ÚRAD
PRE REGULÁCIU
SIEŤOVÝCH
ODVETVÍ

National Report
2023

Regulatory Office for Network Industries (URSO)
Slovakia

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List of abbreviations

ACER ..... Agency of the European Union for the Cooperation of Energy Regulators

CEER ..... Council of European Energy Regulators

CHP..... combined heat and power

DSO …… distribution system operator

ERRA ..... Energy Regulators Regional Association

FB CCM ……. flow-based capacity calculation methodology

GEI ……. general economic interest

HHI ..... Herfindahl-Hirschman Index

IP …… interconnection point

LDN …… local distribution network

LDNO ……. local distribution network operator

LNG ..... liquefied natural gas

the Office/URSO ..... Regulatory Office for Network Industries (Slovakia's national regulatory authority)

OKTE ……. Slovakia's electricity short-term market operator (and NEMO)

PXE ..... energy exchange specialising in the energy markets of Central and South East Europe (POWER EXCHANGE CENTRAL EUROPE)

REMIT ..... Regulation (EU) No. 1227/2011 on integrity and transparency of the wholesale energy market

RES ..... renewable energy sources

SEPS ..... Slovenská elektrizačná a prenosová sústava, a.s. (electricity TSO)

SoLS ..... supplier of last resort

TPS ……. grid operation tariff

TSO …… transmission system operator

TYNDP ..... Ten-Year Network Development Plan

UGS …… underground gas storage

UGSO ……. underground gas storage operator

VAT ..... value added tax

National legislation references

Act No. 250/2012 Coll.	Act No. 250/2012 Coll. on Regulation in Network Industries as amended (Regulatory Act)
Act No. 251/2012 Coll.	Act No. 251/2012 Coll. on Energy as amended (Energy Act)
Act No. 309/2009 Coll.	Act No. 309/2009 Coll. on the Promotion of Renewable Energy Sources and High-Efficiency Cogeneration as amended
Act No. 391/2015 Coll.	Act No. 391/2015 Coll. on Alternative Dispute Resolution for Consumer Disputes as amended
Act No. 250/2007 Coll.	Act No. 250/2007 Coll. on Consumer Protection and on Amendments to Act N. 372/1990 Coll. on Offences, as amended

Management

Jozef Holjenčík	**Andrej Juris**
Chairman	Chairman
(from 6 Dec 2023)	(until 4 Dec 2023)

Szabolcs Hodosy	**Martin Horváth**
Vice-Chairman	Vice-Chairman

1. Electricity

Among the network industries, electricity is clearly one of the most dynamic and, at the same time, from the regulatory point of view, the most complex network industry. In electricity, the Office carries out tariff and technical (non-tariff) regulation and regulation of quality standards, the scope and specification of which are determined by Section 11, 13, 16 and 22 of Act No. 251/2012 Coll.

Following the amendment of Act No. 251/2012 Coll. in autumn 2022, the Office started to develop new decrees triggered by this amendment. These are in particular Decree No. 92/2023 Coll., which establishes the conditions of the tender procedure for the provision of services of electricity storage facilities, which entered into force on 1 April 2023, Decree No. 230/2023 Coll., which establishes the content of the distribution system development plan, which entered into force on 1 July 2023, and Decree No. 493/2023 Coll., laying down certain details in the field of reactive power flows and their compensation with an effective date of 1 January 2024.

In tariff regulation, the Office issued Decree No. 107/2023 Coll. establishing tariff regulation of electricity supply, which entered into force on 1 April 2023, Decree No. 246/2023 Coll. establishing tariff regulation of selected regulated activities in electricity and certain conditions for the performance of selected regulated activities in electricity, which entered into force on 1 July 2023, and Decree No. 370/2023 Coll. establishing tariff regulation in support of electricity

generation and certain related conditions for the performance of regulated activities, which entered into force on 1 October 2023. With the issuance of the aforementioned decrees with effect as of 31 December 2023, URSO Decree No. 18/2017 Coll. establishing tariff regulation in electricity and certain conditions for the performance of regulated activities in electricity was repealed.

Shortage of raw materials for production processes, large-scale cancellation of contracts, unfair business practices in electricity trading have resulted in an increase in electricity prices. This and the current chaos on the electricity market caused a shortage of electricity, which resulted in an increase in electricity prices in 2023 in the part of the cost of purchasing electricity for transmission and distribution losses, as well as the cost of procuring ancillary services. The Office actively sought to intervene in the development of the unfavourable situation in the cases in question, in particular by changing the reference period, which was expected to reduce the negative impact on electricity prices for end-users. However, the outcome was not positive and the Office's expectations proved to be wrong.

Electricity market participants

The major participants in the electricity market in Slovakia in 2023 were:

1. Slovenské elektrárne, a. s. (hereinafter referred to as "SE") - the most significant (dominant) electricity producer, which in 2023 provided 72.29% of electricity generation in Slovakia from its own sources. Electricity generation of 21 660 GWh accounted for 81.68 % of electricity consumption in Slovakia. The installed capacity of SE's own electricity generation facilities reached 4 615 MW;

2. supported electricity producers from RES and CHP. For 2023, the foreseen volume of electricity produced from RES for the feed-in-tariff was 1 518 GWh and the foreseen volume of electricity generated by CHP for the feed-in-tariff was 1 730 GWh. The total installed capacity of all electricity producers from RES and CHP amounted to 7.82 GW (including the installed capacity of RES and CHP sources of SE, a.s.);

3. SEPS as the exclusive holder of the electricity transmission license, the operator of the national transmission system, also fulfilling the tasks of energy dispatching pursuant to Section 33 of Act No. 251/2012 Coll. (securing balance in the territory of Slovakia);

4. OKTE, the short-term electricity market operator as an institution for evaluating and operating the short-term electricity market and providing clearing, evaluation and imbalance settlement on the territory of Slovakia;

5. Západoslovenská distribučná, a.s., Stredoslovenská distribučná, a. s. and Východoslovenská distribučná, a. s. - the exclusive operators of the regional distribution systems in the relevant parts of Slovakia's territory, to which more than 100 000 metering points have been connected;

6. next, 142 holders of electricity distribution licences were also active on the electricity market. These were operators of local distribution networks ('LDN') on the premises of both generating and non-generating companies with less than 100 000 metering points connected; and

7. other 339 entities with a valid licence to do business in the electricity sector.

