



**National Report
2019**

**Regulatory Office for Network Industries
Slovak Republic**

1. Foreword

This document represents the National Report prepared by the Regulatory Office for Network Industries (“URSO“ or the “Office“) and submitted annually to the Agency for the Cooperation of Energy Regulators (ACER) and the European Commission, in accordance with the regulator’s obligation to report on its activity and the fulfilment of its duties under Article 59 (1) (i) of Directive (EU) 2019/944 of the European Parliament and of the Council on common rules for the internal market for electricity, Article 41(1) (e) of Directive of the European Parliament and of the Council 2009/73/EC concerning common rules for the internal market in gas, and in accordance with Section 10 (d) of the national Act 250/2012 Coll. on regulation in network industries.

The National Report for 2019 has been prepared according to the harmonised content structure defined by the Council of European Energy Regulators (CEER) in cooperation with ACER and the European Commission's Directorate-General for Energy. Its primary role is to monitor market and competition levels in retail and wholesale electricity and gas markets.

The activities of the Office covered different tasks arising particularly from the application of EU directives or regulations in the electricity and gas markets and from the national regulatory policy set for the 5th regulatory period from 2017 to 2021.

URSO placed also in 2019 emphasis on ensuring transparent, non-discriminatory and effective competition in network industries. The Office created conditions for the promotion and increase of competition, and ensured security of energy supply and a reasonable return on investment in infrastructure. At the same time, the Office emphasized consumer empowerment, as well as made efforts to improve the position of the business sector, optimize the quality of supply and services, meet environmental objectives, and develop international cooperation.

2. Main developments in the gas and electricity markets

Year 2019 was the third year of the 2017-2021 regulatory period. It was defined by increased commodity prices on world power exchanges, impacting also end-user electricity prices for all Slovakia's consumers in 2019.

On the other hand, this downside had a slightly positive effect, as the rise of electricity commodity price was reflected in decreased costs of promotion of renewable electricity sources (RES) and high-efficiency combined heat and power (CHP) generation.

Gas consumption in Slovakia in 2019 was 51.9 TWh, which is about 1.7% less than in 2018. Electricity consumption reached 30.3 TWh, down 2.1% as compared to 2018.

3. The electricity market

3.1. Network regulation and technical functioning

Unbundling

Unbundling of generation and supply from network services (transmission and distribution) in Slovakia was implemented already in 2007. This process was completed pursuant to Directive 2009/72/EC by certification of the transmission system operator in 2014.

Electricity transmission in Slovakia is provided by the only transmission system operator (TSO), which is Slovenská elektrizačná prenosová sústava, a.s. (hereinafter as "SEPS"). SEPS is a joint-stock company with 100% shares owned by the state, serving 100% of the transmission market in the Slovak Republic. Transmission is fully regulated by the Office supervising TSO's compliance with the certification requirements.

Electricity distribution in Slovakia is provided mainly by three operators of regional distribution systems - Západoslovenská distribučná, a.s., Stredoslovenská distribučná, a.s., and Východoslovenská distribučná, a.s. The Slovak Republic has a 51% share in all regional distribution system operators through parent companies. In addition to these three largest distribution system operators, there are around 142 local distribution system operators in the country, distributing electricity in the compounds of production and non-production companies with their share of electricity distribution in total electricity distribution in the Slovak Republic being relatively small.

Technical functioning of the grid

Responsibility for technical functioning of the transmission system lies with the TSO which regularly submits network development plans to the Office and to the Ministry of Economy of the Slovak Republic. The most significant document in this respect is the Ten-Year Network Development Plan (TYNDP) which the TSO submits to the Office for approval. TYNDP includes assessment of implementation of the previously approved plan and key intentions for the network development in order to ensure the primary

objectives of the single electricity market development are fulfilled and grid stability and security are maintained. Results of the consultation process are published on URSO's website.

SEPS submitted an updated TYNDP for the 2020 - 2029 period. The communication on the consultation outcomes, including requirements of the existing and potential network users for investments in the transmission system under the 2020 – 2029 TYNDP was published by the Office on 23 October 2019.

Ancillary and system services

Ancillary services are services the TSO purchases 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. The result of their activation is that balancing energy can be supplied.

Upon the TSO's request for the volumes of specific types of ancillary services, total planned costs of procuring all types of ancillary services from certified ancillary service providers were set by the Office for the TSO. The Office also set maximum tariff for primary active power control, secondary active power control, tertiary active power control provision in EUR per unit of balancing capacity, and maximum annual costs of providing remote voltage control, reactive power and black start in EUR. Maximum tariff of offered positive balancing energy and minimum tariff of offered negative balancing energy upon activation of the respective type of ancillary service were also set by the Office.

The price for procured balancing energy per unit of electricity volume in EUR was set in a transparent manner on the basis of bid prices of ancillary service providers' used electricity installations as:

- the highest price of a 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 price decision in EUR per unit of electricity volume,
- the lowest price of a source providing balancing energy on a quarter-hourly basis, if the balancing energy is negative, but not less than the minimum price set in URSO price decision in EUR per unit of electricity volume.

