownership in underground storage, with 7 393 GWh volume of gas having changed its owner.



## Wholesale trading indicators (in GWh)



## Retail market

### Gas supply to vulnerable consumers

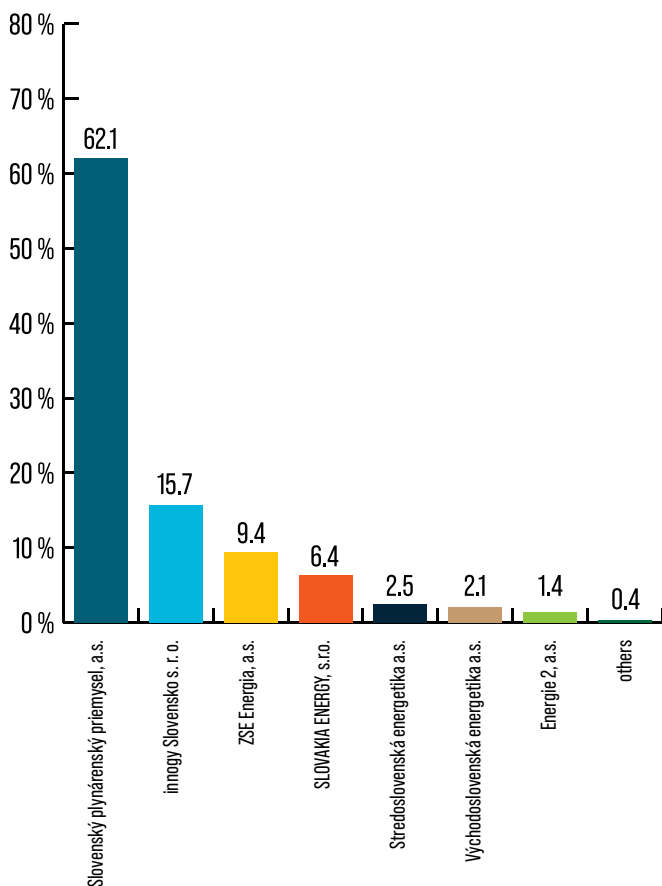
Pursuant to Act 250/2012, tariff decisions adopted in 2016 for gas suppliers supplying gas to vulnerable consumers, i.e. households and small enterprises with annual consumption of up to 100 000 kWh for the previous year, remain in force throughout the whole regulatory period (2017–2022). During the regulatory period, tariff decisions changed mainly due to a change in the reference price (exchange price EEX NCG Calendar +1), which is a determining factor for calculating the maximum gas supply tariff. A total of 16 nation-wide suppliers supplied gas to vulnerable gas consumers - households.

## Evolution of the commodity price

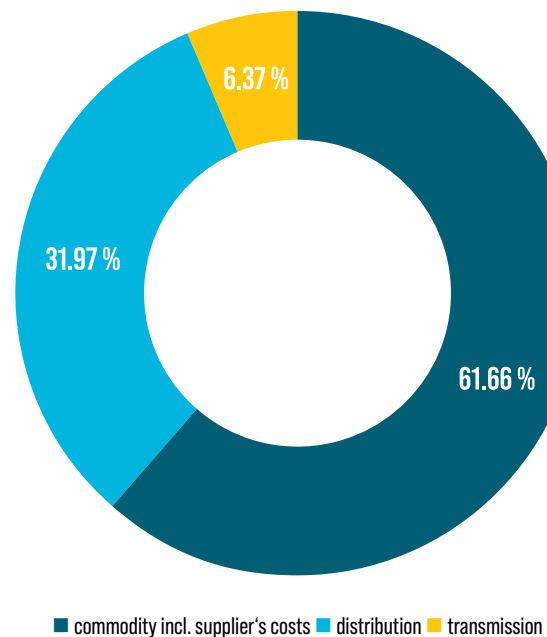
EEX (www.powernext.com) NCG Calendar + 1, Period: 01/2020 to 12/2020; average price: 13.86 €/MWh



## Market shares of gas suppliers to households in 2020



## Breakdown of average end user gas price for households in 2020



## Overview of maximum tariffs for gas supply to households, including network charges, according to average consumption in individual tariff categories for vulnerable consumers

Tariffs (by annual volume of supplied gas in kWh)	Fixed monthly tariff (€/month)				Variable tariff for gas consumed (€/kWh)			
	2017	from 01.12.2018	2019	2020	2017	from 01.12.2018	2019	2020
1 (up to 2 138 kWh)	1.96	2.78	2.78	2.78	0.0434	0.0453	0.0453	0.0453
2 (above 2 138 up to 18 173 kWh)	5.76	5.76	5.76	5.76	0.0325	0.0333	0.0333	0.0333
3 (above 18 173 up to 42 760 kWh)	8.64	8.64	8.64	8.64	0.0310	0.0332	0.0332	0.0332
4 (above 42 760 up to 69 485 kWh)	13.36	13.36	13.36	13.36	0.0304	0.0320	0.0320	0.0320
5 (above 69 485 up to 85 000 kWh)	42.45	42.45	42.45	42.45	0.0399	0.0420	0.0420	0.0420
6 (above 85 000 up to 100 000 kWh)	51.78	51.78	51.78	51.78	0.0398	0.0419	0.0419	0.0419

**Assumptions for 2021 of average values of maximum tariff of gas supply to households, including network charges, based on tariff proceedings conducted in the last quarter of 2020, tariffs according to average consumption in individual tariff categories for vulnerable customers**

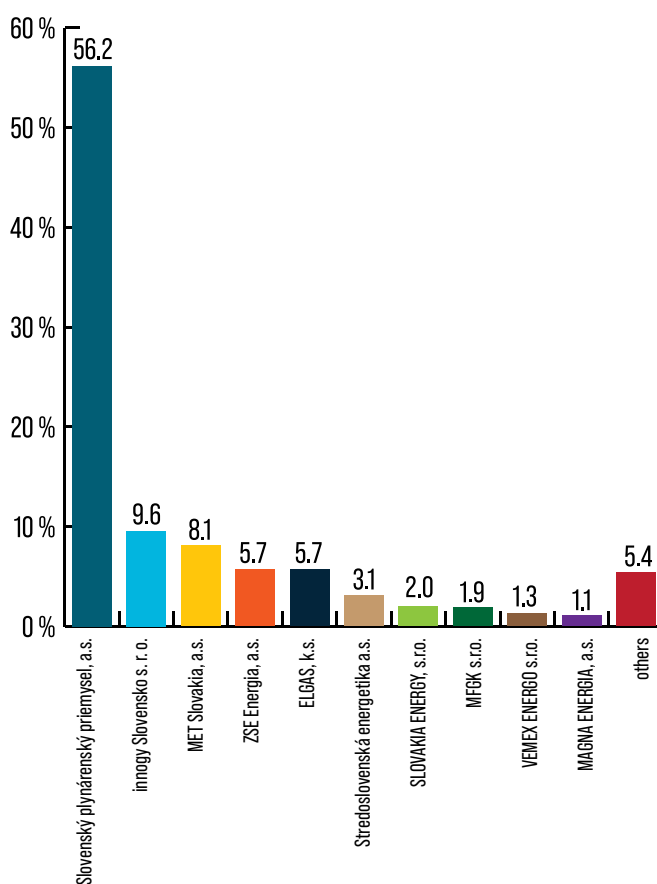
Tariffs (by annual volume of supplied gas in kWh)	Fixed monthly tariff (€/month)	Variable tariff for gas consumed (€/kWh)
1 (up to 2 138 kWh)	2.78	0.0419
2 (above 2 138 up to 18 173 kWh)	5.76	0.0297
3 (above 18 173 up to 42 760 kWh)	8.64	0.0295
4 (above 42 760 up to 69 485 kWh)	13.36	0.0279
5 (above 69 485 up to 85 000 kWh)	42.45	0.0356
6 (above 85 000 up to 100 000 kWh)	51.78	0.0355

### Last resort gas supply

Based on the Office's decision, Slovenský plynárenský priemysel (SPP) continued to be also in 2020 the supplier of the last resort. The Office received three notifications of the application of the last resort supplier regime, when the original gas supplier had lost the ability to supply gas to consumers under Act 251/2012.

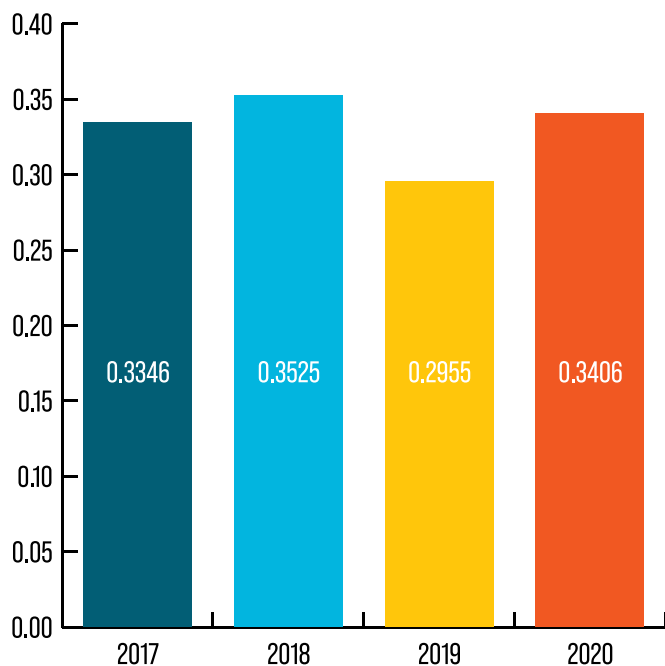
In 2020, there were 26 active gas suppliers to end gas consumers in the Slovak Republic.

### Market shares of gas suppliers to end consumers in 2020

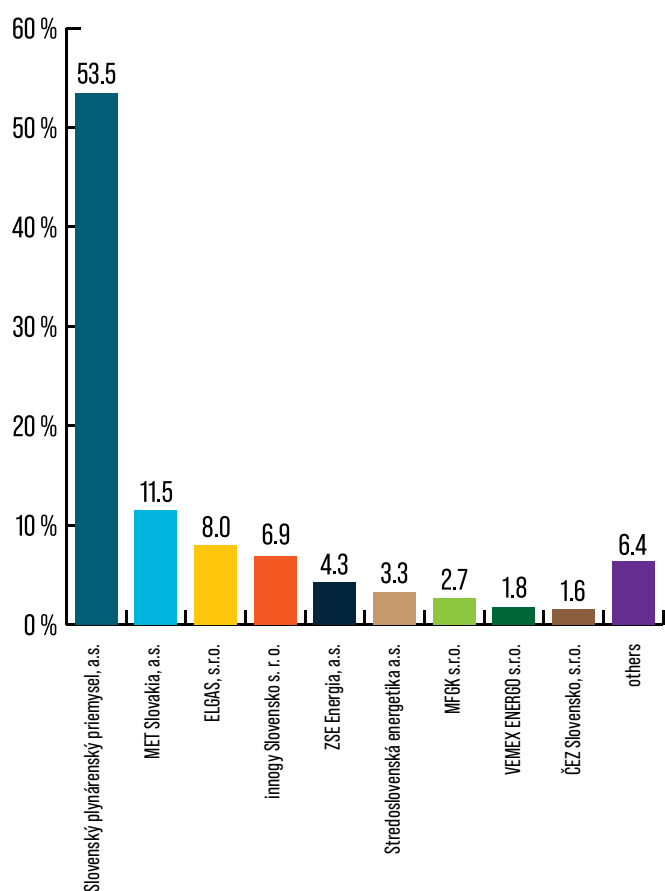


The purpose of the HHI (Herfindahl-Hirschman Index) is to measure the level of market concentration of regulated companies in a competitive environment. The Office reviewed market positions of regulated companies supplying gas to all consumers. The market is considered concentrated if the HHI-score is higher than 0.1 and highly concentrated if it exceeds 0.2. Increased HHI in 2020, as compared to the previous year, signifies increased market concentration. HHI stands still above the high concentration threshold.

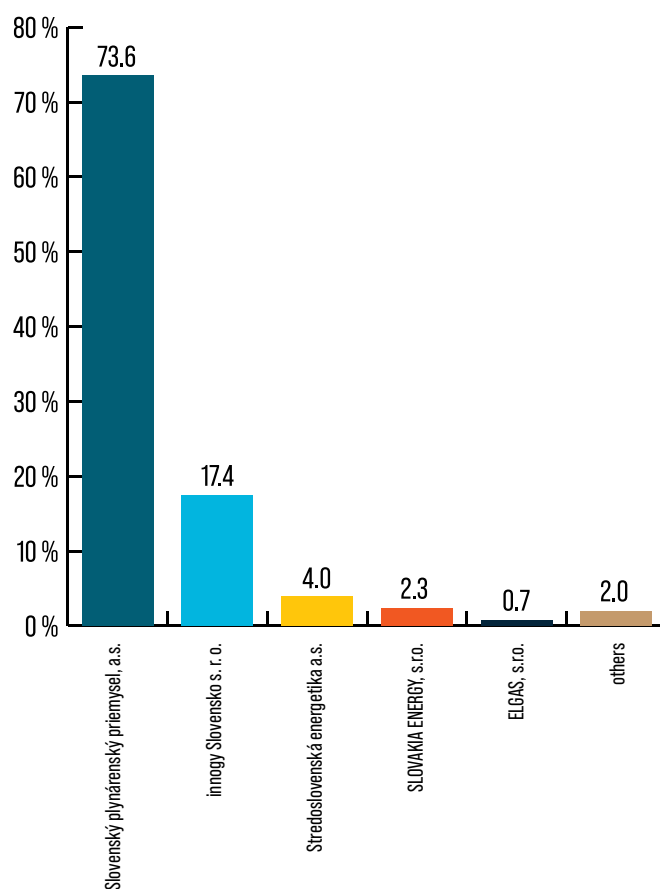
## Herfindahl–Hirschman Index (HHI)



## Market shares of gas suppliers to industrial customers excl. small enterprises in 2020



## Market shares of gas suppliers to small enterprises in 2020



## Switching

The level of gas market liberalization is measured by switching, a percentage indicator reflecting the ratio of the number of meter points with a gas supplier change to the total number of meter points.

In the year-on-year comparison, 2020 saw almost double switching values in the large consumer and mid-size consumer categories, where higher gas consumption in these market segments that are not subject to tariff regulation clearly led to negotiating a better price of gas supply with the new supplier.

In the context of the application of Regulation (EU) 2017/1938 concerning measures to safeguard the security of gas supply, the Office regularly participates in meetings of a working group, the purpose of which is to prepare agreements between the Slovak Republic and other EU Member States on the application of the solidarity mechanism in order to safeguard the security of gas supply in the event of a crisis. Currently legislative changes are underway concerning solidarity in Act 251/2012. The role of the Office consists mainly in providing comments

## Switching by customer category

	No. of customers who switched				switching rate [%]			
	2017	2018	2019	2020	2017	2018	2019	2020
big indus. customers	93	71	90	179	12.72	9.69	10.22	25.03
mid-size indus. customers	322	314	284	478	11.44	11.30	8.99	17.05
small indus. customers	4 743	4 765	3 687	5 093	6.21	6.23	4.82	6.64
households	43 670	36 627	48 000	48 481	2.98	2.54	3.32	3.35
total	48 828	41 777	52 061	54 231	3.16	2.74	3.41	3.55

## Switching rates 2017-2020



or ideas in the process of pricing of natural gas supplied in the event of a crisis to other countries or in the event of impact on the prices of gas supplied to households in Slovakia.

## Impact of the corona crisis

As part of the government measures announced in 2020 in response to the spread of COVID-19 and in particular in connection with the consequences of these measures, the Office addressed regulated companies as well as other gas market participants with a request to be helpful in resolving possible breaches of contractual relations due to limitations of the performance of some business activities on the part of gas customers.

Despite the very difficult pandemic situation that has lasted since March 2020 and continues into 2021, and the ensuing restrictive measures, these measures did not have a significant impact on the gas market. Gas consumption in Slovakia was even up slightly by 0.4%.

The number of gas suppliers was stable and the number of customers did not undergo major changes. This can also be explained by social measures taken by the government during the pandemic.

The position of gas suppliers has strengthened, with only one gas supplier with a very small market share completely having ended their gas supply.

# 03

## DISTRICT HEATING



The heat market in Slovakia is liberalized only in the sense that any entity, after fulfilling all legislative requirements, can operate in this market and exercise its right to do business in the heating sector.

The conditions of doing business in the heating sector, i.e. sale of heat to natural persons or legal entities are specified in Act 657/2004, which stipulates the rights and obligations of participants in the heat market. Tariff regulation for heating, as for other energy commodities, is governed by Act 250/2012.

Several years have passed since the adoption of these two main laws, so it can be stated that from a legislative and legal point of view, the business environment in the heating sector is stabilized and transparent. Contributing factors to this fact are that the implementing regulations governing tariff regulation have been in accordance with Act 250/2012 in force for several years and thus there are no frequent changes in the rules in a sector in which some processes require multi-year preparation (building permits or environmental impact assessments).