Electricity regulation

In tariff regulation, due to the delay in the adoption of secondary legislation - tariff decrees for the 6th regulatory period, the Office, in early 2023, made use of the interim measure institute, which was subsequently taken into account after the tariff decrees came into force and reflected in the Office's regulatory tariff decisions issued in the second half of 2023.

Overview of the number of decisions in tariff regulation in electricity (excluding RES and CHP)

Type of decision	2019	2020		2021		2022		2023
		issued for 2020	issued for 2021	issued for 2021	issued for 2022	issued for 2022	issued for 2023	
Decision on tariff	301	49	112	213	104	229		414
Suspended proceedings	20	20	-	13	-	167	-	115
Terminated proceedings	7	2	-	8	-	3	-	44
Interim measure	-	-	-	-	-	-	8	190

In non-tariff regulation, the Office mainly approved grid codes and technical conditions of individual system operators, the conditions for the transmission of electricity through the distribution system in the electricity transmission regime, the conditions or methodologies for the transmission system operator under EU legislation, and also developed and updated the model grid code for the local distribution network operators that adopt the model grid code.

Overview of the number of decisions in non-tariff regulation in electricity

Type of decision	2019	2020	2021	2022	2023
Grid codes	15	15	124	85	15
Technical conditions	-	-	-	-	15
Transit conditions	4	2	1	2	0
Decisions under EU legislation	27	5	7	7	6

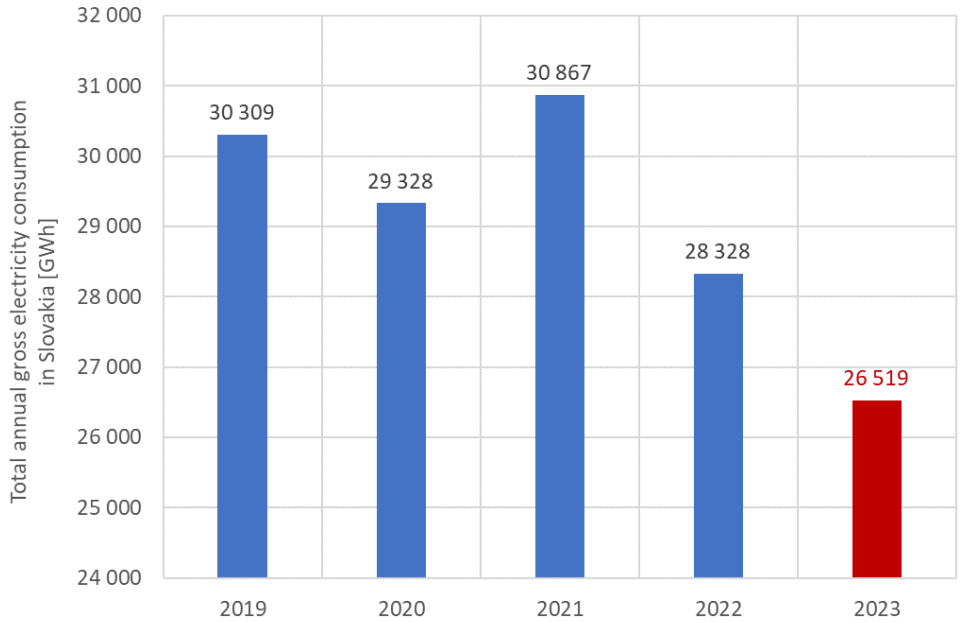
In accordance with the amendment to Act No. 251/2012 Coll., which entered into force on 1 October 2022, system operators must submit to the Office for approval the draft technical conditions of the system operator in the part that regulates the conditions for the connection of electricity generation and electricity storage facilities to the grid. Therefore, in 2023 the Office started issuing decisions on the approval of the technical conditions. At the same time, by the same amendment to Act No. 251/2012 Coll., local distribution network operators have now the possibility to adopt the model grid code by way of notification, which resulted in a decrease in the number of decisions issued in 2023 on the approval of grid codes.

Pursuant to Section 28(3)(b) of Act No. 251/2012 Coll., the TSO is obliged to develop a transmission network development plan every two years, including a plan for the development of interconnectors for the next ten years. Pursuant to Act No. 251/2012 Coll., the Office shall consult the ten-year network development plan in a non-discriminatory and transparent manner with existing and potential network users and allow them to submit reasoned comments on it within a reasonable period of time and shall examine the consistency of the ten-year network development plan including the requirements for investments in the transmission network with the EU-wide network development plan. On 12 February 2024, after examining the ten-year network development plan, the Office on its own initiative notified the TSO of the initiation of a non-tariff regulation proceeding pursuant to Section 15(2) of the Regulatory Act with the aim to issue a decision imposing an obligation to amend the TYNDP pursuant to Section 13(1)(k) of the Regulatory Act in conjunction with Section 29(7) of the Energy Act. Since the TSO completed the ten-year plan in accordance with the Office's comments, the Office discontinued the proceeding by its Decision No. 0008/2024/E-ZK.

Pursuant to Section 31(2)(q) of Act No. 251/2012 Coll., regional distribution network operators are required to develop a network development plan for the next five to ten years every two years and submit it to the Ministry of Economy and the Office by 30 November, including a report on the implementation of the distribution network development plan for the previous

period. Accordingly, the regional distribution network operators submitted their network development plans to the Office by the statutory deadline of 30 November 2023.

Development of total gross electricity consumption in Slovakia



In 2023, the total gross electricity consumption in Slovakia reached 26 519 GWh, down about 6% compared to 2022 (28 328 GWh). This was caused by reduction of consumption of electricity consumers, in some cases even by shutdowns of plants of electricity consumers (Slovalco, a.s., OFZ, a.s.) due to increased energy costs caused by high electricity and gas prices on the European electricity markets.