The TSO purchased various types of ancillary services required to secure system services from ancillary services providers. The goal was to secure ancillary services at minimum costs while organising the purchase in an open, transparent and non-discriminatory manner towards all providers. The TSO made preferable use of bids from installations within a defined area while following the principle of purchasing costs minimization. Technical qualifications of ancillary service providers were demonstrated by certified measurements as specified in the technical requirements.

Network tariffs for connection and access

In 2019, price cap method was applied in the electricity market in line with the approved regulatory policy for 2017 – 2021. This incentive-based price regulation method gave system operators, provided they behave efficiently and optimize their costs, an opportunity to retain reasonable profits.

In the year under review, the following network tariffs were set by URSO for the TSO that the operator could apply towards customers connected directly to the transmission system:

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

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

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

Price regulation was also applied for local distribution system operators and was carried out by setting a calculation of maximum tariff for electricity supply and tariff for access to the local distribution system and electricity distribution.

For electricity customers or generators 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 electricity component (€/kWh),
- tariff for distribution losses (€/kWh),
- tariff for system services (€/kWh).

In the field of price regulation of the respective activities, in 2019 URSO issued:

- 301 price decisions on access to the transmission system and electricity transmission, access to the distribution system and electricity distribution, grid connection, household and small enterprises electricity supply and the last resort electricity supply,
- 82 decisions on electricity tariff for the support payment paid to electricity generators (feed-in-tariff) using combined heat and power generation technologies,
- 63 decisions on electricity tariff for the support payment paid to electricity generators (feed-in-tariff) using renewable energy sources.

System operation tariff

System operation tariff is a fixed price for an electricity volume including costs of electricity generated from indigenous coal, renewable energy sources (RES) and high-efficiency co-generation, and the activities of the short-term electricity market operator (OKTE). The tariff was applied to end consumption. The Office set fixed prices of electricity generated from RES and high-efficiency co-generation, depending on the

electricity generation's technological process, power generating facility commissioning date, installed capacity and financing method.

Guarantees of origin of electricity

Guarantees of origin (GOs) of electricity were issued by URSO based on a request of producers from renewable energy sources. Guarantees of origin of electricity represent a certificate confirming that the electricity was generated from renewable energy sources. Amendment to Act 309/2009 on the promotion of renewable energy sources and high-efficiency cogeneration as amended (Act 309/2009) brought the shifting of the competence to issue and register guarantees of origin of electricity from URSO to OKTE (the short-term electricity market operator) from 1 January 2020. Therefore, OKTE, in the last quarter of 2018, started accession negotiations with the Association of Issuing Bodies (AIB), in which the company successfully obtained observer status and on 27 September 2019 also became a member.

SEPS

URSO is the responsible authority to approve SEPS', the Slovak TSO's grid code governing the operator's capacity allocation and congestion management procedures on cross-border interconnectors. Throughout 2019, the capacity of cross-border interconnectors of Slovakia's transmission grid provided sufficient stability and security of the system not only in the Slovak Republic, but also in the context of the European Union (EU).

Market coupling

The 4M MC project (coupling of Czech, Slovak, Hungarian and Romanian day-ahead markets) is one of the ways employed to contribute to the creation of the pan-European electricity market. In the 4M MC project, systems are already in place which were designed for the target model of the single European 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 (EU) 2015/1222 on capacity allocation and congestion management (CACM).

In 2019, operation, evaluation, clearing and settlement was performed by OKTE in the short-term day-ahead market with final monthly settlements. OKTE reported a decrease in the volume of electricity traded in the 4M MC day-ahead market in 2019 as compared to the previous year. Total volume traded in the 4M MC day-ahead market reached 11.08 TWh, down by 2.677 TWh as against 2018.

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, accounted for as secondary control balancing energy at a specific price set by the Office. The allocation of revenue from the implementation of the GCC was specified by the Office in a price 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 2019 became a revenue of the TSO in the amount of € 5 292 111.60.

3.2. Competition

3.2.1. Wholesale market

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

Major electricity market participants in 2019 in Slovakia were:

- Slovenské elektrárne (SE) – the most significant producer providing 65.94% of Slovakia’s power generation from its own sources. The company’s generation of 18 865 GWh covered 62.24 % of the country’s electricity demand. The installed capacity of power generation facilities owned by Slovenské elektrárne (SE) was 4 081 MW.
- supported producers of electricity from renewable energy sources and high-efficiency cogeneration (CHP). For 2019, the volume of electricity produced from RES and CHP eligible for the support payment was 2 619 GWh and 2 458 GWh, respectively
- SEPS - the sole license holder for electricity transmission and the national transmission system operator, fulfilling also the energy dispatching control tasks (securing energy balance on Slovakia’s territory),
- OKTE – the short-term electricity market operator as the entity operating and evaluating the short-term electricity market on Slovakia’s territory including imbalance clearing, evaluation and settlement,
- Západoslovenská distribučná, Stredoslovenská distribučná and Východoslovenská distribučná – sole operators of regional distribution systems on the defined territories of Slovakia, each exceeding 100 000 supply points connected (apart from the three major DSOs, there were another 142 electricity distribution licence holders running local distribution systems in manufacturing and non-manufacturing compounds with fewer than 100 000 supply points connected),
- additional 386 entities licenced to do business in the electricity market.