Liberalization in the heating sector cannot be yet applied in the same sense as in electricity or gas. It has been emphasized on multiple occasions in the past that heating has its own specifics given the nature of the heating systems, which are not interconnected and heat can be supplied through these systems from the producer only to specific consumers to specific supply (meter) points. Heat producers or distributors are also suppliers and their monopoly position in the heat market is incontestable. It is not yet possible to enter the heat market for an entity that does not own or rent heating installations.

The number of entities doing business in heating is limited by the number and scope of district heating systems. From this point of view, the environment is, so to speak, conservative as there are no extensive changes in the number of regulated entities and there is no intense fighting for the customer in the sector. The different rules of tariff regulation compared to the electricity and gas industries are based on these different conditions of operation in the heat market.

### No. of heat suppliers

Year	2017	2018	2019	2020
No. of heat suppliers	340	347	351	355
No. of suppliers which ceased to produce, distribute or supply heat	7	12	7	8
No. of suppliers which started to produce, distribute or supply heat	9	7	13	12

## Heat supply

District heating supply systems in Slovakia are built in all major cities and in several municipalities. Heat from these systems is supplied to approximately 12 700 end consumers to 25 000 supply (meter) points for the end consumption of these customers. The major suppliers of heat to households are heating plants in Bratislava, Košice, Trnava, Žilina, Martin and Zvolen. Their supply ranges from 100 GWh to 880 GWh per year.

### Heat supply overview

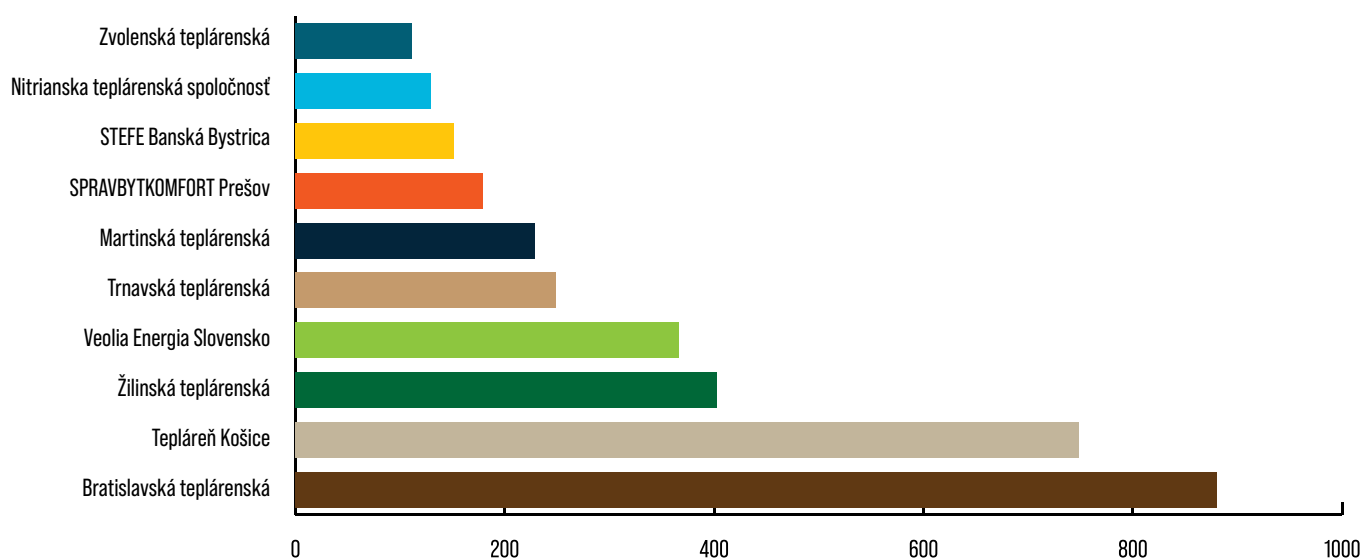
Year	2017	2018	2019	2020
No. of degree days	3 667	3 224	3 329	3 386
Space heating for residential buildings [GWh]	3 297	2 881	2 978	3 013
Water heating for residential buildings [GWh]	1 633	1 502	1 569	1 620
Space and water heating for residential buildings [GWh]	4 930	4 383	4 547	4 633
Space heating for non-residential premises [GWh]	5 279	4 348	3 077	4 082
Technological consumption [GWh]	3 380	6 219	6 844	5 288
Supply in total [GWh]	13 826	15 204	14 682	14 260
In-house consumption [GWh]	237	254	214	256

The total heat supply in 2020 reached 14 260 GWh, which is down 2.87% compared to 2019. The total heat supply includes supply for space and water heating for residential and non-residential premises and supply for technological consumption, i.e. consumption of heat in the production of materials and goods.

The supplier's in-house consumption is an informative value and does not enter the total supply figure. In 2020, 32.5% of the total heat supply was used for space and water heating in residential buildings, 28.6% in non-residential premises and 38.9% for technological purposes.

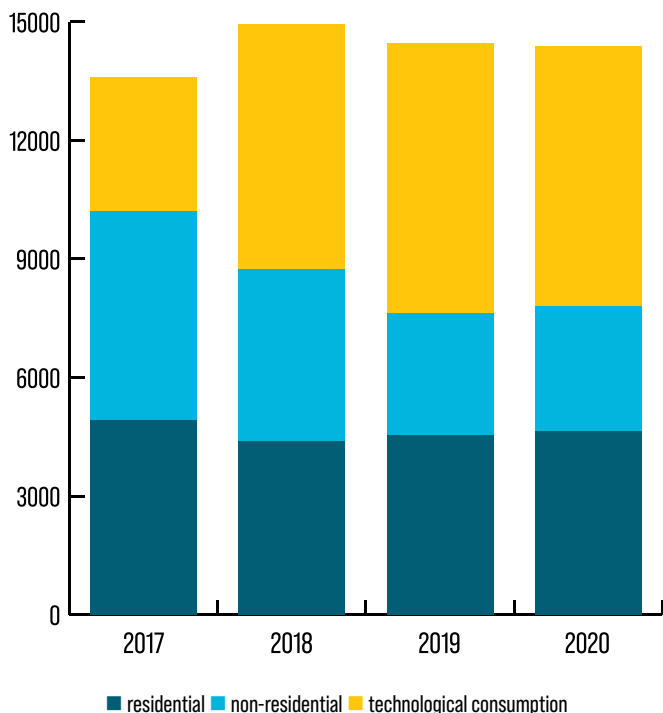
In 2020, the share of heat supply for space and water heating grew slightly, which corresponds to the colder year 2020, in which the average number of degree days was 1.7% higher than in 2019. On the other hand, heat supply for technological purposes dropped, probably due to the unfavorable pandemic situation related to COVID-19 in 2020.

### Major heat suppliers (in GWh)

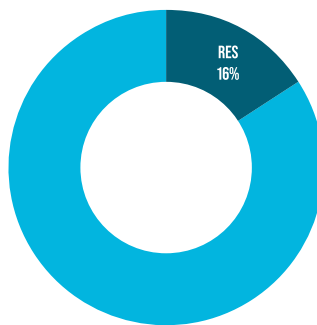




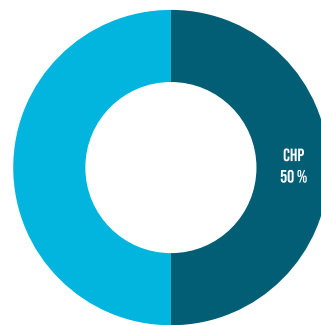
## Heat supply (GWh)



## Share of heat supply from RES



## Share of heat supply from CHP



The share of individual types of fuels in heat generation has been relatively stabilized since 2017. Compared to 2019, we saw a change in 2020 only in the consumption of coal, which dropped by 7%, and of biomass, which was down by 4%.

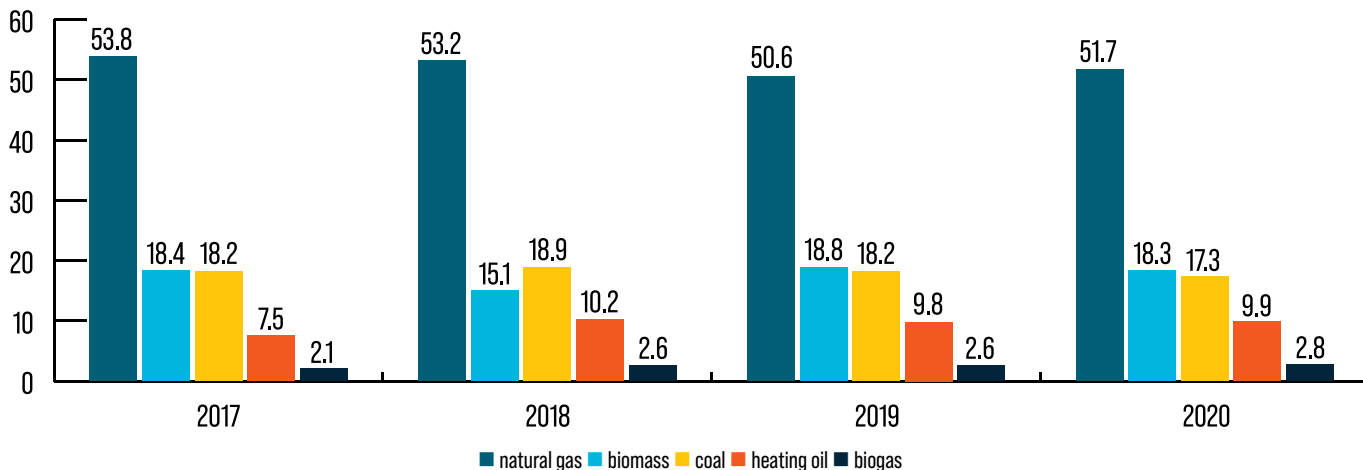
## Heat supply from RES and CHP

In 2020, 50% of heat was produced in district heating systems with combined heat and power (CHP) technology. The rest of the regulated heat was produced without CHP in the so-called monoproduction. Renewable energy sources (RES) accounted for 16% of the total heat supply. RES have been used in both of the above technologies.

## Shares of individual fuels types in heat generation

Year	2017	2018	2019	2020
Natural gas [GWh]	8 141	8 637	8 597	8 582
Biomass [ths.t]	845	877	1 062	1 020
Coal [ths. t]	577	586	595	554
Biogas [GWh]	326	326	326	347
Heating oil [ths. t]	128	128	127	127

## Share of fuel types in heat generation (in %)



## Scope and method of regulation

2020 was the fourth year of the regulatory period 2017-2022. Regulation of heat tariffs was performed in accordance to URSO Decree 248/2016 Coll. establishing tariff regulation in heating, as amended by URSO Decree 205/2018 Coll. (hereinafter as “Decree 248/2016”). Generation, distribution and supply of heat were subject to regulation and tariffs were regulated by a specified method of calculating the maximum heat tariff, which is based on a cost method utilising certain elements of the price-cap method.

## Basic principles of tariff regulation

- ensuring, by determining a two-component heat tariff, equal coverage of funds for heat generation and distribution,
- ensuring, by determining the optimal economically justified costs and a reasonable profit, an efficient, reliable and secure heat supply,
- elimination, by setting binding values of energy efficiency of energy conversion for heat generation and heat distribution installations, from the heat tariff uneconomical heat generation and distribution,
- optimisation of eligible variable costs by regulating fuels prices for heat generation,
- motivating regulated entities to increase energy efficiency of heat generation and distribution by utilising regulatory measures,
- promoting the use of renewable energy sources for heat generation, in particular in district heating systems,
- by settling the actual costs in the determined heat tariff after the end of each calendar year, achieving an objective settlement of costs incurred in heat generation and distribution for end consumers in order to create a stable sector with a predictable and transparent regulatory environment.

## Heat price monitoring

Pursuant to Act 250/2012, tariff decisions issued for 2017 are valid throughout the whole regulatory period which ends on 31 December 2021, unless an amendment to the decision, initiated either by a regulated entity or by the Office, has been approved. The heat tariff is approved as single maximum tariff for each supplier for all their heating systems from which heat is supplied within a city or city district.

Year	2017	2018	2019	2020
No. of new decisions adopted for 2017-2021 regulatory period	382	15	20	33
No. of amended decisions for 2017-2021 regulatory period	41	162	211	89
No. of approved tariffs in decisions for 2017 - 2021 regulatory period	757	15	21	58
No. of amended tariffs in decisions for 2017 - 2021 regulatory period	41	228	301	156

## Evolution of heat tariffs

Requirements for change in the heat tariffs for 2020 resulted mainly from changes in the economic parameters that were used to approve heat tariffs in the previous years 2017-2019. The changes that affected the variable component of the heat tariff mainly had to do with the price of natural gas, from which more than half of the heat is produced.

Although the natural gas prices listed in the table show a decrease in the observed year, the time lag between the date of the agreed natural gas price and the heat prices must be taken into account. In heat tariffs for 2020, the maximum price of gas (commodity) was set in the amount of 22.9972 €/MWh, but a large part of suppliers who requested a change in the heat tariff for 2020, had the last approved heat tariff containing gas prices valid in 2017 or 2018, which justifies the need to change and increase the variable component of the heat tariff. Regulated entities that received a changed heat tariff in 2019, when the market price of gas was the highest, mostly did not change the tariff for 2020, even though their actual gas price was lower than in 2019. They accounted for the difference in gas purchase costs pursuant to Decree 248/2016 after the end of the reference year.

The regulated gas tariff is determined on the basis of the moving average of the gas price on the EEX exchange (12 - month average, or the average of the months January - June). However, the decisive factor for the contractual price of gas is the price on the exchange in the early autumn period, when contractual negotiations between heat suppliers and gas suppliers take place. This also applies to costs of emission allowances. It is in the period before the heating season that the demand for fuels is greatest, which increases their price as well as the price of emission allowances.

## Market and regulated prices of fuels used in heat generation

Fuel	Price	2017	2018	2019	2020
Natural gas (commodity) in €/MWh	EEX exchange in year	17.27	20.94	18.77	13.85
	Price pursuant to § 4 (4) a) of Decree 248/2016	16.293	16.908	18.572	19.998
	Regulated price in heat tariff	18.7366	19.4441	27.3384	22.9972
Emissions in €/t	EEX exchange	6.17	15.82	24.85	24.73
	Regulated price in heat tariff	current monthly average at the time of purchase			
Black coal in €/MWh	Market	12.82	14.21	14.33	15.07
	Regulated price in heat tariff	17.00			
Brown coal in €/MWh	Market	17.74	17.55	18.61	17.87
	Regulated price in heat tariff	20.00			
Pellets in €/MWh	Market	34.47	33.91	33.00	34.54
	Regulated price in heat tariff	38.00			
Dendromass in €/MWh	Market	19.23	19.37	19.27	18.57
	Regulated price in heat tariff	19.00			
Agricultural biomass in €/MWh	Market	22.78	22.49	22.29	22.93
	Regulated price in heat tariff	23.00			
Landfill gas and gas from WWTP in €/MWh	Market	22.00	22.00	21.35	22.00
	Regulated price in heat tariff	22.00			
Biogas in €/MWh	Market	28.56	30.55	26.11	29.67
	Regulated price in heat tariff	35.00			

The consideration of these negative factors was reflected in the approved tariffs in the observed year. The average variable component of the maximum heat tariff went up from € 0.0453/kWh in 2019 to € 0.0467/kWh in 2020 (3.1%). In the weighted average of this component, the year-on-year increase was 2.5%.

### Arithmetical average of tariffs

YEAR	2017	2018	2019	2020
Variable component in €/kWh	0.0407	0.0413	0.0453	0.0467
Fixed component in €/kW	186.52	188.80	196.93	196.41
Final tariff in €/kWh	0.0759	0.0769	0.0824	0.0838

### Weighted average of tariffs (depending on heat supply volume)

YEAR	2017	2018	2019	2020
Variable component in €/kWh	0.0344	0.0358	0.0396	0.0406
Fixed component in €/kW	176.33	178.77	182.67	184.03
Final tariff in €/kWh	0.0673	0.0679	0.0712	0.0749

The average fixed component of the heat tariff, which is determined in €/kW of the regulatory capacity (a parameter developed by the Office for regulatory purposes), has changed only minimally compared to 2019. The defined method of regulation for the regulatory period 2017 - 2022 allows a year-on-year increase in fixed costs only as a result of new investments in making heat generation and distribution more efficient. The increased cost of new investments did not play a major role in the average price. The costs of new investments were claimed in

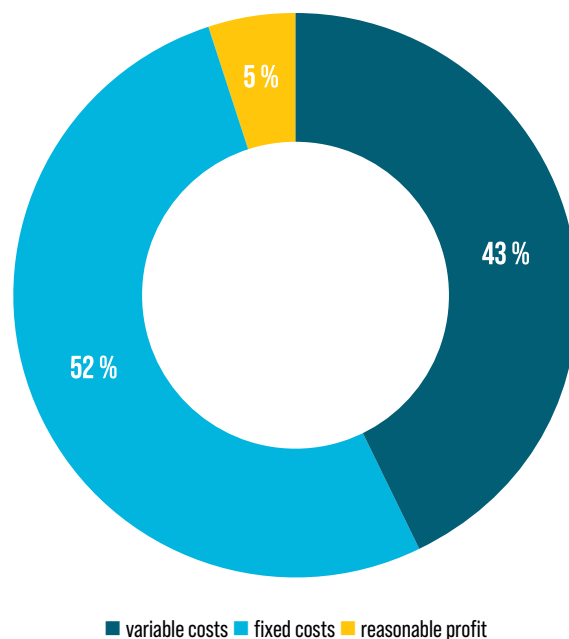
2020 by 16 suppliers, who planned investments for 2020 in the amount of 22.3 mil. EUR. However, we expect the volume of annual investments to be significantly higher, as many suppliers are restoring heat efficiency without the need to increase the price.