Electricity infrastructure

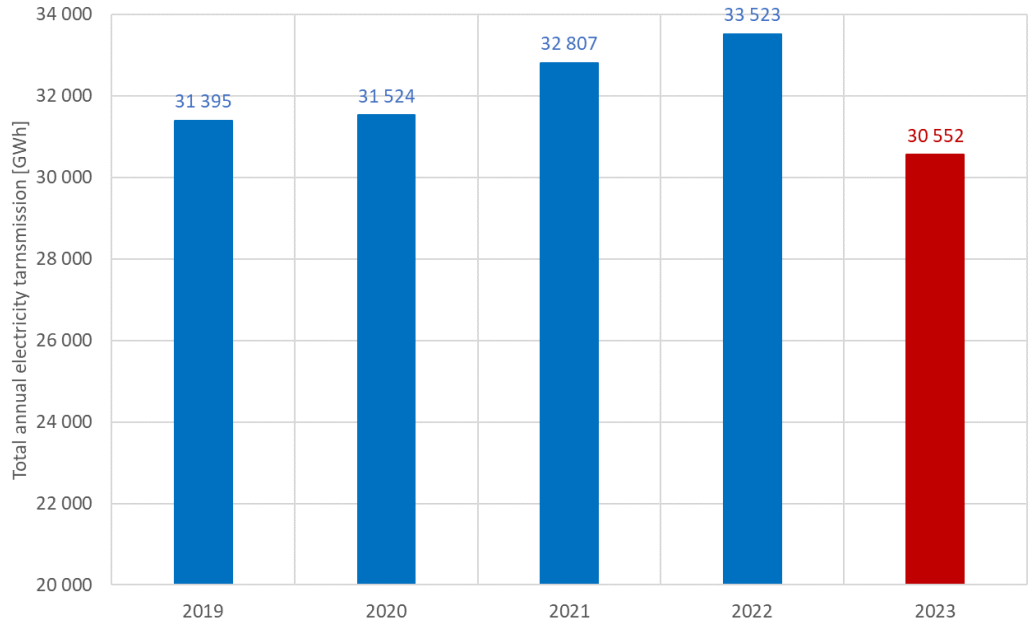
Transmission system

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

- users connected to the transmission system in the scope of:
    - tariff for reserved capacity (EUR/MW/year),
    - tariff for transmitted electricity (EUR/MWh),
    - tariff for transmission losses (EUR/MWh),
- to all electricity end-users in Slovakia:
    - tariff for system services (EUR/MWh).

The following figure shows the evolution of electricity transmission, having reached a total of 30 552 GWh in 2023. This represents a decrease of approximately 9% compared to 2022 (33 523 GWh), which was caused by a decrease of approximately 6% in the total gross electricity consumption in Slovakia in 2023 compared to 2022, as well as a decrease of approximately 37% in the electricity imports, which was a result of the connection of Unit 3 of the Mochovce nuclear power plant to the grid.

Electricity transmission



The following figure shows the evolution of the individual regulated charges of the transmission system operator. In 2023, the tariff for system services rose by approximately 61% compared to 2022, due to an increase in the cost of ancillary services in 2023 compared to 2022, and the tariff for access and transmission as well as the tariff for transmission losses remained on the same level as in 2022.

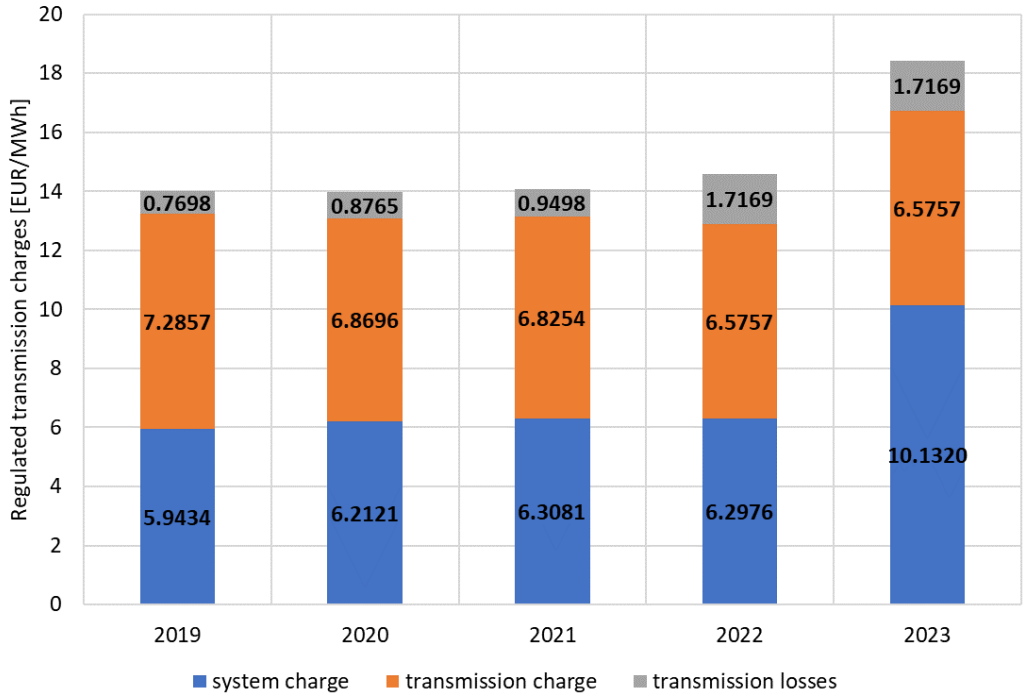
By interim measure in Decision No. 0001/2023/E-PR of 30 December 2022, the Office fixed for 2023 the preliminary prices for access to the transmission system and prices for electricity transmission and the conditions for their application, including the tariff for transmission losses pursuant to Section 14 (16) of the Regulatory Act in the same amount as in 2022. By Decision No. 0105/2023/E of 15 November 2023, the Office approved tariffs for access to the transmission system and electricity transmission and the conditions for their application, including the tariff for transmission losses for 2023 in the same amount as in the interim measure, while the difference between the final price and the provisional price was reflected by

the Office in the final price by using a part of the surplus revenue from the TSO´s congestion income resulting from cross-zonal capacity allocation in 2022 in the amount of 153 million EUR. The Office decided to use this amount by Decision No. 0326/2023/E of 27 December 2022 in order to mitigate the impact of adverse effects of high prices for 2023, in accordance with the EU Council Regulation 2022/1854 on emergency intervention to address high energy prices.