Monitoring price levels, level of transparency, level and effectiveness of market opening and competition on the wholesale electricity market

Monitoring of the wholesale electricity market falls under the competence of the Strategy and Analysis Department established by the Office especially for this purpose.

Electricity is traded predominantly based on bilateral trades concluded under the market conditions, usually via various broker platforms, Prague Power Exchange (PXE) and European Energy Exchange (EEX) which are regarded as the most transparent and fair way of trading electricity in the long-term in this region. Remaining electricity not sold on a yearly basis is traded short-term in the Slovak day-ahead market and neighbouring markets on a bilateral basis, again mainly via broker platforms.

3.2.2. Retail market

Act 250/2012 on regulation in network industries (the “Regulatory Act”) introduced price regulation of electricity supply to vulnerable customers - households and small enterprises.

In 2019, price regulation was applied to:

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

Supply to households

The default parameters for setting the maximum tariff of electricity supply to households were: arithmetic average of day-ahead prices published in the official price list of PXE (POWER EXCHANGE CENTRAL EUROPE) on its website, of F PXE SK BL Cal-t product for the period between 1 January and 30 June 2018; 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.

In addition to the price of electricity supply, suppliers charged price for distribution including transmission and transmission losses, distribution losses, system services tariff and system operation tariff pursuant to URSO price decision approving or setting prices for access to the distribution system and electricity distribution for the DSO, to whose network the household consumer was connected.

The maximum prices for electricity supply to households were two-component and consisted of a monthly payment for a supply point and price for electricity consumed in the low band or in the high band. Electricity supply of to households was divided into eight tariffs.

The Office set up a price calculator on its website, through which each customer could, based on their expected consumption and the tariff approved by the Office for a specific supplier, compare offers from different electricity suppliers and choose the most advantageous one.

Supply to small enterprises

A small enterprise is an end customer with total annual electricity consumption in all of their supply points of up to 30 000 kWh for the year preceding the year for which the respective price proposal is submitted. Electricity supply to small enterprises was divided into eleven tariffs. In 2019, the Office issued 95 price decisions on electricity supply to vulnerable consumers (households and small enterprises).

The default parameters for setting the maximum tariff for electricity supply to small enterprises were: arithmetic average of day-ahead prices published in the official price list of PXE (POWER EXCHANGE CENTRAL EUROPE) on its website, of F PXE SK BL Cal-t product for the period between 1 January and 30 June 2018; 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.

The Last Resort Supplier

Throughout 2019, no notification of the application of the last resort supplier regime was reported to the Office. The last resort suppliers were ZSE Energia, Východoslovenská energetika and Stredoslovenská energetika, supplying energy after the original supplier had lost the ability to supply electricity to customers under the Act 251/2012 on the energy sector.

Monitoring price levels, level of transparency, level and effectiveness of market opening and competition on the retail electricity market

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

Three "traditional" suppliers still have the largest share in electricity supply - ZSE Energia, Stredoslovenská energetika and Východoslovenská energetika.

Kategoríe odberateľov	počet odberateľov elektriny so zmenou dodávateľa elektriny			switching (%)		
	2017	2018	2019	2017	2018	2019
Odborné miesta v domácnosti	76 781	51 136	53 227	3,45	2,28	2,34
Odborné miesta mimo domácnosti	17 769	13 796	12 473	5,90	4,55	4,08
Spolu	94 550	64 932	65 700	3,74	2,55	2,54

The open electricity market stagnated in the number of changes in the electricity supplier, with total switching having reached 2.54% in 2019 (compared to 2.55% in 2018). The switching indicator slightly increased compared to the previous year in the category of household electricity customers, where the switching indicator reached 2.34% in 2019. This means that 2 091 households more changed their electricity supplier as compared to the previous year. The overall stagnation was offset by a slight decrease in the switching indicator in 2019 by 0.47% in the category of non-household supply points, having reached 4.08%.

In addition to price regulation, the Office in accordance with Act 250/2012 developed an amendment to its Decree 24/2013 which established the rules for the functioning of the internal electricity market and the rules for the functioning of the internal gas market. The Decree specified the rights and obligations of electricity market participants, the conditions for the functioning of the liberalized electricity market in Slovakia and introduced measures to increase the market’s transparency.

Binding documents for electricity market participants specifying the functioning of the electricity market and promoting its transparency and efficiency, are model grid code of a system operator and model terms

and conditions of an electricity supplier, both developed by URSO. Differences in the grid codes rules and terms and conditions against the model are subject to URSO's approval.

The model terms and conditions have harmonised the level of protection of vulnerable customers to a level that all suppliers are obliged to comply with. This has increased the protection of electricity consumers and prevents unfair commercial practices. Individual differences are approved by the Office.

4. The gas market

Gas market participants in Slovakia in 2019 were:

- a) the transmission system operator (Eustream),
- b) the distribution system operator on the territory of the Slovak Republic (SPP - distribúcia),
- c) 39 local distribution system operators,
- d) two underground storage operators (NAFTA, POZAGAZ),
- e) 26 gas suppliers,
- f) gas consumers.