On the other hand, the year-on-year decrease in the regulatory capacity has caused the allowed regulated component of fixed costs (in particular personnel costs) and the profit which are set based on the regulatory capacity, to decrease proportionally in 2020. The rise in the cost of new investments and, on the other hand, the reduction of the regulated component of fixed costs and profit caused that the eligible fixed costs, including the profit of regulated entities, were on average 5.5% lower in 2020 than in 2019. Based on these facts, the weighted average of the fixed component of the heat tariff for 2020, which is determined as a ratio of fixed costs including profit to the regulatory capacity, despite a fall of the regulatory capacity by 6.2%, went up by only 0.7% in 2020.

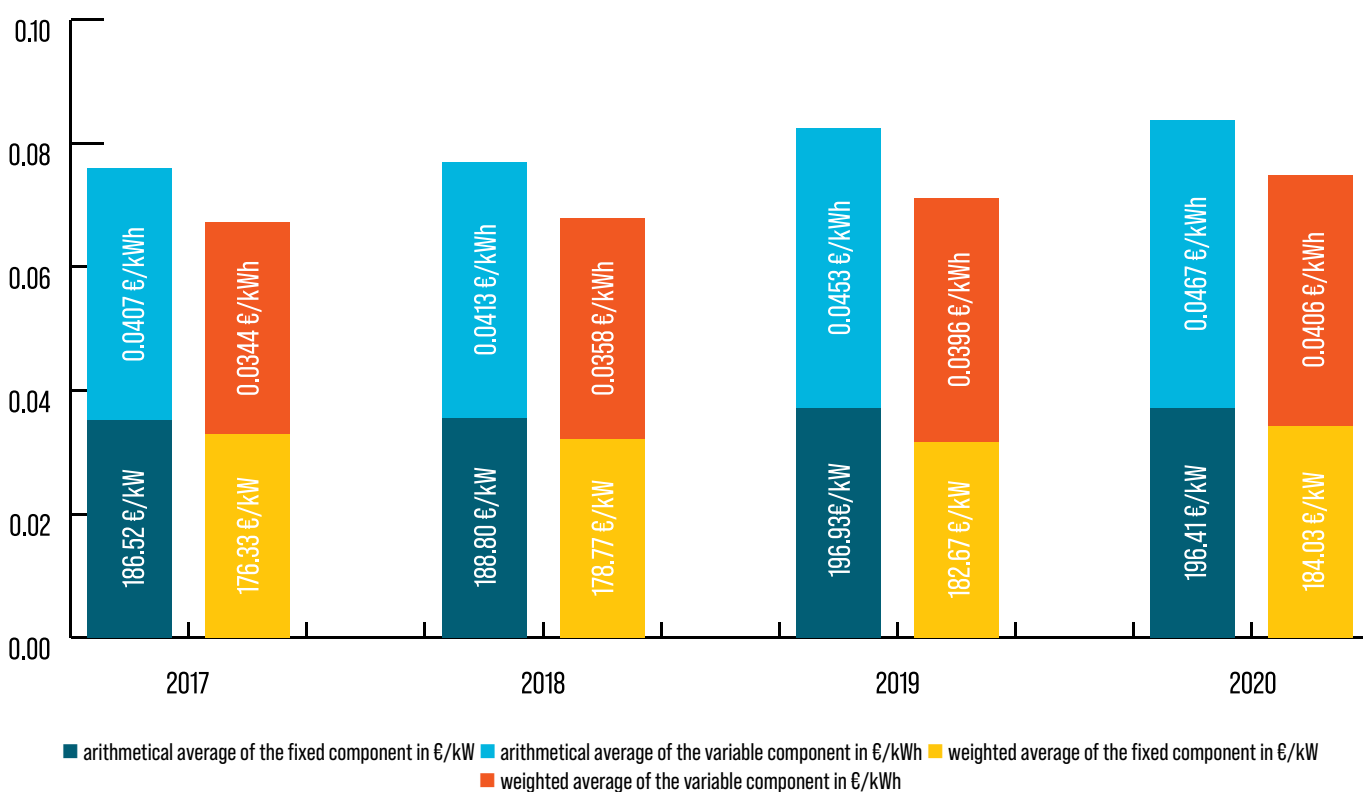
The value of the regulatory capacity depends on the actual heat supply in the last complete calendar year before the submission of the tariff proposal. Due to efficiency measures on the part of heat consumers, which are mainly insulation, hydraulic heating, partial replacement of heat supply from district heating supply systems with own alternative heat sources (solar collectors, heat

pumps), a declining volume of actual heat supply is observed in the long-term, which results in proportional rise of the fixed component of the heat tariff. The influence of climate conditions on the amount of the fixed component of the heat tariff has been partially eliminated by the procedure specified in Decree 248/2016.

### Cost composition in heat tariff 2020



### Average heat tariffs



## Investments by purpose

	Investments (ths. €)			
	2017	2018	2019	2020
Heat generation installations	12 830	1 664	20 241	12 963
Heat distribution installations	9 557	18 717	12 035	9 255
Greening	3 942	0	10 120	120
RES construction	5 100	467	265	0
<b>Total</b>	<b>31 429</b>	<b>20 848</b>	<b>42 661</b>	<b>22 338</b>

Individual prices of heat suppliers may differ significantly from the average in individual districts. Although all regulatory measures adopted for the regulatory period 2017-2022 were aimed at stabilizing the price of heat for the final customer, there are cases deviating from the price average. This is due to the fact that the individual district heating systems differ significantly in size, production technology, fuels used, investments in heating equipment, etc.

A fundamental factor that negatively affects the final price of heat is the so-called supplier chaining, which means that the supply of heat to the final customer in

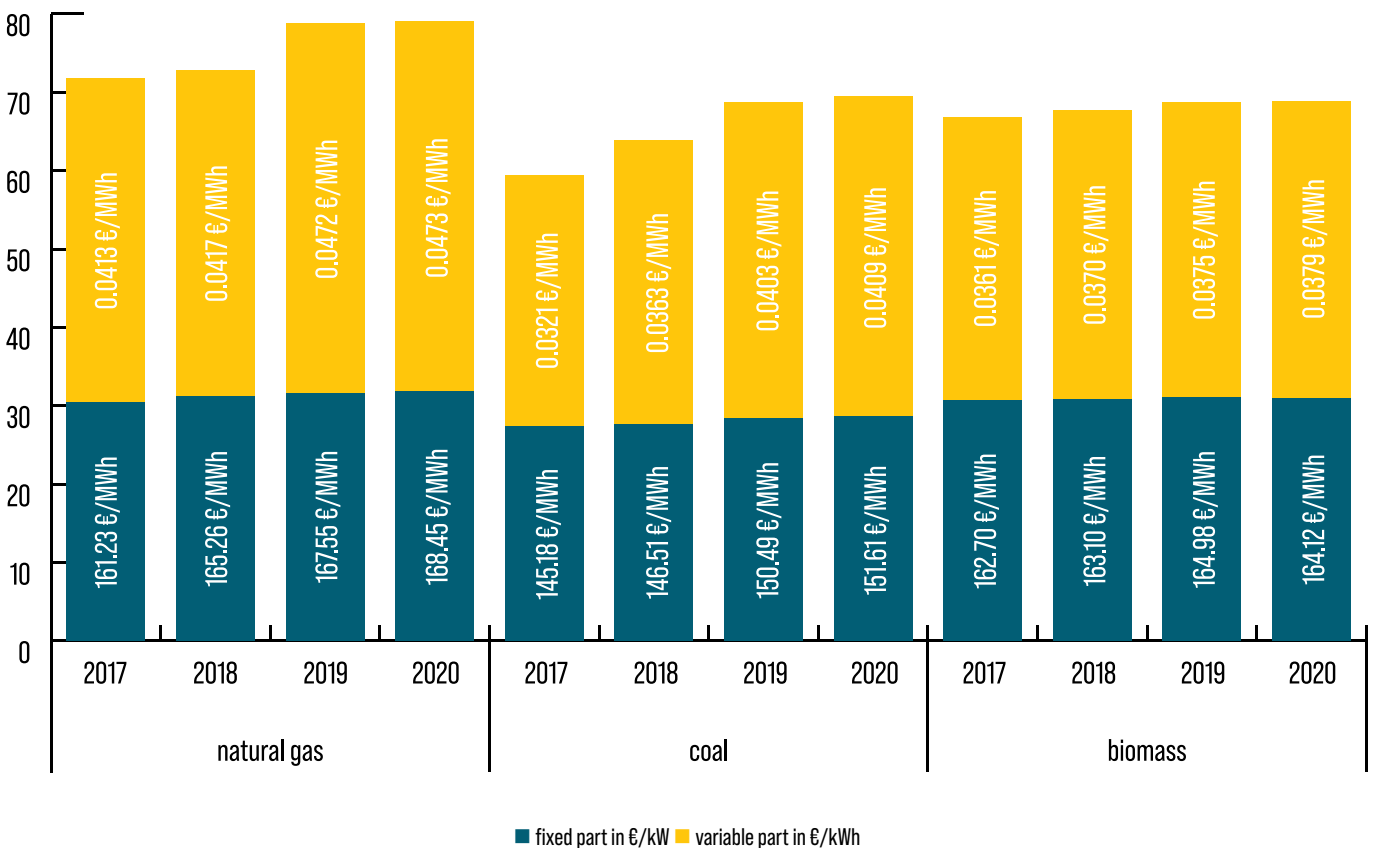
one centralized heat supply system is provided by several suppliers in a row, which increases the price of heat, especially the fixed component.

## Household heating costs

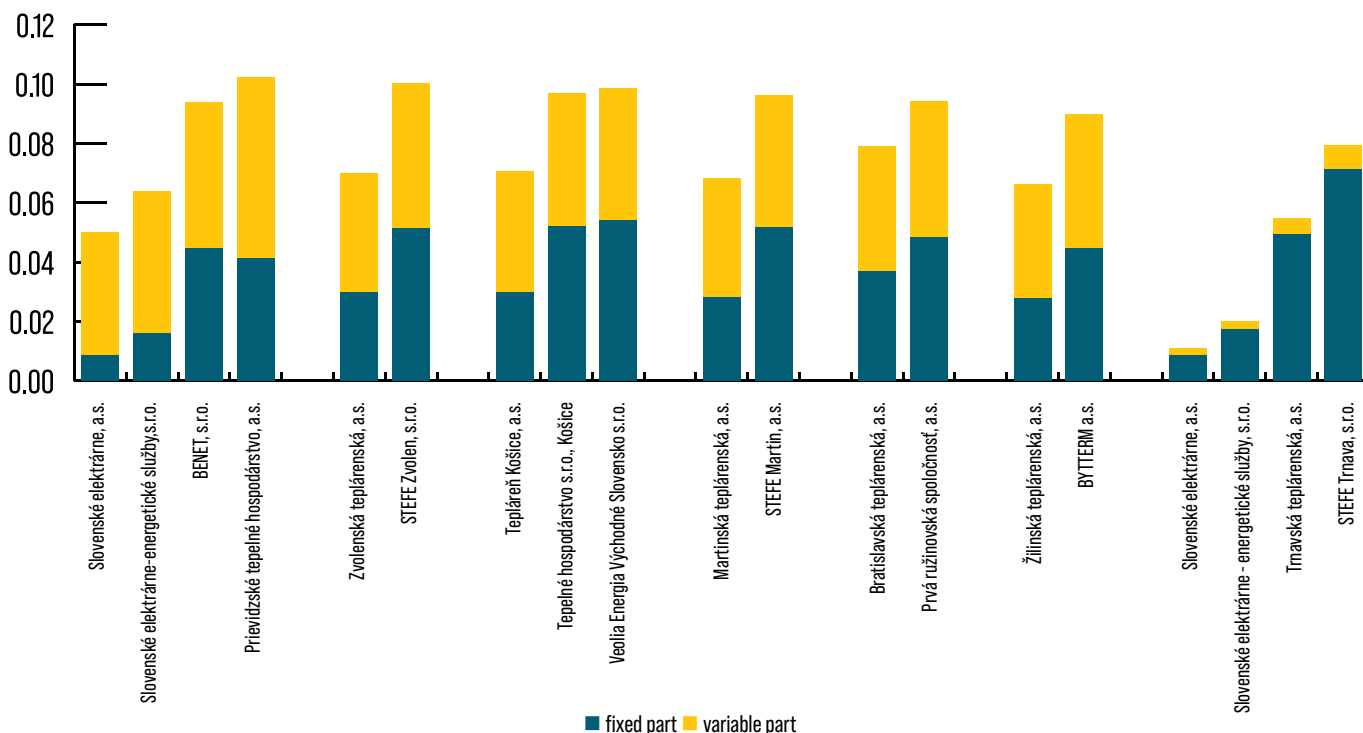
The Office monitors and annually reviews the actual heat consumption for space and water heating. The monitored sample represents 39 302 apartments. The heat consumption of one household in 2020 was 6 219 kWh, which is up 2% compared to 2019. The increased heat consumption is mainly due to the colder year 2020 (by about 1.7% compared to 2019, see the number of degree days in the Heat supply section). The annual cost of one household for space and water heating amounted to 625 euros with VAT, which is an increase of 3.8% compared to 2019. This increase is directly proportional to the increased heat consumption in apartments and higher heat price in 2020.

Year	2017	2018	2019	2020
Heat consumption (kWh/apart.)	6 864	6 287	6 091	6 219
Heat tariff in €/kWh	0.0759	0.0769	0.0824	0.0838
Heat costs incl. VAT (€/apart.)	625	580	602	625

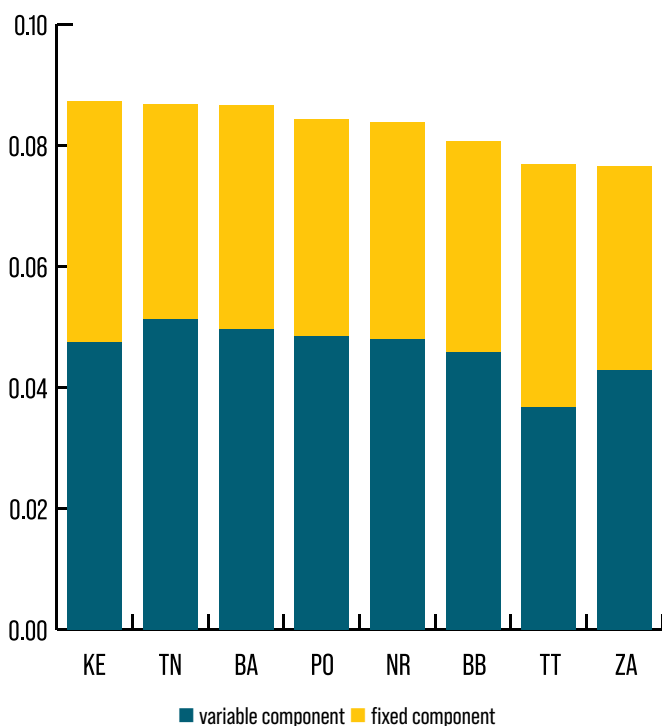
## Average heat tariffs by fuel types



## Heat tariffs in central heating networks with multiple suppliers in 2020 (in €/kWh)



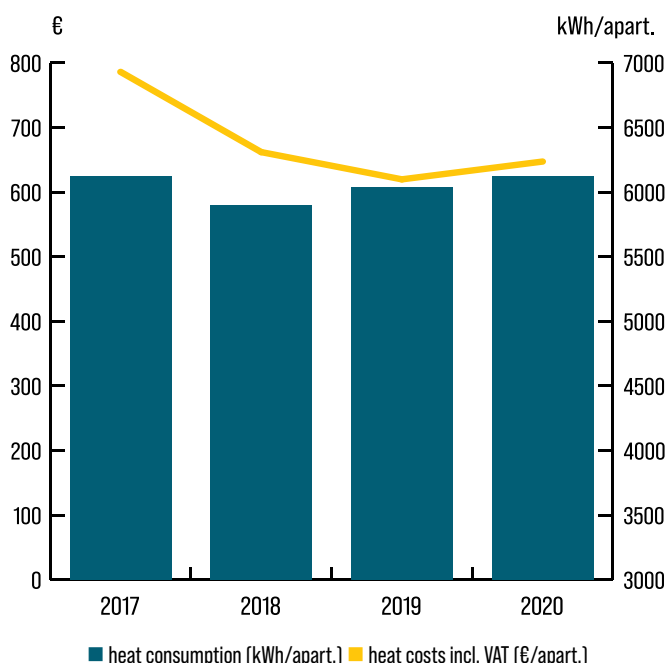
## Average heat tariffs across Slovakia's regions in 2020 (in €/kWh)



## Impact of the corona crisis

In the regulatory year 2020, in relation to the pandemic situation in Slovakia, we witnessed increased costs of heat suppliers related to the costs of protective equipment. These costs, however, were not requested to be projected in heat tariffs fixed for 2021.