The Office issued an interim measure by Decision No. 0002/2023/E-PR of 30 December 2022, by which it determined the interim tariff for system services for the year 2023 pursuant to Section 14(16) of the Regulatory Act. By Decision No. 0090/2023/E of 20 September 2023, the Office set the tariff for system services for 2023 in the same amount as in the interim measure, while the difference between the final price and the interim price was reflected by the Office in the final price by using a part of the surplus congestion revenue resulting from the allocation of the cross-zonal capacity in 2022 in the amount of 153 million EUR.

On the basis of Section 4(1) of Government Regulation No. 465/2022 Coll. establishing maximum prices for part of the regulated electricity and gas supply to selected end consumers and establishing tariff levels for households and selected electricity consumers (hereinafter referred to as the Government Regulation), the tariff for system services for households and selected vulnerable electricity consumers for 2023 was set in the level of 2022 and its value was fixed by the Office at EUR 6.2976/MWh. The resulting difference was subsequently compensated to the TSO by the Ministry of Economy pursuant to Section 4(2) of the Government Regulation.

Development and structure of regulated transmission charges



Ancillary and system services

Based on the required volumes of individual types of ancillary services, the Office has determined the following for the TSO for 2023 by the relevant decisions:

1. Total planned costs for the purchase of all types of ancillary services were increased compared to 2022 by 139% by the Office's Decision No. 0083/2023/E of 30 December 2022 due to the increase of maximum prices of ancillary services in order to secure sufficient volumes of each type of ancillary services and ensure security of the grid operation. During 2023, the Office, on its own initiative, reduced the total planned costs for the purchase of all types of ancillary services in Decision No. 0089/2023/E of 18 September 2023 by approximately 10%. This was triggered by the decrease in prices on the electricity market and thus by procurement of ancillary services at lower than maximum prices as well as by purchasing smaller volumes for some types of ancillary services, as their daily required volumes decreased compared to the maximum annual volumes and the TSO needed to purchase smaller volumes of a given type of ancillary service. This decrease in the cost of ancillary services was reflected in the grid operation tariff - in the ancillary services component of $TPTtss_{2023}$, which the Office fixed at EUR 0/MWh for the month of December.
2. The maximum prices of primary, secondary and tertiary active power and frequency control were increased by the Office's Decision No. 0083/2023/E of 30 December 2022, compared to the maximum prices set at the beginning of 2022, by approximately 400% in the positive

direction and approximately 50% in the negative direction. The maximum prices for ancillary services thus reflected, at least partially, price movements in the electricity markets, which improved the conditions for the provision of ancillary services and made it possible to secure sufficient volumes of scarce ancillary services and ensure secure grid operation. During the year under review, the Office did not change the maximum prices for ancillary services for 2023.

3. Maximum annual costs of non-frequency ancillary services - remote voltage and reactive power control and black start were increased by the Office's Decision No. 0083/2023/E of 30 December 2022. The cost of both non-frequency balancing services for 2023 went up by 100% compared to 2022. Thus, the TSO was able to ensure sufficient volumes of compensating power on the electricity generation installations connected to the transmission system, thus ensuring secure operation of the transmission system also in terms of voltage and system restoration.
4. The maximum price of the offered positive balancing energy and the minimum price of the offered negative balancing energy upon activation of the relevant type of ancillary services, by the Office's Decision No. 0001/2023/E of 11 October 2022 remained at the same level as for 2022, as the maximum prices of positive balancing energy and the minimum prices of negative balancing energy are fixed in such a way as to correspond to the day-ahead electricity prices in Slovakia´s bidding zone. The Office did not change the maximum and minimum prices for balancing energy during 2023.

The following table shows the evolution of the number of ancillary service providers over the last years, thus indicating a stable market for ancillary services. The number of certified ancillary service providers as well as the number of framework agreements and contracts went up, which is a good sign in terms of stability and liquidity of the market, as well as delivering grid security.

Development in the provision of ancillary services

Indicator/year	***2019***	***2020***	***2021***	***2022***	***2023***
No. of certified ancillary services providers	24	24	24	22	27
No. of concluded framework agreements and contracts on ancillary services provision	52	30	30	30	39

The following table shows the volumes of activated ancillary services or balancing energy, from which a slight decrease in the volumes of activated ancillary services or balancing energy in the positive direction and a significant increase in the volumes of balancing energy in the negative direction can be observed. This can be attributed to greater volatility on the electricity markets, which places greater demands on the regulation of the grid and ensuring security of its operation.

Overview of balancing energy supply (MWh)

Type of activated ancillary services/balancing energy	**2022 [MWh]**	**2023 [MWh]**	**change 2023/2022 [%]**
Primary power control + (FCR+)	6 633	6 393	-3.62%
Primary power control - (FCR-)	-6 628	-6 336	-4.41%
Secondary power control + (aFRR+)	80 917	51 728	-36.07%
Secondary power control - (aFRR-)	-41 302	-58 921	42.66%
Tertiary power control 12.5 min + (mFRR+)	2 417	459	-81.01%
Tertiary power control 12.5 min - (mFRR-)	-283	-1 954	590.46%
Tertiary power control 3 min +	2 250	1 669	-25.82%
Tertiary power control 3 min -	-166	-1 131	581.33%
Positive emergency assistance	0	0	-
Negative emergency assistance	0	-600	-
IGCC+ (IGCC import)	124 875	105 306	-15.67%
IGCC- (IGCC export)	-65 398	-77 778	18.93%