4.1. Network regulation

Following the adopted Regulatory Policy for the period 2017 - 2021, the Office issued Decree 223/2016 Coll. establishing price regulation in the gas sector, as amended by Decree 206/2018 (hereinafter as "Decree No. 223/2016").

In 2019 the Office regulated tariffs for:

- access to the transmission system and gas transmission
- access to the distribution system and gas distribution
- connection to the transmission and distribution systems
- provision of ancillary services in gas
- repurchase of gas installations

Transmission network

The transmission network in Slovakia is owned and operated by Eustream, a.s. It is connected to the main transmission routes in the Czech Republic, Ukraine, Austria, Hungary and two interconnection points with Ukraine. The network is used for gas transmission for foreign and Slovak users. Data on the volumes of technical, available and contracted capacities at individual entry/exit points are available on Eustream's website.

Interconnection of the transmission network with neighbouring EU countries is provided through the following entry/exit points:

- Lanžhot (entry/exit point from/to the transmission network of the Czech Republic),
- Baumgarten (entry/exit point from/to the transmission network of Austria),
- Velké Zlievce (entry/exit point from/to the transmission network of Hungary),
- Výrava (entry/exit point from/to the transmission network of Poland - under construction).

Entry/exit points from/to the transmission networks in the territory of third countries (outside the EU):

- Velké Kapušany (entry/exit point from/to the transmission network of Ukraine),
- Budince (exit point to the transmission network of Ukraine).

Entry/exit point from/to distribution networks and underground storage:

- domestic point (entry/exit point from/to distribution networks and underground storage facilities in the Slovak Republic).

Ten-Year Network Development Plan

Responsibility for the technical functioning of the transmission network lies with Eustream, the Slovak TSO. Eustream submitted to the Office for approval their proposal of the Ten-Year Network Development Plan (TYNDP) for the 2019-2028 period together with the Implementation Report of the Ten-Year Network Development Plan for 2018-2027.

Information on the results of TYNDP consultations with existing and potential transmission system users together with information on the assessment of the Implementation Report were published by the Office on 1 April 2019. The TYNDP was developed on the basis of long-term forecasts of gas transmission through the territory of Slovakia while taking the legal requirements of environmental protection into account. The TYNDP and the projects contained in it promote all three pillars of the current EU energy policy.

The proposed projects aim to:

- a) enable and facilitate a liquid and competitive environment of the internal gas market,
- b) enable and strengthen the diversification of routes and sources and thus increase the security of natural gas supply through increased flexibility of the gas network,
- c) contribute to improving sustainable development in Europe, as natural gas plays a key role in EU's energy mix, in particular with regard to the economic development and environmental protection.

The national TYNDP is together with the European TYNDP and the Regional Investment Plans, an integral part of Eustream's strategic planning.

Network tariffs

Tariffs for access to the transmission system and gas transmission were regulated by direct setting based on comparable prices, i.e. by benchmarking transmission tariffs in Slovakia with those in other European Union member states. Tariffs for access to the transmission system and gas transmission were set in accordance with the procedures specified in Decree No. 223/2016 reflecting the entry-exit tariff system. Tariffs were set for all respective entry and exit points of the transmission network and were equal for all

transmission network users, i.e. for both foreign and domestic users, unlike in some other EU countries which distinguish between domestic and transit gas transmission.

The approved price decision for access to the transmission system and gas transmission is valid for the entire 2017 – 2021 regulatory period.

However, in accordance with Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas, the Office issued price decision for access to the transmission system and gas transmission on 29 May 2019, which will, according to the above regulation, become effective in the new regulatory period starting from 1 January 2022.

In the year under review, the Office did not issue any price decision for connection to the transmission system, as no new gas installation was connected to the transmission network.

Transmission capacity

The annual capacity of the transmission network was 90 bcm of natural gas. In 2019, Eustream transmitted 69.1 bcm of gas, of which 5.07 bcm, i.e. 7.4% of the total volume, was for domestic users.

Distribution network

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

- the total length of the distribution network as of 31 December 2019 was 33 324 km, of which:
- length of high-pressure gas pipelines was 6 277 km,
- length of medium-pressure and low-pressure gas pipelines was 27 047 km.

In 2019, SPP-distribúcia invested EUR 33.6 mil. in the upgrade and reconstruction of the distribution system.

Local distribution systems (LDS) are distribution networks connected to the SPP - distribúcia's distribution network, with their operators distributing gas to customers in the compounds of large companies, industrial parks, shopping centers or residential complexes. In 2019, the Office maintained in its registry 39 LDS operators who distributed gas in 53 LDSs in the total volume of 851 456 460 m³.

Of the total number of supply points, there are 14 CNG stations with 7 897 412 m³ of distributed gas.

Balancing

The greatest need for daily balancing of the distribution system in case of gas shortage reached 1.5 mil. m³/day, and in case of gas surplus, 1.3 mil. m³/day.

Unbundling

In 2019, the Office issued 11 decisions on prior consent to the terms and conditions of service provision of Eustream as the independent gas TSO. The Office also closely monitored the obligations of SPP - distribúcia, the distribution system operator, with respect to unbundling of the DSO operating in a vertically integrated undertaking and also the contractual obligation of this regulated company, i.e. the obligation to submit any contract between the regulated company and another person, which is a part of the same vertically integrated undertaking, to the Office within 30 days of its conclusion.