## Annual heat costs of households



# 04

## WATER



Tariff regulation in water is performed by the Office in the area of public water supply and public sewerage, as well as in the area of services related to the use of surface water. The regulated activities are therefore production, distribution and supply of drinking water by public water system and collection (drain) and treatment of wastewater by public sewerage system and, in addition to that, collection (consumption) of surface water and energy water from watercourses and the use of hydropower potential of watercourses.

From the market point of view in the area of drinking water production, distribution and supply and wastewater collection and treatment, water companies, as well as other operators of public water supply and public sewerage systems, are natural local monopolies. In a given locality, there is always one supplier defined by its operating territory, or by operated water supply or sewerage systems, without the possibility to choose by consumers. In the same way also in services related to the use of surface waters, the only dominant regulated entity with a monopoly position is Slovenský vodohospodársky podnik, š. p. Banská Štiavnica, as a state-appointed company managing the country's significant watercourses.

The scope of tariff regulation stipulated by law and the definition of a regulated entity have contributed to stabilization of the business environment in public water supply and public sewerage. The Office issues confirmations of registration to regulated entities, stating the regulated activity and the category of public water supply or public sewerage systems, which are used for this. In tariff proceedings, the Office sets the tariff by adopting a tariff decision or by issuing a tariff confirmation.

### Drinking water and wastewater

As of 31 December 2020, a total of 663 regulated entities operating public water supply and public sewerage systems were registered. Of this number, 14 were water utility companies, one city, 40 municipalities and 78 smaller companies operating public water supply or public sewerage systems of 1st and 2nd category. Public water supply or public sewerage systems of 3rd category were operated by 530 small towns and municipalities.

### Type and number of adopted decisions

	2017	2018	2019	2020
Tariff decisions	258	7	7	12
Tariff decision amendments	7	11	17	19
Tariff confirmations	996	22	20	17
Decisions terminating a proceeding	19	3	6	6
Decisions suspending a proceeding	43	21	21	38
Decisions revoking a tariff decision	1	1	3	1
<b>Total</b>	<b>1324</b>	<b>65</b>	<b>74</b>	<b>93</b>



## Tariff level monitoring

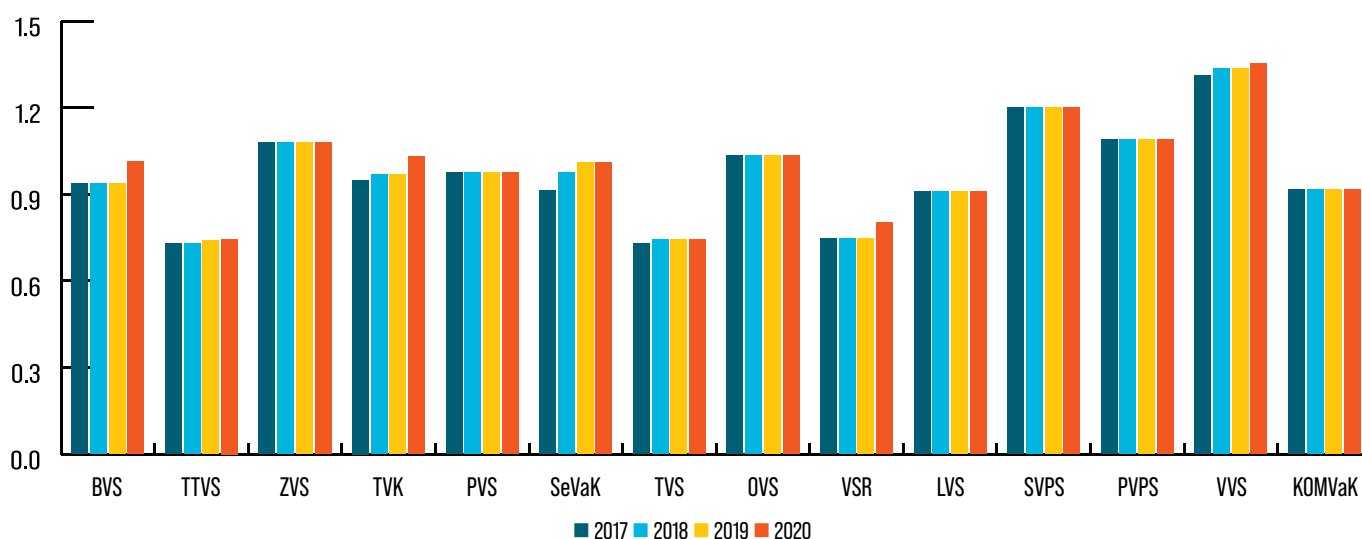
According to the valid legislation, tariff decisions and tariff confirmations adopted in 2017 are valid until the end of the regulatory period 2017 - 2022, unless the Office approves an amendment of the tariff decision. In 2020, 24 tariff decision amendment proposals were submitted to the Office. Thirteen proposals were submitted by water utility companies, of which in nine cases the tariffs were changed by the Office, in four cases the proceedings were stopped. In 2020, one new tariff decision was also issued for a water utility for its activity of wastewater treatment supplied to a wastewater treatment plant by public sewerage.

The Office approved price changes in five water utility companies. Based on that the average tariff for the production and supply of drinking water grew by 3.3% to € 1.0877/m<sup>3</sup> (weighted average of tariffs). This was due to the necessary reconstruction of public water mains and rise in personnel costs, which increase based on the country's average wage, and approved additional workers' compensations. Changes in tariffs in wastewater collection and treatment in six water utilities were mainly due to investments in construction of public sewers and wastewater treatment plants, reconstruction of obsolete assets and increase in personnel costs, therefore the average tariff for wastewater collection and treatment by public sewers rose by 4.2% to € 1.0632/m<sup>3</sup> (weighted average of tariffs).

## Drinking water production and supply tariffs - water utilities (€/m<sup>3</sup> excl. VAT)

	2017	2018	2019	2020
Bratislavská vodárenská spoločnosť (BVS)	0.9359	0.9359	0.9359	1.0135
Trnavská vodárenská spoločnosť (TTVS)	0.7286	0.7286	0.7398	0.7449
Západoslovenská vodárenská spoločnosť (ZVS)	1.0802	1.0802	1.0802	1.0802
Trenčianske vodárne a kanalizácie (TVK)	0.9494	0.9684	0.9684	1.0293
Považská vodárenská spoločnosť (PVS)	0.9741	0.9741	0.9741	0.9741
Severoslovenské vodárne a kanalizácie (SeVaK)	0.9126	0.9765	1.0094	1.0094
Turčianska vodárenská spoločnosť (TVS)	0.7302	0.7427	0.7427	0.7427
Oravská vodárenská spoločnosť (OVS)	1.0353	1.0353	1.0353	1.0353
Vodárenská spoločnosť Ružomberok (VSR)	0.7460	0.7460	0.7460	0.8024
Liptovská vodárenská spoločnosť (LVS)	0.9102	0.9102	0.9102	0.9102
Stredoslovenská vodárenská prevádzková spoločnosť (SVPS)	1.2010	1.2010	1.2010	1.2010
Podtatranská vodárenská prevádzková spoločnosť (PVPS)	1.0884	1.0884	1.0884	1.0884
Východoslovenská vodárenská spoločnosť (VVS)	1.3100	1.3362	1.3362	1.3530
Vodárne a kanalizácie mesta Komárna (KOMVaK)	0.9162	0.9162	0.9162	0.9162

## Drinking water production and supply tariffs of utility companies in €/m<sup>3</sup> (excl. VAT)

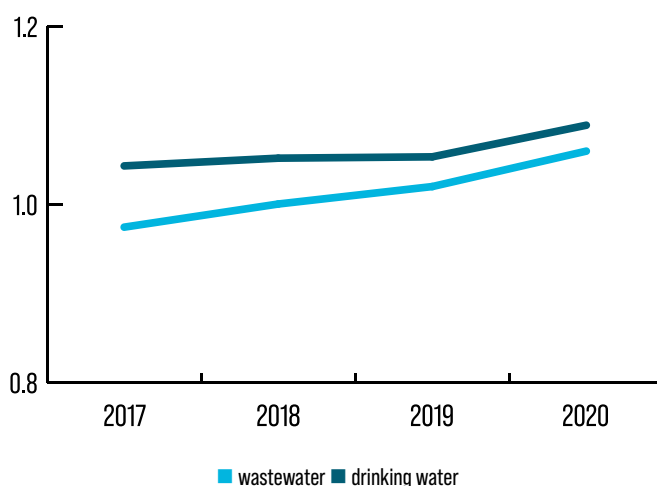


## Wastewater collection and treatment tariffs - water utilities (€/m<sup>3</sup> excl. VAT)

	2017	2018	2019	2020
Bratislavská vodárenská spoločnosť (BVS)	0.9216	0.9216	0.9216	0.9985
Trnavská vodárenská spoločnosť (TTVS)	1.0758	1.0758	1.1251	1.1497
Západoslovenská vodárenská spoločnosť (ZVS)	0.8918	0.8918	0.9721	1.0573
Trenčianske vodárne a kanalizácie (TVK)	0.9554	0.9554	1.0509	1.1251
Považská vodárenská spoločnosť (PVS)	1.0700	1.1235	1.1235	1.1235
Severoslovenské vodárne a kanalizácie (SeVaK)	1.0483	1.0669	1.0947	1.0947
Turčianska vodárenská spoločnosť (TVS)	0.9591	0.9907	0.9907	0.9907
Oravská vodárenská spoločnosť (OVS)	1.0570	1.1416	1.2075	1.2075
Vodárenská spoločnosť Ružomberok (VSR)	0.9603	0.9603	0.9603	0.9603
Liptovská vodárenská spoločnosť (LVS)	1.1068	1.1068	1.1978	1.2398
Stredoslovenská vodárenská prevádzková spoločnosť (SVPS)	1.1615	1.1615	1.1615	1.1615
Podtatranská vodárenská prevádzková spoločnosť (PVPS)	1.0904	1.0904	1.1164	1.1164
Východoslovenská vodárenská spoločnosť (VVS)	0.9000	0.9870	0.9870	1.0235
Vodárne a kanalizácie mesta Komárna (KOMVaK)	0.8643	0.8643	0.8643	0.8643

The total average tariff for water supply and sewage in Slovakia's water utilities amounted to € 2.1509/m<sup>3</sup> excl. VAT in 2020, up by 3.8% year-on-year.

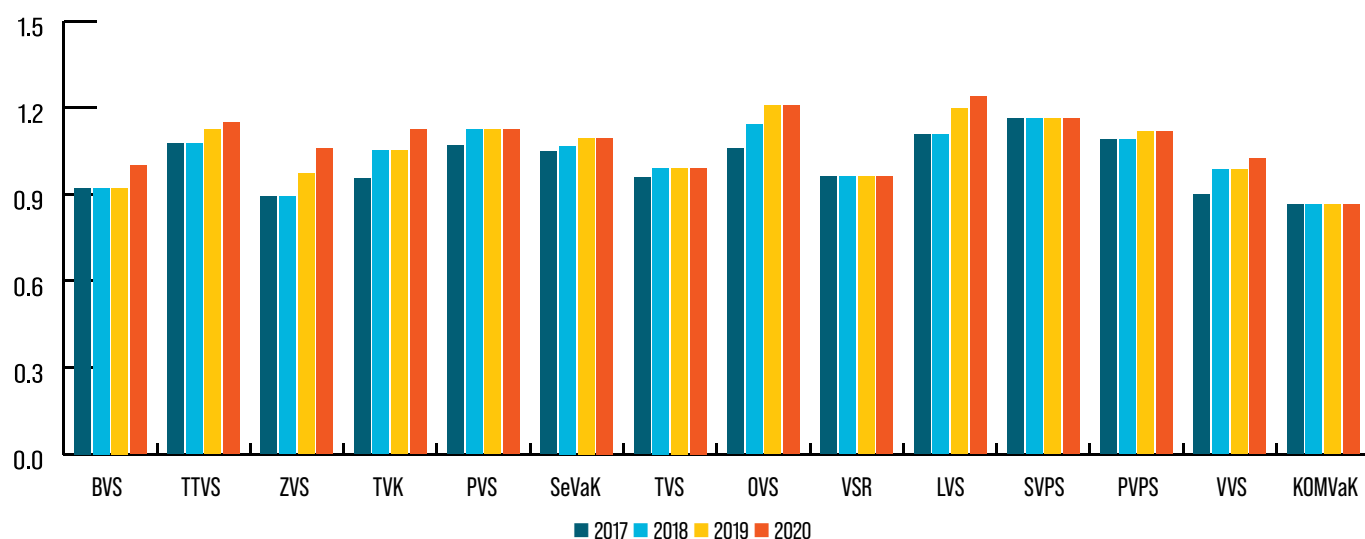
## Evolution of average tariff for drinking water production and supply and wastewater collection and treatment in €/m<sup>3</sup> (excl. VAT)



Smaller companies and municipalities supplying drinking water or collecting and treating wastewater, especially in municipalities and smaller suburbs, submitted 11 proposals to change the tariff in 2020, of which the Office changed tariffs in 10 cases and terminated the proceeding in one case. The Office also issued 11 new tariff decisions and 17 tariff confirmations for smaller utilities and municipalities.

In this category of regulated entities, the average drinking water supply tariff increased by 1.1%, the average tariff for wastewater collection grew also by 1.1%. However, these average tariffs are lower than the average tar-

## Wastewater collection and treatment tariffs of utility companies in €/m<sup>3</sup> (excl. VAT)

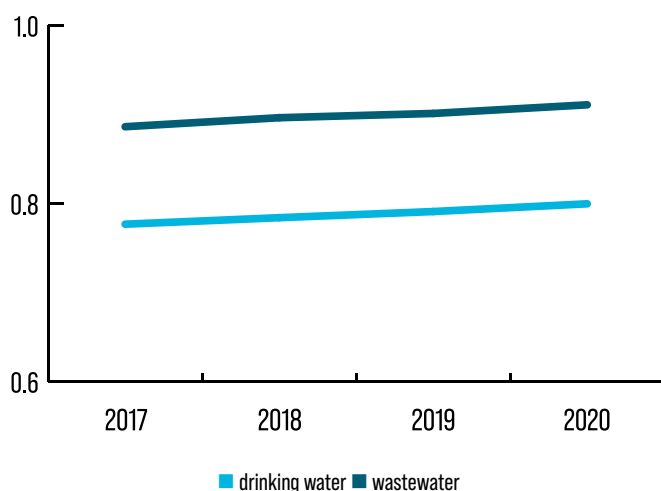


iffs of water utilities. The tariffs for drinking water supply increased mainly because the small companies and also some municipalities were buying drinking water from water utilities, and therefore the increase in the price of a water utility will be reflected in an increase in the cost of purchasing water from these companies. The prices of wastewater collection and treatment mainly reflected the acquisitions of new assets of sewers and wastewater treatment plants built by municipalities from EU funds and state subsidies.