Distribution system

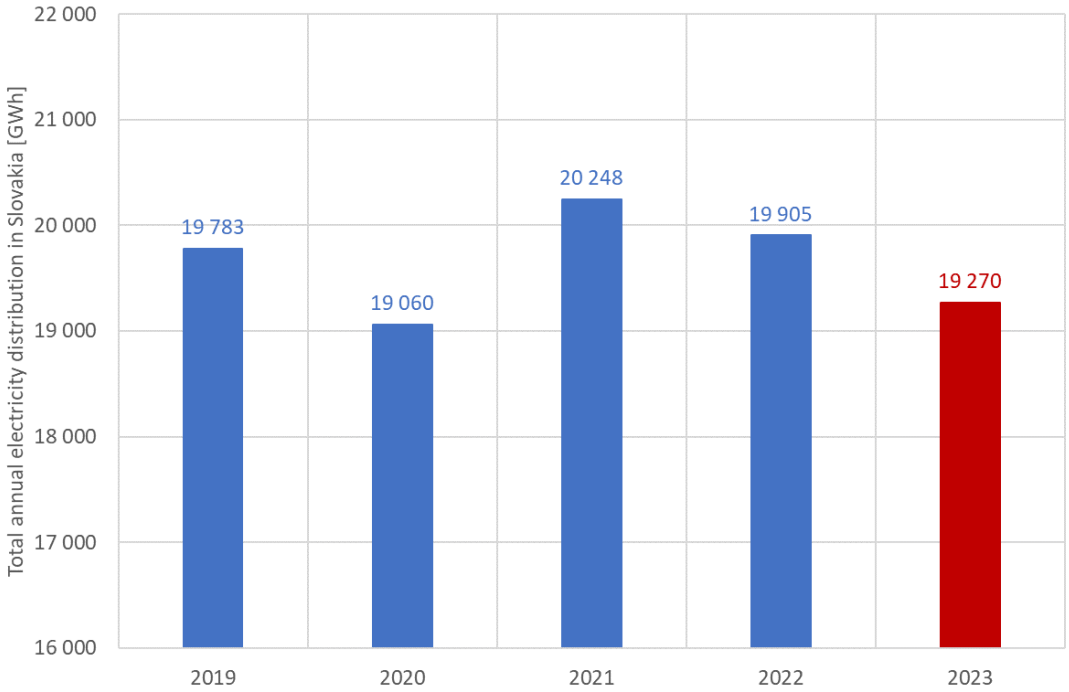
For the regional distribution systems operators, the Office fixed network tariffs to be applied by the regional DSOs to users connected to their distribution system in 2023 in the following structure:

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

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

In 2023, the total electricity distribution in Slovakia reached 19 270 GWh, down about 3% compared to 2022 (19 905 GWh), due to the adoption of cost-saving measures as well as to the reduction of consumption on the part of consumers with the aim to reduce energy costs as a result of the fading effects of the energy crisis and high electricity and gas prices on the European electricity markets.

Volume of electricity distribution (GWh)



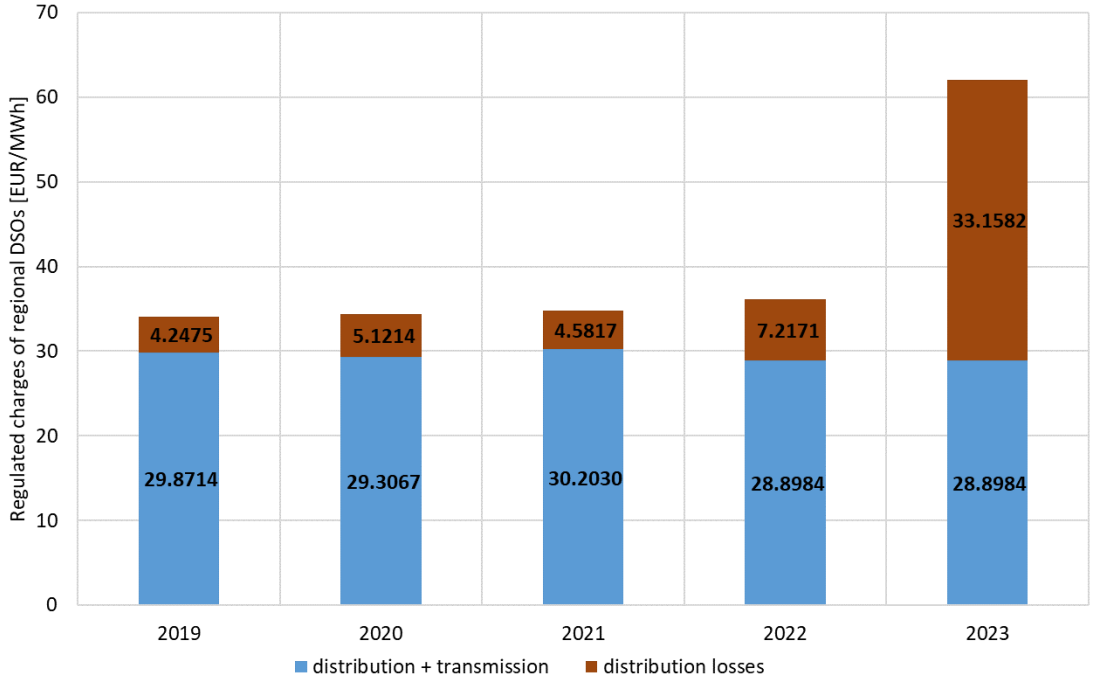
The following figure shows the evolution of selected regulated charges of regional distribution system operators. In the year under review, tariffs for access to the distribution system and electricity distribution, including electricity transmission, remained on the same level compared to the previous year. The value of the distribution losses tariff climbed by 359% in 2023 year-on-year, which was due to the increase in the day-ahead price index for the product F PXE SK BL Cal-t from the official exchange rate published by the PXE (POWER EXCHANGE CENTRAL EUROPE), on the basis of which the price for distribution losses is fixed. The Office determined by interim measures for 2023 the interim prices for access to the distribution system and the prices for electricity distribution and the conditions for their application, including tariff for distribution losses pursuant to Section 14(16) of Act No. 250/2012 Coll. The Office has subsequently approved by decisions during 2023 the tariffs for access to the

distribution system and electricity distribution and the conditions for their application, including the tariff for transmission losses for 2023, in the same value as in the interim measure.