Network tariffs

In line with the Regulatory Policy for 2017-2021 regulatory period, “price cap” as the selected method of price regulation of access to the distribution system and gas distribution was applied for SPP – distribúcia as a regulated company with more than 100 000 supply points connected to its distribution system.

Local distribution system operators

URSO Decree 223/2016 Coll. allowed local DSOs to choose in their price proposal one of the three ways of calculation of tariff for access to the distribution system and gas distribution:

- their own price (tariff) proposal of access to the distribution network and distribution,
- taking over the tariff, where the price for access to the distribution network and gas distribution is the sum of the DSO’s (SPP – distribúcia, a.s.) entry tariff to the local distribution system; costs of losses and in-house consumption; operational costs set as average annual operational costs included in tariffs in the previous 2012-2016 regulatory period; and reasonable profit,
- taking over of the DSO’s (SPP - distribúcia, a.s.) tariffs, including the conditions of applying the respective tariffs without any increase, that is, the customer in the local distribution system is charged the price that would be charged by the DSO (SPP - distribúcia, a.s.), should the customer’s supply point in the local distribution system be connected directly to the DSO’s distribution system.

For 2019, the Office issued nine price decisions for access to a distribution system and gas distribution for LDS - seven for new networks and two decision amendments for access to a distribution system and gas distribution for LDS. Four price decisions were issued by the Office for connection to a local distribution system.

LNG

No LNG facility was operated in Slovakia’s territory in 2019.

Underground Storage System Operators

Underground gas storage is one of the instruments which contribute to increasing the country’s energy security. In Slovakia’s territory, underground storage facilities are operated by NAFTA and POZAGAS. Access to the storage system and underground gas storage were not subject to price regulation in 2019.

The storage capacity of underground gas storage operators as of 31 December 2019 increased by 296 mil. m³ year-on-year and reached 4 012 mil. m³ in 2019.

In 2019, NAFTA concluded 54 contracts with storage system users, of which two contracts were for interruptible storage capacity and 52 contracts for firm capacity. POZAGAS concluded ten contracts with storage system users for firm capacity and one contract for interruptible capacity.

Natural gas production

In addition to their core business of gas storage facility operation, NAFTA also extracts natural gas in the Slovak Republic. In 2019 NAFTA extracted natural gas in the volume of 74.07 mil. m³ from the country's deposits.

Cross-border cooperation

Polish-Slovak gas interconnector

The interconnection agreement on the project implementation was signed in April 2018 by Eustream and GAZ-SYSTEM S.A., the Polish TSO. The building permit was issued for the construction of the line section and for the compressor station section in 2018. The works and supply of piping materials and components continued in 2019. The projected transmission capacity is 6.1 bcm/year in SK- PL direction and 5.1 bcm/year in PL-SK direction.

Increase of firm transmission capacity at Lanžhot entry point

Planned total capacity of the entry point after project finalization should reach 151 mil. m³/d in the project's first phase and 168 mil. m³/d in the second phase. Project works continued in 2019 and testing operation was planned for early 2020.

Reverse gas flow in the direction to Ukraine project

Through the Budince exit point, Eustream provides for the natural gas flow in the direction to Ukraine in the volume of 15.5 bcm/year.

In connection with the potential increase in gas transmission in the Slovakia - Ukraine direction, in 2018 Eustream finished design and engineering activities of the "Reverse gas flow in the direction to Ukraine" project. The project advanced to the next phase with the adoption of the final investment decision, however, with an unclear completion date for now. As Eustream did not receive any request to increase transmission capacity in the direction to Ukraine, the project was suspended in 2019.

Eastring

Eastring is a project to build a new bi-directional gas pipeline connecting Central and South-Eastern Europe with a planned annual transmission capacity of 225 500 GWh (20 bcm) in the first phase, with the potential of increase up to 451 000 GWh (40 bcm) in the final phase of the project. In 2019, internal analyses of the project continued.

Increasing technical capacity of the transmission network in the east-west direction

The project consisted of the "Installation of new turbo sets (TuS) at Ivanka near Nitra KS04 compressor station" project. The purpose of the planned project was to increase fixed capacity of the transmission network in the east - west direction. The reason for the increase in transport capacity was the planned implementation of the Eastring project. The implementation of the "Installation of new TuS at Ivanka near Nitra KS04" project was conditioned by the final solution and implementation of the Eastring project.

HU-SK

Based on the preliminary non-binding indicative interest of transmission network users for incremental capacity at Hungary - Slovakia - Austria interconnection points, as well as in accordance with the requirements laid down in Article 26 of Commission Regulation (EU) 2017/459, a non-binding survey of the market's interest in incremental capacity for the HUSKAT project was carried out in 2017. The aim was to assess market demand for cross-border transmission system capacities in a transparent and non-discriminatory manner. The HUSKAT project was closed on the basis of a mutual agreement of the involved TSOs (Eustream, Magyar Gáz Tranzit ZRt. and Gas Connect Austria GmbH) due to a negative economic test result in bidding round IV, for which no transmission capacity had been allocated due to economic and legal uncertainties associated with the Black Sea natural gas production project. Nevertheless, market participants expressed renewed interest in capacity in HU-SK direction during the process of indication of non-binding market demand for transmission capacities in 2019, which will result in the relaunch of the incremental capacity bidding process at Veľké Zlievce.