### Average tariffs of small regulated entities in €/m<sup>3</sup> excl. VAT

	2017	2018	2019	2020
drinking water	0.7770	0.7843	0.7912	0.7999
wastewater	0.8865	0.8966	0.9014	0.9111

### Evolution of tariffs of small regulated entities in €/m<sup>3</sup>



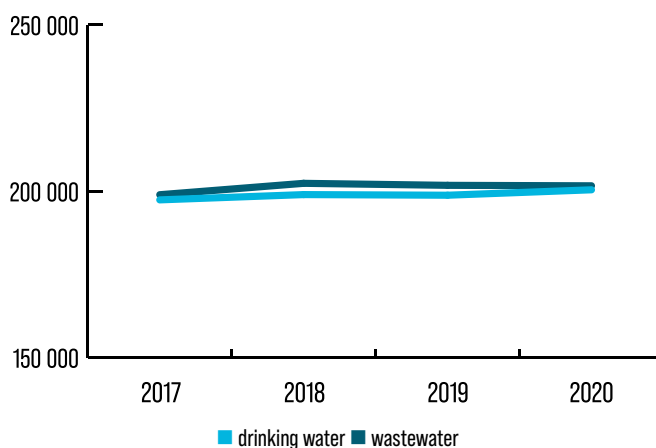
## Supply and collection (drain)

In 2020, water companies supplied 1 980 000 m<sup>3</sup> (+ 1%) more drinking water than in the previous year, but the volume of wastewater discharged through public sewers went down by 139 000 m<sup>3</sup> (-0.07%), which was probably due to lower annual total precipitation, which is drained through the public sewer. Even though with most water utilities the volume of supplied drinking water dropped slightly or remained at the same level as in the previous year, a more significant increase of about 2 000 000 m<sup>3</sup> was observed in Bratislavská vodárenská spoločnosť (the Bratislava Water Utility) and about approx. 750 000 m<sup>3</sup> in

Východoslovenská vodárenská spoločnosť (East Slovakia Water Utility). There was an overall drop in the volume of discharged and treated wastewater despite the fact that the Bratislava Water Utility saw an increase in the volume of 1 081 000 m<sup>3</sup>.

Capacity utilization of water assets used for the supply of drinking water remained at the same level as in 2019, averaging 94%, despite an increase in the volumes supplied. It follows that this was due more to an increase of the volumes of water supplied by the newly built water mains and not by increasing the consumption from the existing ones. Capacity utilization of water assets used for wastewater treatment improved slightly by 1% to 85%.

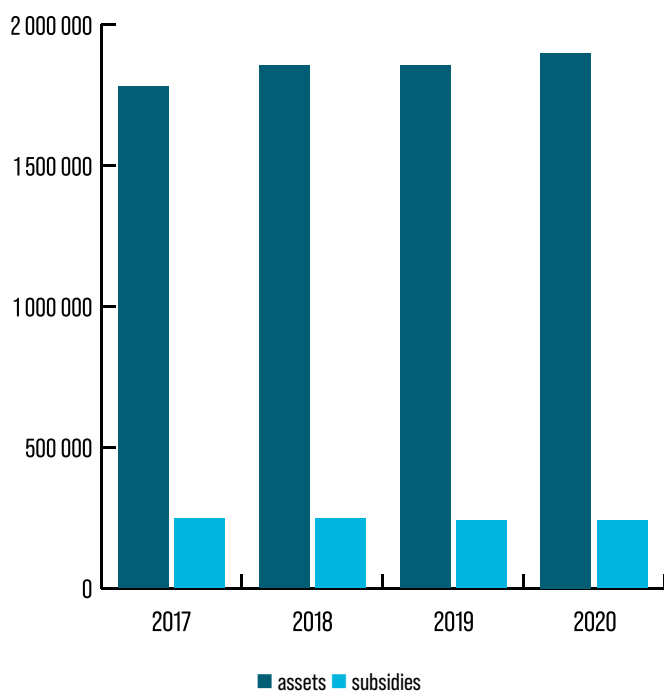
### Volumes of drinking water supply and wastewater collection in ths. m<sup>3</sup>



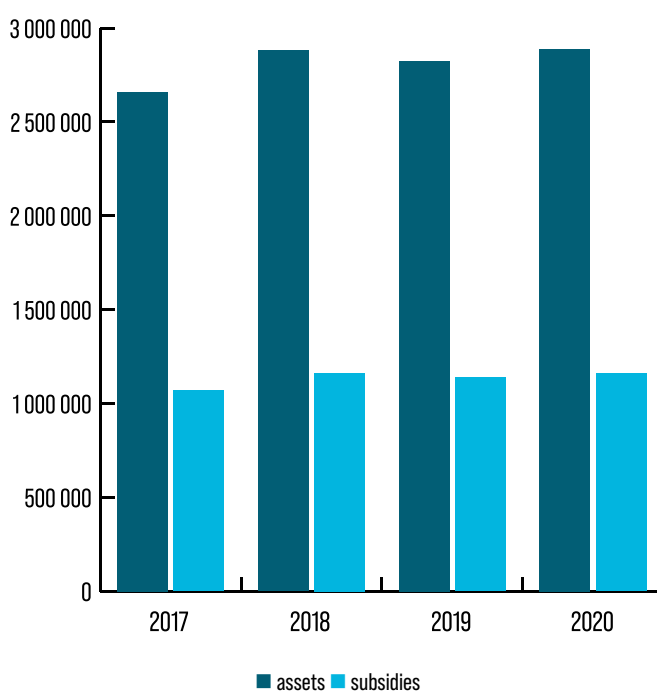
## Investments

The value of assets used for drinking water supply grew by 2.4% year-on-year, while the value of assets procured from EU fund and the state budget subsidies increased only slightly by 0.1%. In wastewater collection and treatment, the total value of assets increased, due to the construction of missing sewers and wastewater treatment plants, by 2.3% in 2020 and the value of assets built from subsidies went up by 2%.

## Assets and subsidies - public water supply systems (in ths. €)



## Assets and subsidies - public sewers and wastewater treatment plants (in ths. €)



## Key performance indicators of water utilities' regulated activities

Drinking water	2017	2018	2019	2020	change 2020/2019	%
Revenues from regulated activities in ths. €	205 081	208 113	209 210	212 753	3 543	1.7
Eligible costs in ths. €	199 202	202 859	204 659	207 746	3 087	1.5
Profit (loss) in ths. €	5 880	5 254	4 551	5 007	456	10
Assets in ths. €	1 781 867	1 855 599	1 856 088	1 900 168	44 080	2.4
from subsidies in ths. €	248 347	247 160	240 026	240 361	335	0.1
Repairs in ths. €	31 199	31 210	32 344	31 057	-1 287	-4.1
Water volume in ths. m <sup>3</sup>	197 418	199 006	198 816	200 447	1 631	0.8
Asset capacity utilisation	96%	96%	94%	94%	0	0
Wastewater	2017	2018	2019	2020	change 2020/2019	%
Revenues from regulated activities in ths. €	189 993	199 202	202 194	207 268	5 074	2.5
Eligible costs in ths. €	203 320	210 658	209 751	210 101	350	0.2
Profit (-loss) in ths. €	-13 327	-11 456	-7 557	-2 833	4 724	63
Assets in ths. €	2 659 629	2 881 220	2 824 438	2 888 611	64 173	2.3
from subsidies in ths. €	1 067 500	1 163 094	1 139 018	1 161 385	22 367	2
Repairs in ths. €	19 025	21 531	20 641	19 976	-665	-3.2
Water volume in ths. m <sup>3</sup>	198 972	202 395	201 791	201 652	-139	0
Asset capacity utilisation	84%	84%	84%	85%	1%	1

## Surface water use

Regulated activities in the area of surface water use are collection (off-take) of surface water, collection (off-take) of energy water from watercourses and the use of watercourses' hydropower potential.

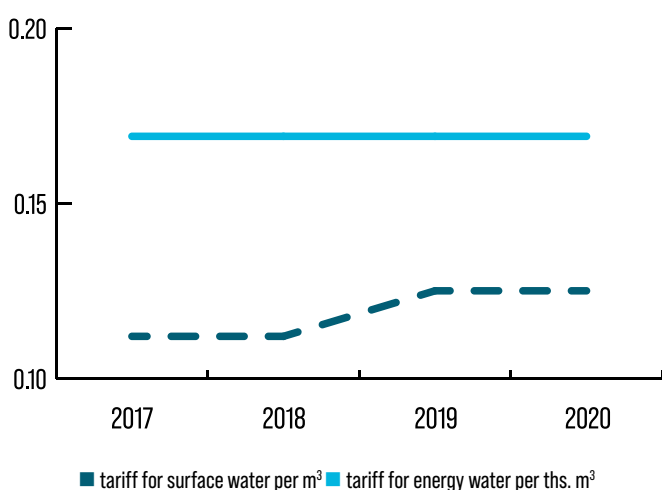
Regulated activities in this area are performed, with a monopoly position in Slovakia, by the state-appointed watercourse managing company Slovenský vodohospodársky podnik, š. p., Banská Štiavnica.

As against the previous year, the tariff for the collection of surface water from watercourses, the tariff for the collection of energy water from watercourses and the average tariff for the use of hydropower potential did not change.

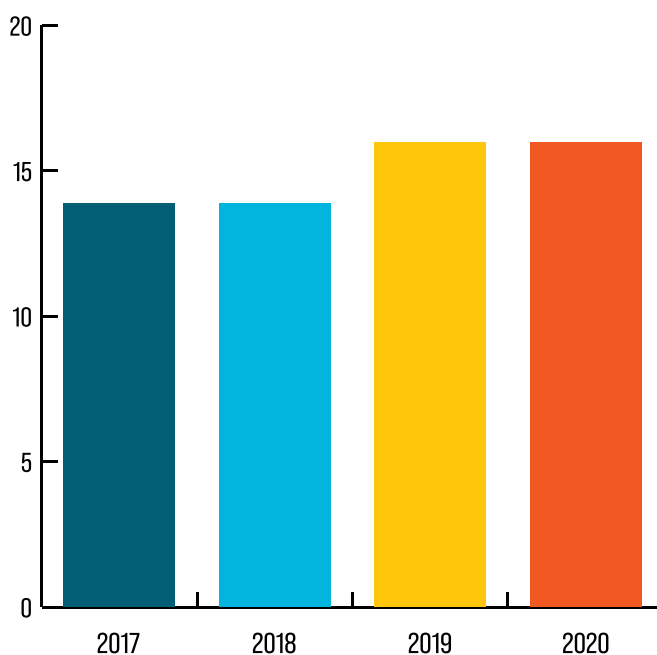
### Tariffs for surface water use in € (excl. VAT)

	2017	2018	2019	2020
Tariff for surface water collection per m <sup>3</sup>	0.1120	0.1120	0.1250	0.1250
Average tariff for for the use of hydro power potential per 1 MWh	13.8796	13.8796	15.9615	15.9615
Tariff for energy water collection per ths. m <sup>3</sup>	0.1691	0.1691	0.1691	0.1691

### Evolution of tariffs for surface and energy water use (in € excl. VAT)



### Average tariff for the use of hydroenergy potential in €/MWh (excl. VAT)



### Impact of the corona crisis

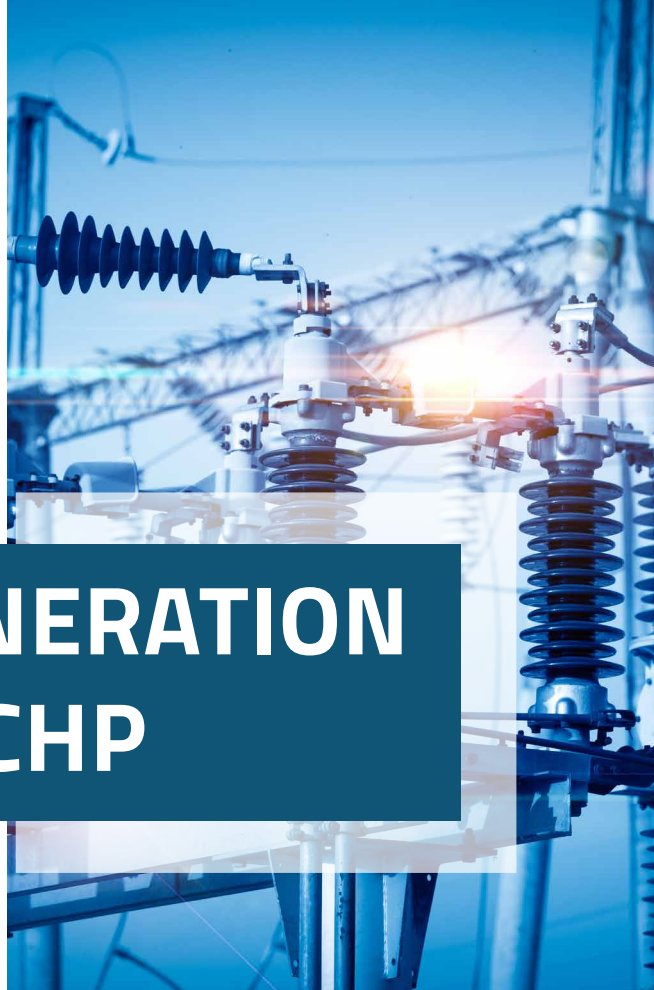
In drinking water supply and wastewater collection and treatment, the impact of the COVID-19 pandemic from its outbreak in March 2020 until the end of the year could be observed in water utility companies in the following ways:

- ➔ increased costs of personal protective equipment, ranging from tens of thousands to 100 000 euros, depending on the company's size,
- ➔ in most water utilities, drinking water consumption remained at the level of the previous year or decreased slightly, as did the volume of wastewater discharged and treated, despite the inclusion of new water management assets,
- ➔ absences of employees due to COVID-19 illness or quarantine due to illness of a close person caused a difficult organization of work in ensuring a proper and continuous operation of water companies, which resulted in reduced asset repairs, except for the elimination of emergencies.

In the area of services related to the use of surface water, the impact of the pandemic on costs and revenues was not manifested more significantly, although these circumstances also placed increased demands on work organisation.

# 05.

## ELECTRICITY GENERATION FROM RES AND CHP



In order to reduce the volume of support paid through the feed-in-tariff scheme and entering the so called system operation tariff, the Office announced at the end of 2020 a pilot regime of repowering. Its aim is to extend the period of support beyond 15 years, which will create space for reducing the system operation tariff in electricity prices for consumers and at the same time promote the decarbonisation goals of the Slovak Republic. The Office's intention was to involve as many electricity producers as possible from solar energy, biogas, hydropower, biomass, landfill gas and gas from wastewater treatment plants.

Key objectives and priorities for the energy sector until 2035, with a view to 2050, were set and approved as part of the Energy Policy of the Slovak Republic by the Government back in November 2014. The strategic goal is to achieve a competitive, low-carbon energy sector providing for a secure, reliable and efficient supply of all forms of energy at affordable prices while taking into account consumer protection and sustainable development.

The development of Slovakia's energy sector is focused on energy mix optimisation in order to reduce as much as possible the greenhouse gas emissions and pollutants while maintaining, or increasing the country's energy security and affordability of individual types of energy. The main energy and climate targets for 2030 are to achieve in the EU a reduction in greenhouse gas emissions of at least 40% compared to 1990 and a share of energy from RES in gross final energy consumption of at least 32%.

### | Support scheme

The gradual deployment of low-carbon technologies for electricity generation has led to a reduction of fossil fuel consumption and therefore also of greenhouse gas emissions. The current support scheme enables achievement of the set goals in a cost-effective way. With the construction of electricity generation sources with a relatively small installed capacity, the necessary increase of installed capacity leading to an increased share of RES can be expected in the coming years. Due to its proximity to the customer, such electricity generation does not place increased demands on transmission capacities.

The total number of electricity generation sources from RES and CHP supported under the feed-in-tariff scheme in 2020 stood at the same level as in 2019, i.e. a total of 2 553 sources. Based on data submitted to the Office by SEPS, total electricity generation in the Slovak Republic reached 29 010 GWh.

By the amended Act 309/2009 (on the promotion of RES and CHP), with effect from 1 January 2019, the support scheme for electricity generation from RES and CHP was changed to a more market-based type in keeping with the best practices and EU legislation requirements. The new forms included, in particular, support for RES with total installed capacity of over 500 kW by the so-

called feed-in-premium, as well as the definition of the term local source.

## Supported RES technologies

- hydropower with installed capacity of up to 500 kW,
- geothermal energy,
- combustion of landfill gas or gas from waste water treatment plants with installed capacity of up to 500 kW,
- combustion of biogas produced by anaerobic fermentation with total capacity of up to 500 kW,
- combustion of high-efficiency cogeneration of biogas produced by anaerobic fermentation with total capacity above 250 kW and up to 500 kW.

## Supported CHP technologies

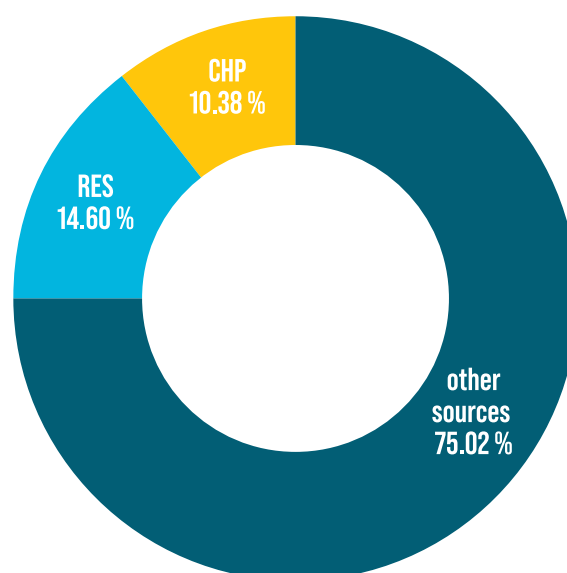
- combined cycle combustion turbine,
- combustion turbine with heat recovery,
- internal combustion engine fuelled with natural gas, heating oil, air/methane mixture, from catalytically treated waste, from thermal cracking of waste and its products,
- back-pressure steam turbine or condensing steam turbine with heat extraction fuelled with natural gas, heating oil, brown coal, hard coal with the electricity producer's total installation's capacity above 50 MW, municipal waste, gas produced by thermochemical gasification of waste in a gasifier or thermal cracking of waste,
- combustion of usable gases from metallurgical steel production,
- organic Rankine cycle,
- incineration or co-incineration of purposefully grown biomass excluding cereal straw, other waste biomass excluding cereal straw, bioliquid,
- combustion of biomethane obtained from biogas produced by anaerobic fermentation.