Given that there was no stability in the market and it was not possible to predict price developments accurately and responsibly enough, the shift of the reference period for the calculation of the electricity price to cover distribution losses, during which electricity prices on the stock exchange increased, had a negative impact on the calculation of distribution loss tariffs.

On the basis of the above, the tariff for distribution losses for households and selected vulnerable electricity customers for 2023 was set at the 2022 level on the basis of Article 3(1) of the Government Regulation. The resulting difference was subsequently compensated to the distribution system operators by the Ministry of Economy pursuant to Article 3(2) of the Government Regulation. If tariffs for electricity distribution losses were set for 2023 on the basis of the Office's tariff decisions, there would be a significant increase in these tariffs.

Development and structure of regulated DSO charges



Grid operation tariff (TPS)

The purpose of the grid operation tariff (so called "*TPS*") is to cover the costs of operating the grid, consisting mainly of RES and CHP generation support, electricity generation from indigenous coal, costs of ancillary services, costs of the short-term electricity market operator providing the operation, evaluation and other activities on the short-term electricity market. TPS is one of the components of the final electricity price and applies to each electricity end consumer. In 2023, the TPS was applied to 3 TPS band values (TPS1, TPS2 and TPS3), where TPS3 also included consumers who were assigned an individual tariff for 2023. TPS is applied individually for each group of end consumers according to the volume of end-use consumption at the metering point. The assignment to the individual bands shall be made according to the expected end-use electricity consumption at a given metering point for the year t-1.

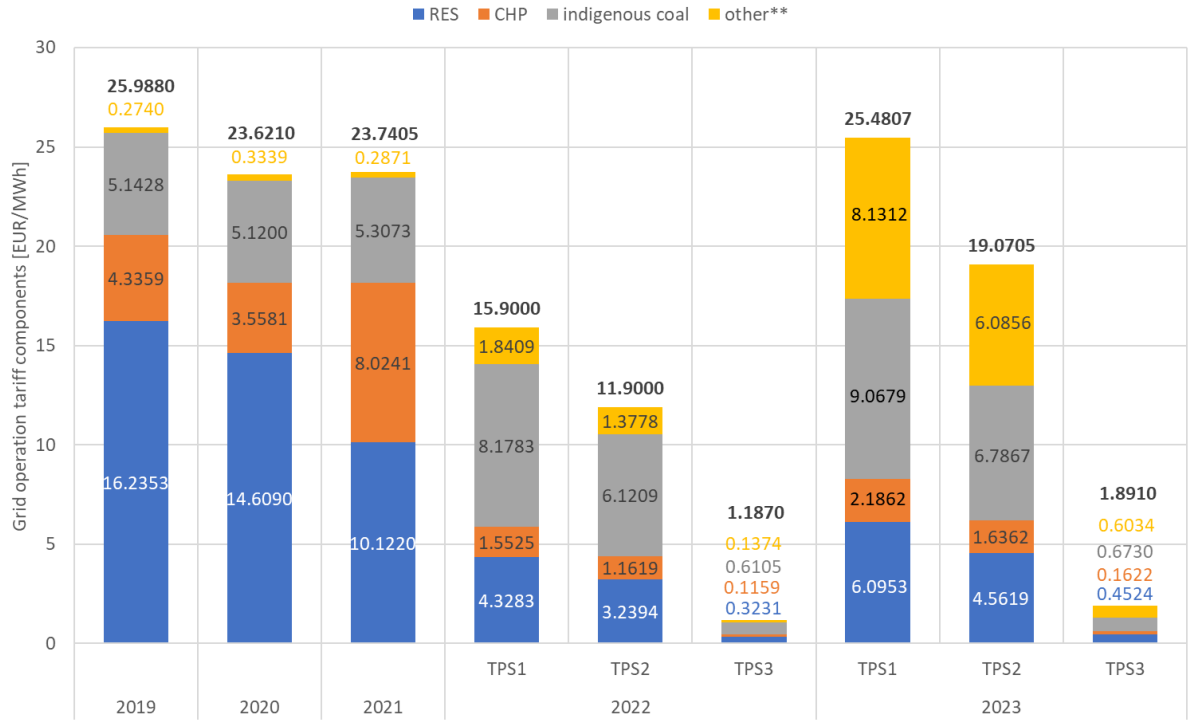
- Band 1 (TPS1) - end consumption of the metering point up to and including 1 GWh,
- Band 2 (TPS2) - end consumption from 1 GWh up to and including 100 GWh; and
- Band 3 (TPS3) - end consumption of a customer site greater than 100 GWh.

In 2023, individual tariffs for grid operation increased significantly (on average by 60%) compared to 2022, mainly due to missing support from the Ministry of Economy to finance the costs incurred for the RES and CHP generation support settlement, as well as due to the transfer of an aliquot part of ancillary services costs in 2023 to grid operation costs.

Households and selected vulnerable electricity consumers were assigned a TPS for 2023 at the level of 2022 on the basis of Section 5(1) of Slovakia´s Government Regulation. The resulting difference was subsequently compensated to the short-term electricity market operator by the Ministry of Economy.

The figure below compares the values of the different components of the TPS over the last six years, with the 2023 (and 2022) TPS split into three values according to the bands above.

Evolution of components of the grid operation tariff (TPS)



other** - includes cost items of activities of OKTE, electricity buyer (SPP), costs of repaying the historic debt and ancillary services and others

Market coupling

Investments in internal and cross-border interconnectors are a prerequisite for achieving the objectives of the Energy Union Strategy issued by the Commission, which include in particular security of electricity supply, flexibility of the interconnected system as well as a well-functioning and transparent wholesale market.