4.2. Competition

4.2.1. Wholesale market

Slovakia's wholesale gas market is characterized by:

- gas purchases under long-term contracts,
- gas purchases on commodity exchanges,
- gas purchases from another shipper – gas supplier (11 153 GWh in 2019, up about 10% compared to 2018),
- trading at TSO's (Eustream's) virtual trading point in total volume of 228 585 GWh, which is 46% more than in 2018
- trading, or change in ownership of gas in underground storage facilities, with 11 093 GWh of gas having changed its owner.

4.2.2. Retail market

In 2019, there were 26 active suppliers operating in Slovakia's gas market.

Gas supply to vulnerable consumers

Pursuant to the Regulatory Act, price decisions issued in 2016 for gas suppliers supplying gas to vulnerable consumers, i.e. households and small enterprises with annual consumption of no more than 100 000 kWh for the previous year, remain in force throughout the 2017 – 2021 regulatory period provided there has been no amendment to the decision initiated either by the regulated company or by the Office.

For 2019, the Office approved maximum prices of gas supply to vulnerable customers (households and small enterprises) for one new supplier in a local distribution network. Additionally, the Office made 16 amendments to price decisions for gas supply to vulnerable consumers due to a change in economic parameters on which the approval or setting of the price had been based. Ten of these were decisions for country-wide suppliers and six amendments for suppliers in their local distribution systems.

In 2019, in total 15 nation-wide suppliers supplied gas to vulnerable gas consumers - households.

The Office publishes on its website the evolution of gas commodity price on the EEX (“European Energy Exchange”), providing consumers a better orientation in gas market prices on a monthly basis.

When calculating maximum tariffs for the supply of gas to vulnerable consumers such as households and small enterprises with annual gas consumption of up to 100 000 kWh for the previous year, the price cap method was used in 2019 in accordance with URSO Decree 223/2016, i.e. establishing the method of calculating maximum price (tariff) of gas supply to vulnerable consumers.

Maximum gas supply prices for vulnerable consumers were composed of two parts - maximum fixed monthly rate and maximum rate for the gas volume consumed. Consumer tariffs were divided into six tariff categories 1 to 6, based on the annual gas consumption.

Last resort gas supply

The supplier of the last resort was Slovenský plynárenský priemysel, a.s. (SPP). In 2019, the Office received nine 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 the Energy Act.

Gas supply to other consumers

Gas supply to consumers other than vulnerable consumers specified by the Regulatory Act is not subject to price regulation.

Monitoring price levels, level of transparency, level and effectiveness of market opening and competition on the retail gas market

In the EU, the level of gas market liberalization is measured by means of switching, a percentage coefficient reflecting the share of the number of supply points with a gas supplier change to the total number of supply points in a given year.

The open gas market witnessed an increase in gas supplier switching, the total switching rate having reached 3.41 % in 2019, up by 0.67% as compared to 2018. The slight rise may be attributed to already considerably saturated retail gas market, minimum price differences offered by gas suppliers as well as to the fact that most contracts for gas supply are concluded for a definite period of time with longer time commitments on the part of gas consumers, which means that the consumers are restrained in their decision-making on supplier switching by contractual terms and conditions.

The switching values for 2017-2019 in the different consumer categories are given in the table below:

Consumer categories	Number of consumers with switching			switching (%)		
	2017	2018	2019	2017	2018	2019
big industrial customers	93	71	90	12.72	9.69	10.22
medium industrial customers	322	314	284	11.44	11.30	8.99
small industrial customers	4 743	4 765	3 687	6.21	6.23	4.82
households	43 670	36 627	48 000	2.98	2.54	3.32
total	48 828	41 777	52 061	3.16	2.74	3.41

The rights and obligations of gas market participants and the conditions for the functioning of the liberalized gas market in Slovakia are defined in URSO Decree 24/2013 Coll. laying down the rules for the functioning of the internal electricity and natural gas markets.

5. Consumer protection and dispute settlement in electricity and gas

5.1. Consumer protection

The Office conducts on-site inspections in regulated entities pursuant to the Regulatory Act and also off-site reviewing of compliance with administrative obligations of the regulated entities vis-à-vis the Office.

The Office performed onsite inspections in 73 regulated entities, of which in 14 entities on the basis of received submissions and in 59 entities on the basis of the onsite inspection activity plan. Of the above number, 46 inspections in regulated entities were completed by making a report on the inspection results, i.e. with a detected breach of the applicable legislation. 27 inspections were completed just by making minutes (record) of the inspection, i.e. without finding a breach of the valid legislation.

The inspections focused on compliance with applicable legislation in the performance of regulated activities in network industries in the years 2015 - 2019. In this context, the inspections were focused on compliance with the scope of price (tariff) regulation, technical (non-tariff) regulation and regulation of quality standards as approved by the Office.