## Tariff decisions

In 2020, the Office adopted a total of 114 tariff decisions in RES and CHP. Seventy tariff decisions were related to a change of the fixed electricity price for setting the feed-in-tariff for 2021 due to a parameter change of natural gas as a fuel or due to a reconstruction of a CHP installation. The remaining 44 tariff decisions were adopted by the Office due to a change of the operator of an electricity generation installation, or a change of the fixed electricity price for setting the feed-in-premium.

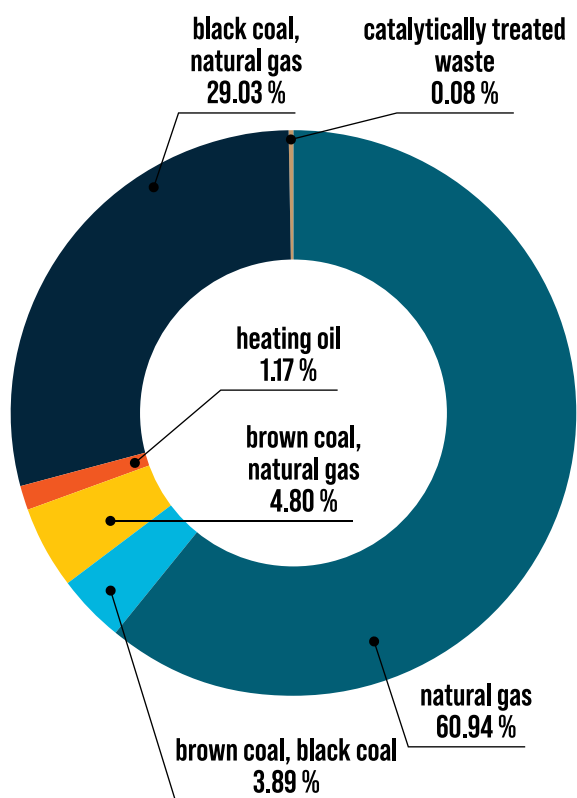
The Office also issued, pursuant to Section 4b par. 7, 8 and 9 of Act 309/2009, 45 certificates of electricity generation in a local source for PV plants with total installed capacity of 2.94 MW.

## Share of electricity from RES and CHP in total electricity generation in Slovakia in 2020

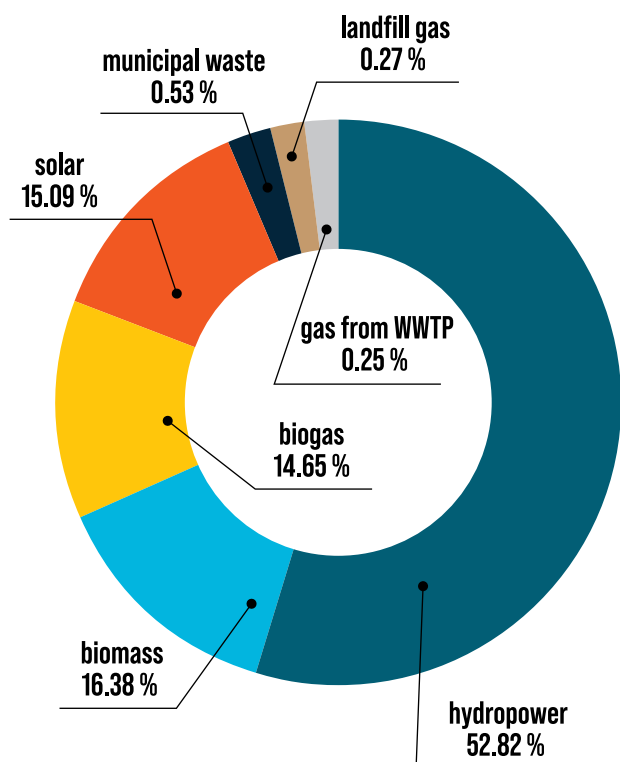




## Share of individual CHP technologies in total CHP generation in 2020



## Share of individual RES technologies in total RES generation in 2020



The RES and CHP support scheme and requirements are established primarily in Act 309/2009. Following the requirements of EU legislation, since 2019, the support scheme has been revised for all new producers of electricity from RES and CHP, with an emphasis on environmental protection, especially in expedience and more energy-efficient use of input raw materials. It includes, in particular, a requirement of the support of electricity produced by highly efficient cogeneration, as well as a requirement for at least 50% utilisation of heat produced in RES installations. Details of electricity generation from RES and CHP are subsequently regulated by URSO Decree 18/2017 establishing tariff regulation in electricity and certain requirements for the performance of regulated activities in electricity, as well as URSO Decree 490/2009 laying down the details on the promotion of renewable energy sources, high-efficiency cogeneration and biomethane.

Until 31 December 2019, the entity responsible for the settlement of RES and CHP support was the respective regional DSO operating in the territory in which the electricity generation installation with the entitlement to support was located.

Mainly due to the centralization of support system administration and data management, OKTE became the single body responsible for RES and CHP support pursuant to Section 5b par. 10 of Act 309/2009, with effect from 1 January 2020.

Reference values of CAPEX for the acquisition of a new comparable technological part of the electricity producer's installation, as published pursuant to Section 7 para. 15 of Decree 18/2017 annually on the Office's website, are calculated on the basis of data on the actual electricity volumes produced in the installations of RES and CHP producers with the entitlement to support for the period 2012-2019.

Parameters entering into the calculation of CAPEX reference values are obtained by the Office mainly from annual reporting of individual electricity producers and from CAPEX and OPEX figures of RES and CHP producers for 2018 and 2019. The computation of the CAPEX reference values is based on processing output data from more than 2 400 electricity producers from RES and CHP.

Overview of CAPEX reference prices for the acquisition of a comparable technological part of the electricity producer's installation valid for the period from 1 July 2020 to 30 June 2021 is divided into RES and CHP categories and listed in the following tables:

## CAPEX reference prices of RES and CHP installations' technologies

		Reference price in €/MW
<b>RES</b>		
a)	<b>hydropower with total installed capacity</b>	
	1. up to 100 kW	3 097 386
	2. over 100 kW up to 200 kW	2 476 000
	3. over 200 kW up to 500 kW	2 049 147
b)	<b>geothermal energy</b>	5 208 000
c)	<b>combustion of</b>	
	1. landfill gas or gas from waste water treatment plants with total capacity of up to 500 kW	1 743 281
	2. biogas produced by anaerobic fermentation with total capacity of up to 500 kW	4 536 350
d)	<b>combustion of high-efficiency cogeneration of biogas produced by anaerobic fermentation with total capacity over 250 kW and up to 500 kW</b>	3 934 169
<b>CHP</b>		
a)	<b>combined cycle combustion turbine</b>	632 163
b)	<b>combustion turbine with heat recovery</b>	643 359
c)	<b>internal combustion engine fuelled with</b>	
	1. natural gas	455 351
	2. heating oil	390 488
	3. air/methane mixture	438 258
	4. from catalytically treated waste	698 036
	5. from thermal cracking of waste and its products	1 572 464
d)	<b>back-pressure steam turbine or condensing steam turbine with heat extraction fuelled with</b>	
	1. natural gas	776 655
	2. heating oil	775 116
	3. brown coal	775 739
	4. black coal with total capacity of up to 50 MW	793 200
	5. black coal with total capacity over 50 MW	967 453
	6. municipal waste	959 938
	7. gas produced by thermochemical gasification of waste in a gasifier or thermal cracking of waste	1 207 609
e)	<b>combustion of usable gases from metallurgical steel production</b>	715 039
f)	<b>organic Rankine cycle</b>	954 338
g)	<b>incineration or co-incineration of</b>	
	1. purposefully grown biomass excluding cereal straw	3 597 333
	2. other waste biomass excluding cereal straw	3 440 000
	3. bioliquid	2 196 071
h)	<b>combustion of biomethane obtained from biogas produced by anaerobic fermentation</b>	3 484 452

## Cessation of entitlement to support

A significant event for the Office in 2020 was also the resolution of the issue regarding electricity producers, who were in arrears in their payment to the state during the receipt of support and for this reason permanently lost the entitlement to support through the feed-in-tariff based on Act 309/2009.

In spring of 2020, the Office began to verify and identify electricity installations, for which the entitlement to support under Section 3 (1) c) or e) of Act 309/2009 had ceased as a result of a legal fact pursuant to Section 3b (5) of Act 309/2009 Coll. as amended, with effect until 31 October 2020. Subsequently, from autumn 2020, after Act 309/2009 was amended, the Office has been identifying the specific period of the arrears, during which the electricity producer with an entitlement to support cannot claim it for an installation pursuant to Section 3 (1) c) or e) of Act 309/2009.

On the basis of information available from the competent state institutions concerning tax arrears, arrears of health insurance, social insurance and pension scheme contributions in the extent specified in the transitional provision of Section 18k (1) of Act 309/2009 in the wording effective from 1 November 2020, the Office identified 26 producers who permanently lost the entitlement to support via feed-in-tariff in connection with the legal fact pursuant to Section 3b (5) of Act 309/2009 in the wording effective until 31 October 2020. These producers remained in arrears in their payment to state authorities even after the adoption of the aforementioned softer version of the Act on the Support of RES and CHP and the amnesty does not apply to them.

The Office has the ambition to intensify and streamline the automation of the entire process of obtaining data on the amounts of tax arrears, arrears of health insurance, social insurance and pension scheme contributions from the relevant state institutions. However, this process of integration of URSO's information system and the central reference data administration requires the necessary additional funding provided to the Office by the state.

## Impact of the corona crisis

The impact of the COVID-19 pandemic in 2020 was only negligible in terms of the volumes of electricity produced from RES and CHP. However, the outbreak of the pandemic and the measures taken in response to it across the world caused a sharp fall in the price of the commodity on the Prague Power Exchange (PXE), but also a significant drop in the price of electricity on the spot (day-ahead) market. These factors resulted in a decrease in revenues from the system operation tariff and thus in a significant increase in the costs of OKTE as the support settlement body who pays out support collected from the system operation tariff (of which the feed-in-tariff scheme is a part) for electricity produced from RES and CHP.

# 06

## LEGISLATIVE ACTIVITIES

During the regulatory year 2020, the Office monitored developments in the electricity and gas markets, evaluating the impacts of existing and forthcoming legislation on market participants, with an emphasis on customer protection of and the protection of legitimate interests of regulated entities.

In order to increase transparency and public control over the implementation of tariff regulation after the adoption of the amendment to Act 250/2012, the Office has, from 01 September 2020, regularly published on its website, in addition to tariff decisions, also tariff proposals together with other relevant documents submitted by regulated entities.

In 2020 the Office had to especially deal with the introduction of new methods and terms and conditions of RES and CHP generation support and the settlement of the system operation tariff. From the perspective of cross-border market coupling and fulfillment of EU energy goals, in 2020 the Office continued to deal with the implementation of the Clean Energy Package, including the decisions adopted by ACER, ensuring implementation of electricity and gas network codes.

According to Act 250/2012 Office's powers include, inter alia, also the adoption of generally binding legislation, which takes the form of decrees. Based on the empowering provisions, the Office prepared, submitted to the legislative procedure and subsequently adopted Decree 181/2020, amending Decree no. 24/2013 establishing the rules for the functioning of the internal electricity market and the rules for the functioning of the internal gas market, as amended (with effect from 1 September 2020).



Additionally, the Office participated, with the Ministry of Economy, in the implementation of network codes and the transposition of the Clean Energy Package into national legislation, in particular:

- ➔ Regulation (EU) 2019/941 on risk preparedness in the electricity sector
- ➔ Regulation (EU) 2019/942 establishing a European Union Agency for the Cooperation of Energy Regulators,
- ➔ Regulation (EU) 2019/943 on the internal market for electricity,
- ➔ Directive (EU) 2019/944 on common rules for the internal market for electricity

This complex legislative process representing a reform of the electricity market and partly of the gas market within Slovakia's as well as the EU law, was not completed in 2020 and will continue in 2021.

The Office's Legal Department was also responsible for the issuance of prior consents, representation of the Office before courts and the General Prosecutor's Office, deciding on behalf of the Chairman on objections, further supervision, providing opinions, legal advice, statements and consultations.

# 07

## INSPECTIONS

The Office carries out inspections of regulated entities based on its power arising from Act 250/2012. The reasons include the protection of vulnerable customers, monitoring the functioning of the market for regulated commodities, as well as compliance with regulatory legislation - especially the Office's decrees.

The period of 2020 was significantly affected by measures related to the COVID-19 pandemic. This regime caused a significant shift in the performance of remote inspections through electronic means, which however do not fully replace on-site inspections enabling an immediate and efficient assessment of inspection findings. On the contrary, electronic means of communication meant an extension of deadlines for statements by regulated entities, and this for objective reasons (quarantine, home office), but also for subjective ones (abuse of an adverse socio-epidemic situation).

The Office also focused on administrative (off-site) inspection of documents available from its own sources in order not to have to burden directly the regulated entities. On their basis, it could consequently initiate administrative proceedings. In inspections, the Office also focused on the protection of the rights of consumers as the more vulnerable party in the customer-supplier relations. In the context of consumer rights violations, the Office imposed several fines, which were not only repressive, but especially preventive in nature, so that suppliers do not try to act in violation of the law against customer rights in the future and thus abuse their stronger position.

### Overview of inspection findings

Despite the difficult conditions resulting from the COVID-19, the Office performed on-site inspections in 64 reg-



ulated entities - in five entities, based on received alerts and in 59 entities, according to the regular on-site inspection plan. Out of the total number, 35 inspections were completed by making a report on the result of the performed inspection, i.e. with identified breach of applicable legislation and 29 inspections were completed by making a record of the result of the inspection, i.e. without finding a breach of applicable legislation.

The inspections focused on compliance with applicable legislation in the performance of regulated activities in network industries for the period 2016-2020. In this context, the inspections focused on compliance with the scope of tariff regulation, non-tariff regulation and regulation of quality standards as approved by the Office.

In 2020, on-site inspections were carried out in 33 electricity undertakings. In 13 of them, a total of 44 breaches of Act 250/2012 and Act 251/2012 were identified. In gas, the Office conducted inspections in 13 undertakings - in eight of them, a total of 35 breaches of Act 250/2012 and Act 251/2012 were discovered. The most frequent breach of Act 250/2012 by electricity and gas entities was a failure to perform regulated activities in accordance with an applicable decision or confirmation of the Office and non-compliance with principles of tariff regulation according to a generally binding legal act issued by the Office (Decree).

In case of heating entities, the Office performed on-site inspections in 40 undertakings, having found in 17 of them a total of 31 breaches of Act 250/2012 and Act 657/2004. The most frequent breach of Act 250/2012 related to a failure to settle the costs of heat generation, distribution and supply, which are not considered as eligible costs, within the time limit and in the manner specified by an Office's decree. In water, the Office inspected compliance with the legislation in seven entities and in six of them, found 12 breaches of Act 250/2012. Entities operating in the water sector were most

in breach of their obligation to submit true and complete information and data to the Office.

In addition to on-site inspections, the Office found breaches of Act 250/2012 or Act 251/2012 provisions also by off-site inspections. As a result, a total of € 13 000 in fines was imposed on 13 entities.