One of the instruments that can be used for the above-mentioned objectives is the use of congestion income resulting from the allocation of cross-zonal capacity. Article 19(2) of Regulation (EU) 2019/943 on the internal market in electricity defines the priority objectives for which these funds are to be used, which include in particular the construction of projects with cross-border significance to maintain and increase cross-border capacity.

The total net congestion revenues of SEPS amounted to EUR 73.631 million in 2023. In 2023, a part of the congestion income from a special account in the amount of EUR 3.247 million was used for investment projects with cross-border significance, in particular for the transition of the Sučany substation to remote control, the construction of the 400/100 kV Senica substation and the replacement of conductors and reinsulation of the 400 kV line V404.

EUR 73.631 million of the congestion revenues from the allocation of cross-border transmission capacities were used to support end consumers in the calculation of network tariffs.

Projects of common interest

Another option to support the construction of projects with a significant impact on cross-border capacity is the process of selecting so-called Projects of Common Interest (PCIs), which can be co-financed by the EU.

In order to be eligible for inclusion in the PCI list, electricity infrastructure projects as well as electricity storage projects must be included in the European Network of Transmission System Operators for Electricity's (ENTSO-E) Ten-Year Network Development Plan (TYNDP).

During 2023, the process of evaluation of candidate projects for projects of common interest was ongoing in the relevant regional groups of the European Union. A list of projects of common interest (PCI projects) and projects of mutual interest for the Union was adopted by Commission Delegated Regulation (EU) 2024/1041 of 28 November 2023 amending Regulation (EU) 2022/869 of the European Parliament and of the Council as regards the Union list of projects of common interest and projects of mutual interest (the "Delegated Regulation").

PCI projects in Slovakia adopted by the delegated regulation are:

- **Interconnector between Otrokovice (Czech Republic) and Ladce (Slovakia) - PCI project No. 2.7**

  The project promoters are SEPS on the Slovak side and ČEPS on the Czech side. The expected increase of transmission capacity on the Slovak-Czech cross-border profile in both directions is 500 MW. A prerequisite for the construction of this line on the Slovak side is the commissioning of the new 400 kV Ladce substation. The expected commissioning date of the project is 2038.
- **Modernization of electricity storage in the pumped storage hydroelectric power plant Čierny Váh (SK) - PCI project No. 2.11**

  The project promoter is Slovenské elektrárne, a.s. The project consists of the modernisation of the existing pumped storage hydroelectric power plant Čierny Váh and hybridisation of this power plant by adding an electrochemical storage - battery storage with an expected capacity of at least 70 MW and 105 MWh. The expected commissioning date is 2031. The expected total availability of ancillary services or flexibility of the power plant is from -670 MW to 730 MW**.**

- **ACON - Again COnnected Networks (CZ, SK) to support the integration of the Czech and Slovak electricity markets by improving the efficiency of the distribution systems - PCI project No. 12.1**

  The initiator of the project on the Slovak side is the company Západoslovenská distribučná, a.s. The project was included among the PCI candidate projects in 2022, is implemented in cooperation with the Czech Republic and its main objective is to upgrade, significantly increase the efficiency and security of the distribution network, as well as to enable easy integration of the ever-increasing volume of RES into the network. The project is expected to be operational in 2027.

- **Danube InGrid (HU, SK) to effectively integrate the behaviour of all market participants connected to the electricity grids in Hungary and Slovakia - PCI Project No. 12.3**

  The initiator of the project on the Slovak side is the company Západoslovenská distribučná, a.s. The project is implemented in cooperation with SEPS, Východoslovenská distribučná, a.s. on the Slovak side and the transmission system operator and three distribution system operators on the Hungarian side. The main objective of the project is to strengthen the synergy and integration of the Slovak and Hungarian electricity markets, to upgrade the networks, to create new platforms for consumers and, last but not least, to create conditions for access and connection of micro producers, self-consumers and prosumers to the respective systems. The project is expected to be operational in 2029.

Single Day-Ahead Coupling (SDAC)

After Greece joined the MRC region (Multi-Regional Coupling - a region covering almost the whole of Europe) in 2020, the eventual exit of the MRC by the UK, the interconnection of the 4MMC (Czech Republic, Slovakia, Hungary and Romania) and the MRC through the cross-border PL-DE, PL-CZ, PL-SK, PL-DE, CZ-DE, CZ-AT and HU-AT profiles in June 2021 and the successful connection of the cross-border BG-RO profile to the SDAC project in October 2021, a significant milestone of coupling the EU day-ahead electricity market has been completed.

Single Intraday Coupling (SIDC)

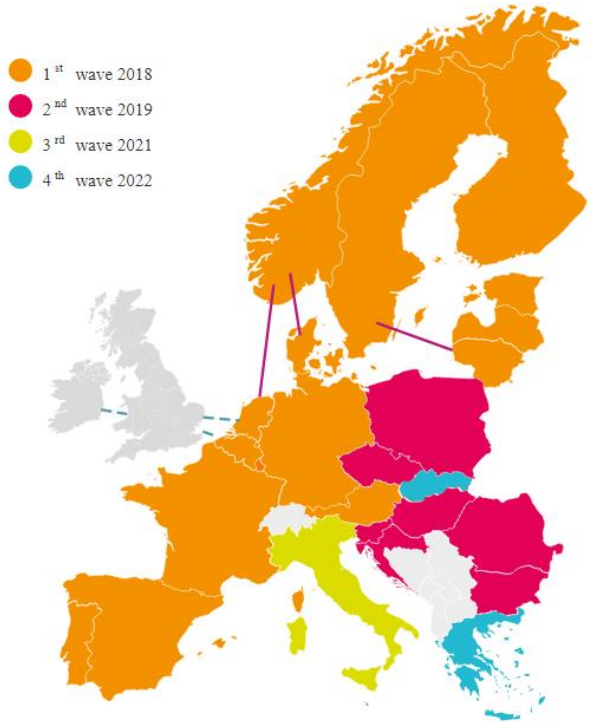
SIDC is based on the XBID (Cross-Border Intraday) project, which launched a continuous intraday trading platform in June 2018 and covered 15 countries. In November 2019 and September 2021, eight additional countries (Bulgaria, Croatia, Czech Republic, Hungary, Italy, Poland, Slovenia, Romania and Romania) joined SIDC as part of the 2nd and 3rd accession

waves. Slovakia and Greece joined SIDC as part of the last 4th accession wave in November 2022, completing the integration of 25 EU countries (Malta and Cyprus are exceptions) in SIDC. Intraday trading starts after the closure of the day-head market.