Onsite inspections were carried out in 40 entities doing business in the electricity sector - in 20 of them, up to 72 breaches of Act 250/2012 and of Act 251/2012 were found. In the gas sector, the Office carried out onsite inspections in 17 companies - in eight of them, 21 violations of Act 250/2012 and Act 251/2012 were found. The most frequent breach of Act 250/2012 by electricity and gas companies were failures to perform the regulated activity in accordance with a valid decision or confirmation of the Office and non-compliance with price regulation requirements according to generally binding legislation issued by the Office.

In addition to carrying out onsite inspections in regulated entities, the Office found additional breaches of provisions of Act 250/2012 and Act 251/2012 directly by its administrative activities. The result was the imposition of a fine on ten entities in the total amount of € 6 800. In nine cases, the entities did not notify the Office by the end of February of the calendar year 2018 of discontinuing a regulated activity under issued license or confirmation of fulfilment of the notification duty and one entity did not deliver the full text of the Articles of Association to the Office within 15 days of their amendment.

The Office received 33 complaints from natural and legal persons, nine of them were subsequently included in the inspection plan and in three cases a breach of the valid legislation was found.

Overview of inspection findings focused on consumer protection in electricity and gas

1. *breach of 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 price regulation requirements according to generally binding legislation issued by the Office - 35 findings, of which in:
 - electricity 31
 - gas 4
2. *breach of Section 29 (1) (o) of Act 250/2012* - failure to comply with the market rules - 12 findings, of which in:
 - electricity 9
 - gas 3
3. *breach of Section 29 (1) (k) of Act 250/2012* - failure to provide to the Office free of charge complete and truthful data, documents and any other information necessary for the purposes specified by this Act and for the exercise of the Office's powers in the scope, manner and time limits set forth by the Office - 2 findings in electricity
4. *breach of Section 29 (1) (j) of Act 250/2012* - failure to notify the Office by the end of February of the calendar year of discontinuing a regulated activity under issued license or confirmation of fulfilment of the notification duty - 10 findings, of which in:
 - electricity 5
 - gas 5

5. *breach of Section 29 (1) (a) of Act 250/2012* - failure to perform regulated activity according to and within the scope of the license, confirmation of fulfilment of the notification duty or confirmation of registration - one finding in gas
6. *breach of Section 13 (4) of Act 250/2012* - failure to comply with the DSO grid code – two findings in electricity
7. *breach of Section 34 (3) of Act 251/2012* - failure to comply with the obligation to provide information pursuant to Section 34 (2) (c), (d) and (h) of Act 251/2012 on the electricity supply bill or in the material sent simultaneously with the bill and in the promotional materials sent to end electricity consumers - six findings in electricity
8. *breach of Section 34 (2) (c) of Act 251/2012* - failure to fulfil the obligation towards electricity consumer to provide information on the share of the types of primary energy sources - four findings in electricity
9. *breach of Section 34 (2) (d) of Act 251/2012* - failure to fulfil the obligation towards electricity consumer to provide information on the impact of electricity generation - four findings in electricity
10. *breach of Section 6 (1) of Act 251/2012* - doing business in the energy sector without license or not in compliance with the license or confirmation of fulfilment of the notification duty - seven findings, of which in:
 - electricity 3
 - gas 4
11. *breach of Section 4 (5) of Act 251/2012 or breach of Section 4 (6) of Act 251/2012* - failure to fulfil the notification duty within 30 days of ceasing to do business in the energy sector - four findings, of which in:
 - electricity 2
 - gas 2
12. *breach of Section 6 (5) of Act 251/2012* - failure to fulfil the notification duty within 30 days when performing activities not required to be licensed pursuant to Section 6 (4) - one finding in electricity
13. *breach of Section 17 (12) of Act 251/2012* - failure to deliver final settlement of payments for electricity supply to the household electricity consumer no later than four weeks after the consumer has switched their supplier - one finding in electricity
14. *breach of Section 31 (2) (u) of Act 251/2012* - failure to publish the terms and conditions of grid connection and the terms and conditions of distribution system access and electricity distribution on the DSO's website - two findings in electricity

15. *breach of Section 31 (2) (y) of Act 251/2012* - failure on the part of DSO to fulfil the obligation to submit to the Office by 31 January list of consumers connected to the distribution network who changed their supplier in the previous year - one finding in electricity
16. *breach of Section 34 (2) (h) of Act 251/2012* - failure to fulfil the obligation towards electricity consumers to provide information on their rights related to available means for dispute resolution - four findings in electricity
17. *breach of Section 51 (4) of Act 251/2012* - failure on the part of the TSO to deliver to the Office a copy of the complete text of the Articles of Association within 15 days of their amendment - one finding in gas
18. *breach of Section 64 (7) (p) point 1. of Act 251/2012* - failure of the DSO to fulfil the obligation to publish a request template for distribution system access on its website – one finding in gas
19. *breach of Section 64 (7) (p) point 2.1. of Act 251/2012* - failure of the DSO to fulfil the obligation to publish a request template for distribution system connection on its website – one finding in gas
20. *breach of Section 64 (7) (p) point 2.2. of Act 251/2012* - failure of the DSO to fulfil the obligation to publish the procedure on concluding a contract on distribution system connection on its website - one finding in gas
21. *breach of Section 64 (7) (p) point 2.3. of Act 251/2012* - failure of the DSO to publish a model contract on distribution system connection on its website - one finding in gas
22. *breach of Section 64 (7) (p) point 2.5. of Act 251/2012* - failure of the DSO to publish on its website a request template for distribution system connection and installation of a meter for a gas non-household customer - one finding in gas
23. *breach of Section 64 (7) (p) point 2.6. of Act 251/2012* - failure of the DSO to publish deadlines on its website for connection to the distribution network, unless they are determined individually depending on the technical conditions of gas consumption required by the gas customer - one finding in gas
24. *breach of Section 76 (7) of Act 251/2012* - failure to provide information on the energy bill (indicate separately the amount for regulated supply and services and the amount for non-regulated supply and services plus the supply point identification code) – gas supplier’s billing obligations - one finding in gas