In 11 cases, entities failed to inform the Office by the end of February of calendar year 2019 about non-perfor-

## Breaches found

		SECTOR				Total
		electricity	gas	heating	water	
Section 29(1)(b) of Act 250/2012	failure to conduct regulated activity in accordance with the Office's valid decision or confirmation and failure to comply with tariff regulation requirements according to generally binding legislation adopted by the Office	16	8	3	0	27
Section 29(1)(k) of Act 250/2012	failure to provide the Office free of charge with complete and truthful data, documents and any other information necessary for the purposes as per this Act and for the exercise of the Office's powers in the scope, manner and time limits specified by the Office	6	6	2	10	24
Section 29(1)(c) of Act 250/2012	failure to settle the costs of heat generation, distribution and supply, which are not considered as eligible costs, within the time limit and in the manner established by the Office	0	0	21	0	21
Section 29(1)(j) of Act 250/2012	failure to notify the Office by the end of February of a calendar year of having discontinued a regulated activity in the previous year, specified in the license or confirmation of compliance with the notification obligation	7	6	1	0	14
Section 22(5) of Act 250/2012	failure to make a compensation payment to the customer for non-compliance with quality standards in the amount and in the manner specified by URSO decree	4	3	1	0	8
Section 29(1)(o) of Act 250/2012	failure to comply with the market rules	6	2	0	0	8
Section 34(2)(b) of Act 250/2012	failure to provide the Office's staff with the required co-operation corresponding to their powers in the performance of inspection pursuant to Section 33(1)(a) and (b)	1	3	0	0	4
Section 13(4) of Act 250/2012	non-compliance with the grid codes of the distribution system operator	2	0	0	0	2
Section 15(6) first sentence of Act 250/2012	failure to submit the system operator's proposal of grid code/rules of operation developed in accordance with the model grid code/rules of operation of electricity/gas distribution and incorporating the market rules, to the Office for approval within 15 days of receipt of the license	1	1	0	0	2
Section 22(4)(h) of Act 250/2012	failure to submit to the Office by the end of February of the calendar month evaluation of quality standards for the previous year and failure to publish this evaluation on the regulated company's website or in another usual form if the regulated company does not have a website in place	0	1	0	1	2
Section 29(1)(a) of Act 250/2012	failure to carry out a regulated activity in line with a license, confirmation of compliance with the notification obligation or confirmation of registration	0	0	1	1	2
Section 22(4)(f) of Act 250/2012	failure to submit a summary of compensation payments made for the previous calendar year to the Office by the end of February	0	1	0	0	1
Section 29(1)(d) of Act 250/2012	failure to comply with the principle of proportionate costs incurred in carrying out the regulated activity	0	0	1	0	1
Section 29(1)(l) of Act 250/2012	failure to put in place a measure imposed by the Office pursuant to Section 9(1) (e) within the specified time limit	0	0	1	0	1

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mance of a regulated activity according to a license or confirmation of compliance with the notification obligation. One entity did not submit to the Office a grid code proposal drafted in accordance with the model grid code in electricity and gas distribution and with the amended market rules within 15 days of receipt of the license and one entity did not provide information on the change in the price of gas supply to household gas customers in a transparent and comprehensible manner and at the same

time did not deliver natural gas price lists to the Office, for universal service, published on its website before their coming into effect.

The Inspection Department also received 54 alerts from natural or legal persons - 26 of them were included in the on-site inspection plan and in four cases a breach of the current legislation was found.

## Breaches found

		SECTOR				Total	
		electricity	gas	heating	water		
Section 4(6) and/or Section 4(7) of Act 251/2012	failure to comply with the notification obligation within 30 days of ceasing to do business in the energy sector	5	4	0	0	9	25
Section 17(15) of Act 251/2012	failure of the universal service provider to deliver to the Office gas price lists published on its website before their entry into force	0	3	0	0	3	
Section 16(4)(b) of Act 251/2012	failure to submit the rules for the allocation of assets and liabilities, costs and revenues to the Office for approval within 30 days from the date of commencement of regulated activity	1	1	0	0	2	
Section 17(1)(b) of Act 251/2012	failure to provide information to household electricity or gas customers about a change in the price for electricity supply or the price for gas supply in a transparent and comprehensible manner specified in the business terms and conditions pursuant to Section 34(2)(f) or Section 69(2)(a) no later than 30 days before the change comes into effect	1	1	0	0	2	
Section 6(1) of Act 251/2012	conducting business in the energy sector without or in breach of a license or a confirmation of compliance with the notification obligation	0	1	0	0	1	
Section 8(5) of Act 251/2012	failure to submit a proposal for entry of the licensed activity in the commercial register within 30 days from the date of entry into force of the decision	1	0	0	0	1	
Section 17(12) of Act 251/2012	failure to deliver final settlement of payments for gas supply to household gas consumer no later than four weeks after the consumer switched supplier	0	1	0	0	1	
Section 31(2)(u) of Act 251/2012	failure to publish the terms and conditions of network connection and the terms and conditions of distribution system access and electricity distribution on the DSO's website	1	0	0	0	1	
Section 34(3) of Act 251/2012	failure to comply with the obligation to provide end electricity consumers with information pursuant to Section 34(2)(c), (d) and (h) of Act 251/2012 on the electricity supply bill or in the material attached to it and in the promotional materials sent	1	0	0	0	1	
Section 64(6)(e) of Act 251/2012	failure to conclude a contract for distribution network access and gas distribution with a new gas supplier who has requested it, without evidence that the supplier has not complied with the technical and commercial requirements for access to the distribution network and gas distribution	0	1	0	0	1	
Section 64(7)(p) point 1 of Act 251/2012	failure of the DSO to publish a request template for distribution network access on its website	0	1	0	0	1	
Section 64(7)(p) point 2 of Act 251/2012	failure of the DSO to fulfill the obligation to publish on its website requirements for the connection of gas market participant to the distribution system	0	1	0	0	1	
Section 64(7)(p) point 2.3 of Act 251/2012	failure of the DSO to publish on its website contract template on distribution system connection	0	1	0	0	1	
Section 5(1) of Act 657/2004	conducting business in the heating sector without a license or in breach of a license	0	0	1	0	1	
<b>TOTAL</b>		<b>53</b>	<b>46</b>	<b>32</b>	<b>12</b>	<b>143</b>	



## Remedial measures

After finding a breach of the applicable legislation, the Office imposes measures to remedy the shortcomings. The Office imposed 20 remedial measures in the following sectors:

- electricity 4
- gas 4
- heating 12

The Office ordered eight regulated entities to return to the heat consumers financial amounts representing the difference between the charged price and the price that was to be charged in accordance with the applicable regulations, in the total amount of 410 445.31 EUR, of which:

- 233 957.65 EUR to heat consumers (in the variable maximum tariff component)
- 176 487.66 EUR to heat consumers (in the fixed maximum tariff component)

The Office ordered one regulated entity to develop business terms and conditions of electricity supply in accordance with the model business terms and conditions of electricity supply and to submit them for approval to the Office.

The Office imposed four measures on one regulated entity, namely to submit a proposal for registration of electricity supply as a licensed activity in the relevant commercial register in accordance with the license; to conclude a contract on distribution network access and gas distribution with each gas supplier after they met the commercial and technical conditions of the distribution network access and gas distribution, within the time limits specified in the approved grid code; to send monthly electronic invoices for electricity distribution to individual electricity suppliers together with a breakdown of invoiced items for each electricity customer's meter point located in the supplier's balance group within time limits specified in the grid code and publish a sample contract on the distribution network connection on its website.

The Office imposed two measures on one regulated entity, namely to pay, pursuant to Section 10 (2) of Decree 236/2016 establishing quality standards for electricity transmission, distribution and supply, a compensation payment to the electricity customers listed in the annex to the inspection report and to pay to the household gas customers listed in the annex to the inspection report a compensation payment pursuant to Section 12 f) of Decree 278/2012 establishing quality standards for gas storage, transmission, distribution and supply as amended by Decree 233/2016.

The Office imposed on one regulated entity a measure to pay compensation payments pursuant to Section 12 e) of Decree 278/2012 establishing quality standards for gas storage, transmission, distribution and supply as amended by Decree 233/2016 in case of customer events (incidents) specified in the inspection report, for non-compliance with the gas supply quality standard in accordance with Section 5 f) of Decree 278/2012 as amended by Decree 233/2016.

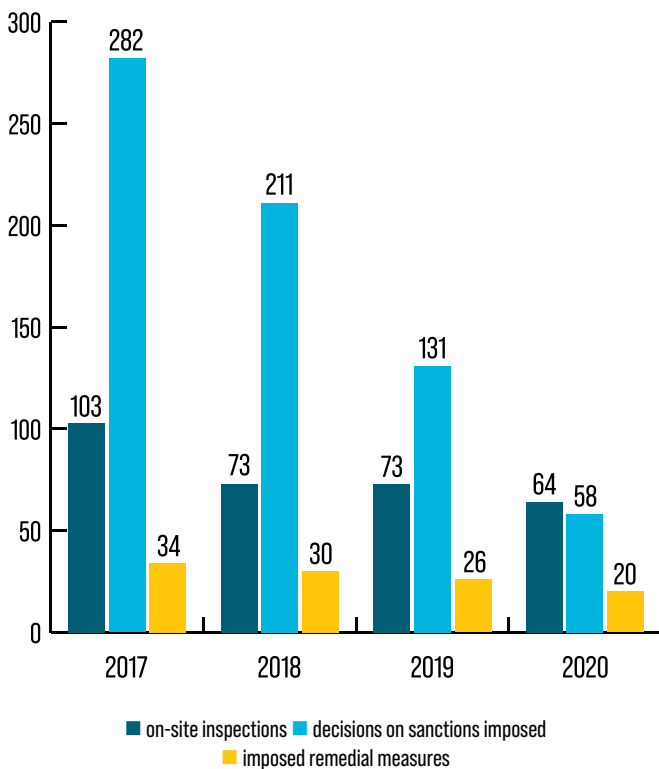
For three regulated entities, the Office did not impose a measure to eliminate and remedy the shortcomings found during the inspection, inasmuch the unduly charged costs in the amount of 2 419.69 EUR had been reimbursed to the heat customers already during the inspection.

## Imposing sanctions at the 1st level of administrative proceeding

### Sanctions for breaching legal obligations

ADMINISTRATIVE PROCEEDINGS 2020		ADOPTED DECISIONS	
		QUANTITY	FINE (€)
<b>I. ADMINISTRATIVE PROCEEDINGS BASED ON ONSITE INSPECTION FINDINGS</b>		41	103 700
<b>II. ADMINISTRATIVE PROCEEDINGS BASED ON BREACHES FOUND DURING OFF-SITE INSPECTIONS</b>	failure to comply with notification obligation towards the Office	11	6 500
	failure to submit the system operator's proposal of grid code/rules of operation developed in accordance with the model grid code/rules of operation of electricity/gas distribution and incorporating the market rules, to the Office for approval within 15 days of receipt of the license	1	500
	failure of the universal service provider to deliver to the Office gas price lists published on its website before their entry into force and to provide information on the change of the price of gas supply to household gas customers in a transparent and comprehensible manner	1	6 000
	failure to submit quality standards	4	2 000
<b>TOTAL</b>		<b>58</b>	<b>118 700</b>

### Selected key inspection performance indicators (2017 - 2020)



### Impact of the corona crisis

2020 was significantly affected by anti-epidemic measures related to the spread of the new coronavirus COVID-19. The performance of inspections was slowed down due to the limitations of initiating and performing on-site inspections, physical consultations as well as discussing the inspection reports. The inspections were carried out mainly electronically, with maximum regard to the possibilities of the inspected entities to communicate and prepare the data required by the inspector. For these reasons, far fewer new inspections were opened than in an ordinary calendar year, and the overall performance of onsite inspections was considerably hampered and subdued.

# 08

## MONITORING OF REGULATED ACTIVITIES

The Office monitors regulated entities' activities to ensure a balance between their interests and those of consumers. The aim is to obtain the necessary information so that the Office has sufficient tools available to verify the structure and amounts of costs spent to carry out regulated activities, in order to establish transparent and non-discriminatory regulation and to be able to prevent abuse of the vertical integration of regulated entities. The monitoring of the activities is carried out by monitoring compliance with quality standards, key performance indicators, procurement procedures and conclusion of contracts on the provision of services within integrated undertakings.

### Rules for assets, liabilities, costs and revenues allocation

In order to prevent discrimination and cross-subsidies, the Office approved upon requests from 30 eligible entities a total of 30 sets of rules for the allocation of assets, liabilities, costs, revenues separately for each regulated activity pursuant to Section 16 of Act 251/2012.

### Key performance indicators monitoring

The Office monitors the impact of tariff and non-tariff regulation on the achieved economic results (profits/losses) and economic efficiency of regulated entities in electricity and gas through selected key economic performance indicators.



In 2020, the Office monitored data from the separate accounting records for 2019, receiving a total of 1 322 records from market participants in the following structure:

- ➔ 1 231 records from the electricity sector,
- ➔ 17 records from the gas sector,
- ➔ 74 records simultaneously from electricity and gas.

Key performance indicators of selected electricity and gas regulated entities for the monitored period were fulfilled at an average of 77.29%, which shows the conditions set by the Office in tariff and non-tariff regulation had been adequately set.

### Quality standards

By monitoring quality standards, the Office protects the consumer's right to receive, in the context of the dominant position of a regulated entity, adequate quality for the price that the consumer pays for energy and water. Decrees establishing quality standards are primarily aimed at protecting the consumer under the dominant position of a regulated entity operating in one of the network sectors. Compensation payments have a supporting function in quality standards regulation. Quality standards regulation aims to incentivise regulated entities to keep increas-

ing the level of compliance with quality standards and also to motivate them to invest in ensuring and increasing the infrastructure's safety, stability and development.

## No. of reviews and registered events in electricity

Electricity	Transmission	Distribution	Supply
No. of reviews	1	137	165
No. of registered events	4	7 505 409	1 672 733
No. of registered events with a breach of quality standards	0	18 800	405
Share of registered events with a breach of quality standards to registered events	0.00%	0.25 %	0.02 %

## No. of reviews and registered events in gas

Gas	Storage	Transmission	Distribution	Supply
No. of reviews	2	1	37	69
No. of registered events	937	215	77 461	1 092 758
No. of registered events with a breach of quality standards	0	20	175	381
Share of registered events with a breach of quality standards to registered events	0.00 %	9.3 %	0.23 %	0.03 %

## No. of reviews and registered events in heating

Heating	Heat supply
No. of reviews	330
No. of registered events	90 035
No. of registered events with a breach of quality standards	269
Share of registered events with a breach of quality standards to registered events	0.30 %

## No. of reviews and registered events in water

Water	Drinking water supply	Wastewater collection
No. of reviews	393	392
No. of registered events	71 110	48 429
No. of registered events with a breach of quality standards	801	453
Share of registered events with a breach of quality standards to registered events	1.13 %	0.94 %

## Overview of compensation payments in 2020

Regulated activity		
Electricity	Transmission	0.00 €
	Distribution	311 841.31 €
	Supply	14 648.00 €
	Total	326 489.31 €
Gas	Storage	0.00 €
	Transmission	0.00 €
	Distribution	8 720.00 €
	Supply	12 114.80 €
Total	20 834.80 €	
Heating	Supply	20 170.64 €
	Total	20 170.64 €
Water	Drinking water supply	128.29 €
	Wastewater collection	60.90 €
	Total	189.19 €

For 2020, a total of 367 683.94 EUR was paid to consumers in compensation payments.

## Procurement and service level agreements

In order to create a level playing field on the market, the Office monitors the activities of system operators to prevent them from taking advantage of vertical integration. A regulated entity which carries out a regulated activity in the electricity or gas sector and is part of a vertically integrated undertaking is obliged to submit a service level agreement (SLA) or its amendment to the Office for approval. In the year under review, 19 SLAs were approved by the Office.

In order to ensure a higher degree of oversight and efficiency of heat and water utility companies, in 2020 the Office also started to monitor service level agreements with integrated undertakings, if such agreements are concluded by the heat and water utility companies outside the public procurement process. At the end of the year, two service level agreements concluded by an entity operating in the heating sector with an integrated undertaking were approved.

The purpose of approving service level agreements, primarily the requirement that the regulated entity is obliged to keep the costs incurred in carrying out the regulated activity proportionate, is cost optimisation.

Furthermore, the Office monitored transparency of procurement of goods and services necessary for the performance of regulated activities by entities which are part of vertically integrated undertakings and operate in electricity and gas.

Pursuant to Section 29(3) of Act 250/2012, the Office registered 724 public tenders announced by 17 regulated entities. Of the tenders announced in 2020 and in the previous period, 691 were completed and 52 were cancelled in the year under review. Six tenders were closed without a winner. As of 31 December 2020, 201 tenders were in progress.

Pursuant to Section 29(4) of Act 250/2012, 100 regulated entities that are not vertically integrated reported to the Office 683 contracts implemented with a value exceeding 300 000 EUR.

## Commercial and financial agreements

The Office monitors commercial and financial agreements by a transmission system operator with another person which is part of the same vertically integrated natural gas undertaking in order to ensure its independence from other parts of the vertically integrated undertaking.

The Office shall grant consent to the agreement or its amendment if the TSO demonstrates that the terms of the contract or the amendment correspond to usual business terms, otherwise the Office shall not grant the consent. In 2020, two commercial agreements were approved by the Office.

# 09

## INTERNATIONAL ACTIVITIES AND REMIT



The dynamics of the development of the European energy markets are constantly increasing, and this continued to be the case also in 2020. The climate change mitigation efforts were particularly important, with the main focus being on accelerating the transition to the generation and consumption of clean energy.

The discussion of regulators clearly focused on trying to create the right conditions for a successful functioning of the energy market, in particular on creating a market design where individual elements of the whole value chain will interact and will bring, in a coordinated manner and based on innovative approaches of stakeholders, the desired effect. The aim of this effort is to create a dynamic and flexible energy market in a decentralized and technology-neutral way. A strong emphasis will be placed by regulators in the future on the end consumer empowerment and their primary protection needs.

