

# RECENT DEVELOPMENTS IN GAS INDUSTRY IN SLOVAKIA

**Jozef Urbánek, SPP**

## ***SPP Natural Gas Transit***

Slovak gas company SPP transported **64.4 billion cubic meters** of natural gas to western Europe through its transit network in ten months of this year. Compared with the same period of 2003 this represents an increase of **6.54 billion cubic meters**. The growth resulted from higher demand for natural gas in southern and western European countries.

In 2004 SPP realized new commercial customers as a result of higher inflow of foreign direct investments after successful economic reforms in Slovakia. SPP sold **6.6 billion cubic meters** of natural gas to **about 1.45 million** customers in Slovakia, which is **300 million cubic meters less** than in 2003.

Lower sales resulted from rationalization of energy consumption and reduced energy demand of large industrial customers. Higher average temperature during the winter also contributed to lower sales.

## ***New Legislation***

The National Council of Slovak Republic (NR SR) adopted 3 Acts on Energy on 26<sup>th</sup> October 2004 and those are the Act on Energy, the Act on Heat Energy and Amendment of the Act on Regulation of Network Industries.

The Act on Energy proposed by the government provides for the harmonisation of the Slovak energy legislation with the legislation of European Union (EU). There are implemented the European directives on the common rules of internal market in electricity and gas that substantially optimise its functioning. Their main objective is the full liberalisation of energy market and completion of internal market in energy and gas sectors. The Ministry of Economy is responsible for the preparation of energy policy for minimum of 20 years and for its update each fifth year.

The new legislation also transposes the European directive on the promotion of electricity generated from renewable sources in the internal market. It introduces the conditions for opening the electricity and gas market for consumers, excluding the households, from 1<sup>st</sup> January 2005.

The households will be eligible to choose their supplier of electricity or gas only from 1<sup>st</sup> July 2007.

The act introduces institutes which are necessary for functioning of the common market, for example, obligation to unbundle electricity or gas distribution from trade with the objective to avoid cross subsidies or conditions harming competition. The producer, operator of transmission network and distributor will be obliged to introduce separate financial reporting on 1<sup>st</sup> January 2005 in order to clearly define costs, revenues and economic result related to their main activities.

One of the main intentions for the amendment of Act on Regulation of Network Industries is to provide the full transposition of EU directives and regulations related to the common electricity and gas market rules. Implementing this secondary legislation of EU, the relevant Slovak legislation becomes fully compatible with the legislation of European Union.

There has been an increase in the responsibility of Network Industries Regulatory Authority (ÚRSO) for the provision of effective functioning of electricity, gas and heat market and for transparent and objective price regulation in these industries as well as for transparent and non-discriminatory regulation of activities in the energy sector.

### ***ADOPTED AMENDMENTS IN THE ENERGY FRAMEWORK***

- \* ***Selection of electricity and gas supplier*** – each entrepreneur can choose a supplier from 1<sup>st</sup> January 2005. The households have such possibility from 1<sup>st</sup> July 2007.
- \* ***Access to network*** – operators of electricity and gas networks must enable consumers, on non discriminatory principle, to choose a supplier and allow the access to their networks.
- \* ***Cross subsidies*** - are not permitted, pertaining companies will have to financially separate transmission and distribution of electricity and gas.
- \* ***Information on the changes of electricity and gas prices*** – the supplier is obliged to

submit them to an end consumer the latest 60 days prior the amendment or three months prior the end of accounting period.

### ***NEW IN THE PRICE REGULATION***

- \* ***Decisions of Regulation Council*** – consumers will be able to impugn them in the court.
- \* ***Deadline for pricing*** – by the end of September, the new pricing for transmission of electricity and gas, for the system and supportive services and transit and distribution of gas, should be known. Other regulated prices should be determined by the Regulatory Authority by the end of November of actual year.
- \* ***Source of information on prices*** – decisions must be released in its own bulletin by the Regulatory Authority on its internet page and in the Collection of Laws SR.
- \* ***Production prices of electricity*** – will not be regulated excluding electricity generated from renewable sources, generated from heat, domestic coal and water power plants.