Measures imposed to remedy failures

The Office imposed 2 measures to remove and remedy failures found in the framework of its inspection activities in electricity.

5.2. Dispute settlement

The Office processed in total 373 consumer submissions and complaints. A large part of them related to the manner of concluding energy supply contracts, or changes in energy supplier (switching). Also in 2019, consumers continued to turn to the Office as a result of errors in electricity and gas consumption metering, connection to the distribution network and quality of supply. Just like in the past, the Office received some submissions which did not fall within its competences and which were consequently referred to the authorities responsible for handling them. Compared to the previous year, the number of complaints handled by the Consumer Protection Department remained stable (in 2018 it was 358 complaints).

Alternative Dispute Settlement and Dispute Settlement

Since 2016, the Office has been the authority for alternative resolution of consumer disputes according to the specific arrangement for consumer disputes resulting from Act 391/2015 on alternative consumer dispute resolution. A total of 19 proposals for alternative dispute resolution were received by the Office. All related to consumer disputes between customers in households and apartment buildings.

In 2019, the Office received one proposal for an alternative dispute resolution pursuant to Section 37 of the Regulatory Act.

It can be stated that alternative dispute resolution in the area of regulation of network industries is not widely used, despite promoting 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.

5.3. REMIT

The Office continued to fulfil its obligations under Regulation (EU) 1227/2011 on wholesale energy market integrity and transparency (REMIT) which lays down rules for market participants trading in wholesale energy markets and prohibits insider trading and market manipulation.

The Office investigated several suspected breaches of the obligation to disclose inside information pursuant to Article 4 of REMIT, and to this end also successfully completed the establishment of a dedicated and secured workplace in its premises and obtained access to the Case Management Tool (CMT) from ACER. In the future, CMT will enable more efficient and secure communication between the Office, EU partner regulatory authorities and ACER during REMIT investigation. In September, representatives of the Office participated in the Agency's EMIT Forum focusing on REMIT implementation and enforcement.

Registration of market participants is a task assigned to the national regulatory authorities. As of 31 December 2019, 116 market participants were registered in the national market participants' register which is administered by the Office and is also part of the Centralised European Register of Energy Market Participants (CEREMP). Market participants in Slovakia include mainly energy traders and suppliers,

electricity producers, ancillary service providers and end consumers with an annual consumption of more than 600 GWh.

After market participants are registered in the national register, a unique identifier, so-called ACER code, is assigned to them which is then used to report their trading data through a registered reporting mechanism (RRM). In Slovakia, companies OKTE and Solien fulfil the role of the RRM.

5.4. International cooperation

The Office continued to develop international cooperation and activities related to the creation of a single European gas and electricity market or the promotion of cooperation with partner regulatory authorities abroad. The Office regularly participated in the meetings of the Agency for the Cooperation of Energy Regulators (ACER) Board of Regulators, having had the opportunity to provide opinions in the development and approval of EU binding common rules for internal electricity and gas markets. The Office also participated in parallel meetings of the Council of European Energy Regulators (CEER), having renewed its membership in July 2019. CEER is a platform bringing together national energy regulators in the European Union. It enables mutual cooperation and the exchange of best regulatory practices, complementing the work of ACER. The Office thus regained the opportunity to comment at the highest level on the vision and direction of the energy sector in the EU, especially with regard to the forthcoming new legislation on the single gas market or future sector integration.

Representatives of the Office made several foreign business trips to hold discussions with partner regulatory authorities on the design and implementation of methodologies resulting from electricity network codes in the CORE capacity calculation region. As criteria for the assessment of projects of public interest (PCIs) eligible for co-financing by the EU were set, the participation of the Office representatives in several meetings of the European Commission with Member States, regulators and stakeholders was important since there were also projects of Slovak stakeholders among the candidate PCIs.

The Office continued to participate in the discussions and express support for the interim project of the MRC and 4M MC electricity market coupling based on the NTC (net transmission capacity) method. As a member of the Energy Regulators Regional Association (ERRA), the Office participated in the annual general meeting of the association and also in the international ERRA energy investment and regulation conference mapping current trends in this field. In May, the Office welcomed the delegation of E-Control, the Austrian regulator, when both national regulators shared their views and experiences on specific topics of the gas and electricity sectors. Representatives of the Office also took part in a meeting of the Energy Community with Ukraine, in which a coordinated regime for calculating capacity for cross-border exchanges of electricity between Ukraine and some EU Member States (Slovakia, Hungary, Poland, Romania) was discussed.