Despite the significant impact of COVID-19 on the energy sector, which was manifested, inter alia, in reduction of energy consumption (EU average 5% compared to 2019), decrease in CO<sub>2</sub> emissions (EU average 7%), as well as the impact on price stability, EU institutions and regulators continued to pursue their ambitions, in particular in the following areas:

- ➔ efforts to meet EU's ambitious climate targets, with the achievement of carbon neutrality by 2050,
- ➔ changes to the EU energy market - advances in integration and new or reinforced cross-border interconnection capacities, new or revised common rules for the single market,
- ➔ the importance of RES - increasing volumes of electricity and gas production from RES, pursuit of binding targets at national level,
- ➔ increased activity of ACER,
- ➔ strong emphasis on consumer empowerment.

A fully integrated, liquid and well-functioning energy market is a prerequisite for secure energy supplies at affordable prices. The development of internal markets will therefore continue. The aim of the changes is to raise active consumers (prosumers) in an environment of rapidly changing market opportunities and to strengthen the ability of the market to meet new challenges through the introduction of aggregators who will provide the service of flexibility of energy supply and demand.



## Dimensions of the EU energy union

- decarbonisation,
- digitalisation,
- decentralisation,
- development, innovations and competitiveness,
- energy security,
- a fully intergrated energy market,
- energy efficiency.

EU legislative acts related to the Clean Energy Package, which were further discussed and progressively implemented in national legislation during 2020:

- Energy Performance in Buildings: Directive (EU) 2018/844,
- Governance of the Energy Union Regulation (EU) 2018/1999,
- Energy Efficiency Directive (EU) 2018/2002,
- Renewable Energy Directive (EU) 2018/2001,
- Electricity Regulation (EU) 2019/943,
- Electricity Directive (EU) 2019/944,
- Risk Preparedness Regulation (EU) 2019/941

## Participation in international activities

ACER adopted an increased number of decisions in 2020, as a result of its new competences stemming from Regulation (EU) 2019/942 (ACER Regulation recast) as well as of the increasingly complex rules for the functioning of the single electricity market. The Agency also adopted and published, in cooperation with CEER and national regulators, a number of joint monitoring papers and reports as a result of mutual cooperation and efforts to integrate the markets.

The Office focused on a close cooperation with other regulators and, within ACER, participated in extensive discussions and preparations of important documents impacting the design and development of the European single electricity market. URSO joined a coalition of nine national regulators which succeeded in supporting a fair and compromise proposal of the important methodology for cost sharing of redispatching and countertrading in the CORE capacity calculation region adopted by ACER.

Another important issue was the interim day-ahead electricity market coupling project based on NTC of the MRC and 4M MC regions, which was supported by the Office and finally decided on by the Commission in September. The implementation of the project will take place prior to the target solution of flow-based market coupling.

A milestone in the European intraday electricity market coupling efforts was also the signing of the accession agreements by SEPS and OKTE for SIDC/XBID.

## Pathway to the European single electricity market

- create one common solution across Europe,
- promote liquidity and trading on day-ahead and intraday markets,
- create optimal conditions for cross-border trading and competition,
- optimise cross-border transmission capacities,
- introduce a coordinated mechanism for long-term capacity calculation,
- establish trading platforms and regulatory instruments to avoid negative impact on the final consumer.

The European Commission organised Madrid, Florence and Copenhagen Fora in which the Office participated. Discussions focused on the need to gradually introduce new elements of modern infrastructure as a basis for the integrated energy system.

Within CEER and ACER, in cooperation with representatives of other national regulators and while respecting national specificities, the Office focused on the process of commenting on the various documents under preparation, such as the hydrogen strategy or methane emissions, the development of P2X facilities for electricity generation from RES, while reflecting on the regulatory framework for such activities (e.g. issuing guarantees of origin), or the introduction of regulation for new or already used assets.

The gas sector has seen a move towards changes triggered by the European Green Deal. Its framework should be a new market design for renewable and decarbonised/low-carbon gases.



## | URSO and EU and non-EU institutions

### European Commission

- In preparation for the revision of the „gas package“, the Commission is stepping up the process of implementation of measures and investments in the integration of renewable energy sources and development of low-carbon hydrogen technologies (the Commission published the relevant documents on hydrogen strategy and methane emissions),
- decarbonisation of the economy remains a key objective of the European Green Deal, as stated in the EU „Next Generation“ document, with very clear ambitions to mobilise investments and funding,
- emphasises the role of energy generation and storage (electrolysers, the role of hydrogen, batteries...),
- plans to release up to 340 billion euros over the next decade for new solar and wind projects. The 30-year strategy foresees that up to 470 billion euros will be spent on increasing electrolyser capacities.

### ERRA (Energy Regulators Regional Association)

- URSO as an ERRA full member participated in the annual general assembly and also in the (online) gala event marking the 20th anniversary of the Association.

### Energy Community

- The Office actively follows the development in this organisation integrating also non-EU countries.

## | REMIT

Regulation (EU) 1227/2011 on the integrity and transparency of the wholesale energy market (REMIT) lays down rules for market participants trading in the wholesale electricity and gas markets and prohibits insider trading and market manipulation. By Act 250/2012 with effect from 1 September 2012, the Office acquired the competence to register Slovakia's market participants, investigate potential cases of market abuse and impose sanctions in case of a breach.

In accordance with Commission Implementing Regulation (EU) 1348/2014 on data reporting implementing Art. 8 (2) and (6) of REMIT, market participants are obliged to register in the national register of market participants and report data on wholesale transactions through registered reporting mechanisms (RRM) certified by ACER.

As of 31 December 2020, a total of 124 market participants trading in Slovakia's wholesale energy market were registered by the Office. The majority of the market participants reported their transaction data to ACER through two Slovakia's RRM, OKTE and Solien.

# 10.

## CONSUMER COMPLAINTS



The year 2020 was marked by the COVID-19 pandemic, but so far, from the point of view of consumer protection, URSO did not observe that customers had a bigger problem with paying for energy compared to previous years.

### | The nature of the complaints

A large part of the complaints concerned the method of concluding energy supply contracts or switching of energy supplier. In the year under review, customers approached the Office as a result of errors in electricity or gas consumption metering, connection to the distribution system and quality of supply.

In 2020, the Office handled a total of 353 consumer submissions/complaints.

The Office also received some submissions which did not belong within its competences and which were subsequently referred to the responsible authorities. Compared to previous years, the number of complaints handled by the Consumer Protection Department has stabilized.

### No. of submissions received by the Office

	2017	2018	2019	2020
No. of complaints received	667	358	350	353
No. of complaints referred to other authorities	43	44	41	50
No. of complaints solved by an answer/opinion	578	198	223	222
No. of complaints handled otherwise	46	116	86	81



# 11

## ALTERNATIVE DISPUTE RESOLUTION (ADR)

Since 2016, the Office has been a body for the alternative dispute resolution in accordance with a special consumer disputes regulation arising from Act 391/2015 on alternative dispute resolution as amended.

A total of 8 proposals were received by the Office. The most common reason of submitting ADR proposals in 2020, as in the previous period, was in particular disagreement or doubts about the correctness of consumption invoicing by the regulated entity.

Consumers demanded the correctness of measured consumption data and supplier billing be verified, and consequently the bills be corrected.

In the year under review, the Office received one proposal for an alternative dispute resolution pursuant to Section 37 of Act no. 250/2012 Coll.

It can be stated that alternative dispute resolution in the area of regulation of network industries is not widely used, despite education by the Office among consumers. This is probably due to the fact that it is easier for most consumers to lodge a simple, often incomplete complaint with the Office than to complete a simple but formalized proposal and go through a standardized ADR procedure.

Alternative dispute settlement can be made more effective especially by raising consumer awareness of the possibilities for resolving their issues.

### No. of disputes settled out-of-court

	2017	2018	2019	2020
No. of received ADR requests	28	11	19	9
No. of ADR requests pursuant to § 37 of Act 250/2012	6	2	1	1
No. of ADR requests pursuant to Act 391/2015	22	9	18	8
No. of unfinished disputes	6	0	0	0

# 12.

## HANDLING OF INFORMATION REQUESTS

### Handling of requests pursuant to Act No. 211/2000 Coll. on free access to information (Freedom of Information Act), as amended

According to Act 211/2000, the Office is defined as a person obliged to disclose information. In 2020, the Office registered 57 requests for making information available.

In 45 cases, the Office made the requested information available, in five cases the requests were referred to the relevant departments for direct handling, on the grounds that they were not requests for disclosure of information within the meaning of the Freedom of Information Act.

One request for information, after the Office's request for amendment, was deferred and consequently, the requester did not communicate further.

In four cases, the Office could not fulfill the request because it did not have the information requested. Of those one request was referred to the Chairman of the Office as the second-instance body for further action, inasmuch the requester appealed against the decision of the first-instance body, the Office's Registry.

Another grounds for a request not being granted by issuing a written decision and non-disclosing the requested information was based on a statement of the regulated entity itself that it was a supporting document to a tariff proposal and the regulated entity that had submitted



the information to the Office for the purposes of a tariff proceeding did not agree with the disclosure. At the same time this commercial undertaking was not an obliged person under the Freedom of Information Act.

One of the information requesters was advised to address another obliged person, as the Office cannot substitute the obligation of another obliged person, which by its very status is obliged by law to disclose the requested documents which have been requested from the Office.

Compared to 2019, when the Office registered 38 information requests, a slight increase can be noted. Similarly, on several occasions, requesters requested various expert opinions or statements which cannot be dealt with under the Freedom of Information Act and were therefore referred to the relevant department for handling. In other cases, information was mostly provided in the field of RES and CHP, as well as information related to business permits, confirmations, licences, and tariff decisions themselves and their legal validity. 2020 also saw an interest in the Office's Staff Regulations, as well as lists of court cases, both completed and pending.

## Statistics of the requests for information

	2017	2018	2019	2020
Requests received	37	38	38	57
Requests granted	37	36	38	57
Information made available	29	25	30	45
Information made partly available	6	0	1	0
Information not made available	6	0	0	5
Decisions issued on making the information available	6	2	0	1
Requests referred to another competent department or public authority	2	6	5	5
Withdrawal of the request in part	0	0	0	0
Requests deferred	0	2	2	1
<b>Appeals against decisions on making the information not available</b>				
Appeals	2	1	0	1
Appeals rejected	2	1	0	1

# 13

## BUDGET

The Office met the binding financial indicators of the state budget for the year under review and managed the allocated funds as follows:

### Revenues

As of 31 December 2020, the total revenues reached 264 119 EUR. Of that figure, the fines imposed by the Office on regulated companies in accordance with Act 250/2012 and paid by them were in the amount of 258 030 EUR and other non-tax revenue in the amount of 6 089 EUR, which in percentage terms represents the fulfilment of the the binding revenue indicator at 114.83%.

### Expenditures

The approved total expenditure budget for 2020 amounted to 4 650 445 EUR. As at 31 December 2020, the approved budget was adjusted to 4 971 175 EUR by the Ministry of Finance of the Slovak Republic. The actual spending as at 31 December 2020 was 4 968 528 EUR, which represents 99.95% (a saving of 2 647 EUR).



# 14.

## LICENSES IN NETWORK INDUSTRIES

In non-tariff regulation, the Office also decides on the granting, amendment and revocation of licenses. Natural and legal persons may carry out business in the electricity and gas sectors on the basis of a license or a confirmation of compliance with the notification obligation issued pursuant to Act 251/2012.

### Electricity licenses

	2017	2018	2019	2020
new licenses	14	15	20	19
revoked licences	18	60	8	5
amended licenses	71	78	80	58



### Valid electricity licenses

	2017	2018	2019	2020
generation	2	2	2	2
transmission	1	1	1	1
distribution	12	11	12	11
generation and supply	103	102	103	105
generation, distribution and supply	27	25	26	24
distribution and supply	118	110	112	114
supply	175	136	140	151
short-term market operator	1	1	1	1
electricity purchaser	-	-	1	1
<b>TOTAL</b>	<b>439</b>	<b>388</b>	<b>398</b>	<b>410</b>



## Confirmations of compliance with the notification obligation in electricity

	2017	2018	2019	2020
No. of confirmations issued for new entities/installations	61	59	40	44
No. of valid confirmations	2238	2350	2320	2394
No. of issued amended confirmations	81	122	124	133

Out of a total of 220 confirmations of compliance with the notification obligation issued in 2020, 137 were issued for the generation and supply of electricity in photovoltaic installations, 17 for the production and supply of electricity in small hydropower plants, 16 for the generation and supply of electricity in biogas plants and seven confirmations for the generation and supply of electricity in cogeneration units.

## Confirmations of compliance with the notification obligation

Confirmations of compliance with the notification obligation pursuant to Section 6 (4) of Act 251/2012	No. of confirmations issued in 2020 for new entities/ installations	No. of valid confirmations as of 31 Dec 2020	No. of issued amended confirmations in 2020	
a) electricity generation and supply from units with total installed capacity up to 1 MW				
small hydropower plants	3	187	14	
wind power plants	0	1	0	
photovoltaic installations	39	1977	98	
biogas stations and wastewater treatment plants	2	142	14	
CHP plants	0	87	7	
c) gas production and supply from biogas	0	1	0	
d) sale of compressed natural gas for motor vehicles propulsion	9	120	2	activities may overlap
e) oil transport from extraction site to refinery				
f) sale of liquefied gaseous hydrocarbons in pressure vessels				
g) sale of liquefied gaseous hydrocarbon for motor vehicles propulsion, including filling of motor vehicle fuel tanks with liquefied gaseous hydrocarbons intended for motor vehicles propulsion, with the exception of pressure vessels filling				
h) transport of liquefied gaseous hydrocarbon in pressure vessels				
<b>Total</b>	<b>53</b>	<b>2 515</b>	<b>135</b>	
Confirmations of terminating the activity in 2020	32			
Confirmations of terminating the activity in total	281			
All confirmations issued in 2020 – new + amended + terminating the activity	220			

## Certificates of electricity generation in a local source

Since 2019, the Office has also been exercising its competence in the area of issuing certificates of electricity generation in a local source pursuant to Act 309/2009. In

the first year of exercising this competence, a total of 10 certificates of electricity generation in a local source were issued. In 2020, the number of certificates increased to 45. All these certificates were issued to electricity producers from photovoltaic installations.

### Overview of received requests and issued decisions

	new licenses	revoked licenses	amended licenses	proceedings suspended	proceedings terminated
electricity	19	5	58	29	4
gas	16	3	11	6	2
fuels and oil	2	1	1	1	0
<b>total</b>	<b>37</b>	<b>9</b>	<b>70</b>	<b>36</b>	<b>6</b>

### Overview of valid licenses

Overview of valid electricity licenses pursuant to Section 6 (2) (a) and (b) of Act 251/2012	
generation	2
transmission	1
distribution	11
generation and supply	105
generation, distribution and supply	24
distribution and supply	114
supply	151
short-term market operator	1
electricity purchaser	1
<b>Total</b>	<b>410</b>
Overview of valid gas licenses pursuant to Section 6 (2) (c) of Act 251/2012	
production	1
transmission	1
distribution	4
distribution and supply	40
storage	2
supply	141
<b>Total</b>	<b>190</b>

Overview of valid licenses - fuels and oil pursuant to Section 6 (2) (d), (e), (f) and (g) of Act 251/2012	
fuel transportation pipeline operation	1
operation of pressure vessel filling equipment	16
oil transportation pipeline operation	2
operation of liquefied gaseous hydrocarbon distribution equipment	0
operation of pressure vessel filling equipment and operation of liquefied gaseous hydrocarbon distribution equipment	1
<b>Total</b>	<b>20</b>

In 2020, the number of valid energy licenses increased by 31 (12 in electricity, 17 in gas and two in fuel and oil).

As of 31 December 2020, there were a total of 620 valid energy licenses, of which 410 in electricity, 190 in gas and 20 in fuel and oil.

## Heating licenses

The Office also grants, amends or revokes licenses in district heating pursuant to Act 657/2004, namely for heat generation, heat generation and distribution, heat distribution.

### Overview of received requests and issued decisions in heating

new licenses	11
revoked licenses	8
amended licenses	115
proceedings suspended	51
proceedings terminated	2
Total	187

### Valid licenses in heating

heat generation and distribution	322
heat generation	12
heat distribution	14
Total	348

In heating, the Office issued a total of 11 new licenses. As of 31 December 2020, there were a total of 348 valid heating licenses, of which 322 for heat generation and distribution, 12 for heat generation and 14 for heat distribution.

## Confirmations of registration in the water sector

In order to carry out regulated activities in the water sector, the Office issues confirmations of registration pursuant to Section 23 of Act 250/2012. As of 31 December 2020, there were 663 regulated entities registered.





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