SIDC is intended to contribute to increasing liquidity in trading. As Slovakia's intraday market does not provide sufficient liquidity, integration on a pan-European platform is expected to bring a positive change contributing also to the RES development and flexibility aggregation. The central solution allows orders placed by market participants in one country to be matched with orders placed by market participants in any other coupled country, if there is available cross-border capacity to transmit electricity between the affected bidding zones. SIDC is in line with the EU's target model for an integrated cross-border intraday market. The integration of Slovakia and Greece into SIDC represents another important milestone and completion of integration of the EU single intraday electricity market. SIDC currently covers intraday markets of 25 countries: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Norway, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

As a result of the coupling of electricity markets, the liquidity of trading in Slovakia has increased. Trading in SIDC is done at 15-minute market time units (15-minute products).

Member countries of SIDC

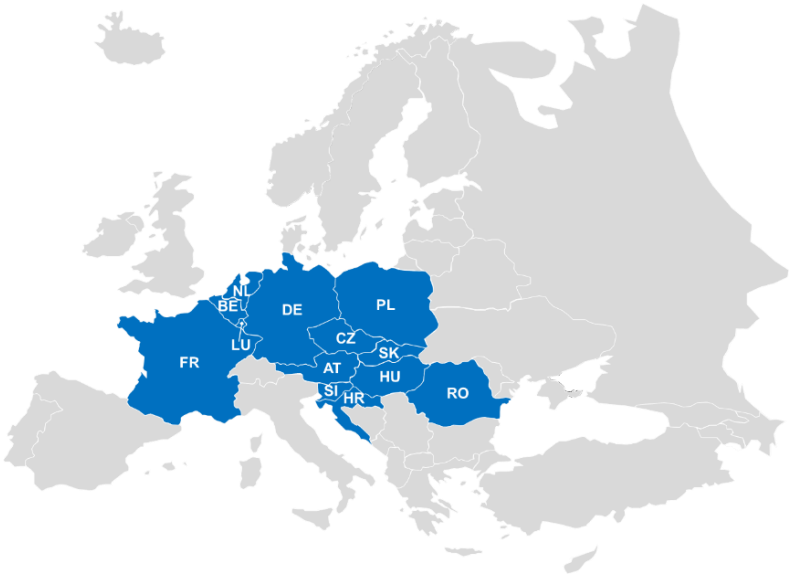


New methodologies for capacity calculation and allocation in Core

Another way to meet the EU objectives outlined in the introduction is through the implementation of new methodologies for capacity calculation and allocation. One such methodology is the flow-based capacity calculation methodology (FB CCM), which takes into account the physical constraints in the operation of electricity systems based on the available reserves on critical network elements of the system (mainly lines) and the power transfer distribution factors (PTDFs). These are defined for each critical network element and each bidding zone in the Core Capacity Calculation Region. Capacity calculation is coordinated across the region, resulting in improved capacity allocation in terms of reflecting the actual constraints on the grid and, consequently, of its security of operation. Another result is thus more electricity flows across borders and, last but not least, reducing overall costs. In the Core region, FB CCM in day-ahead markets has been successfully applied, in accordance with Article 20 of EC Regulation No. 1222/2015 establishing guidelines for capacity allocation and congestion management, since 8 June 2022.

The integration of intraday markets through FB CCM in the Core region was originally planned to be operational on 8 June 2023. However, due to delays in the approval of the second and third amendments to the intraday flow-based capacity calculation methodology which are to be decided by ACER, the interconnection of the intraday markets through the flow-based capacity calculation methodology is planned to go live in the course of 2024, with the national regulators checking the compliance of the process with the relevant legislation.

Member countries of the Core region



Balancing platforms

Pursuant to Commission Regulation No. 2195/2017 establishing a guideline on electricity balancing (EB GL), the EU platforms are:

- the Trans European Replacement Reserves Exchange (TERRE) in accordance with Article 19 of the Regulation, which was put into operation on 6 January 2020. The gradual joining of Portugal, Spain, France, Switzerland and the Czech Republic took place until January 2021 and Poland is expected to join the platform in the first half of 2024. Slovakia's TSO does not participate in this platform as this type of ancillary service is not used by SEPS.

- exchange of balancing energy from frequency restoration reserves within the Manually Activated Reserves Initiative (MARI) pursuant to Article 20 of EB GL, which was put into operation on 15 September 2022 without any TSOs joining the platform. On 5 October 2022, Czech and German TSOs joined. In 2023, the Austrian TSO joined the MARI platform. Most TSOs plan to connect to this platform by the end of 2024, the Polish TSO by the turn of 2024/2025, the Dutch TSO in summer 2025 and the Greek and Finnish TSOs in 2026,

- exchange of balancing energy from frequency restoration reserves with automatic activation, or PICASSO (Platform for the International Coordination of Automated Frequency Restoration and Stable System Operation) pursuant to Article 21 of EB GL, which was put into operation by connecting the Czech TSO on 1 June 2022; Austrian and German TSOs joined on 22 June 2022. The TSO of Italy was connected to the PICASSO platform at the end of July 2023, the other TSOs are planning to be connected to this platform in 2024, with the exception of the TSO of Sweden, which announced joining the platform in 2026,

- real-time Imbalance Netting pursuant to Article 22 of EB GL, which was put into operation on 21 June 2021. At that time, all the TSOs of continental Europe were connected, with the exception of Romania (TSO joined in December 2021) and Bulgaria (TSO connected in July 2022).

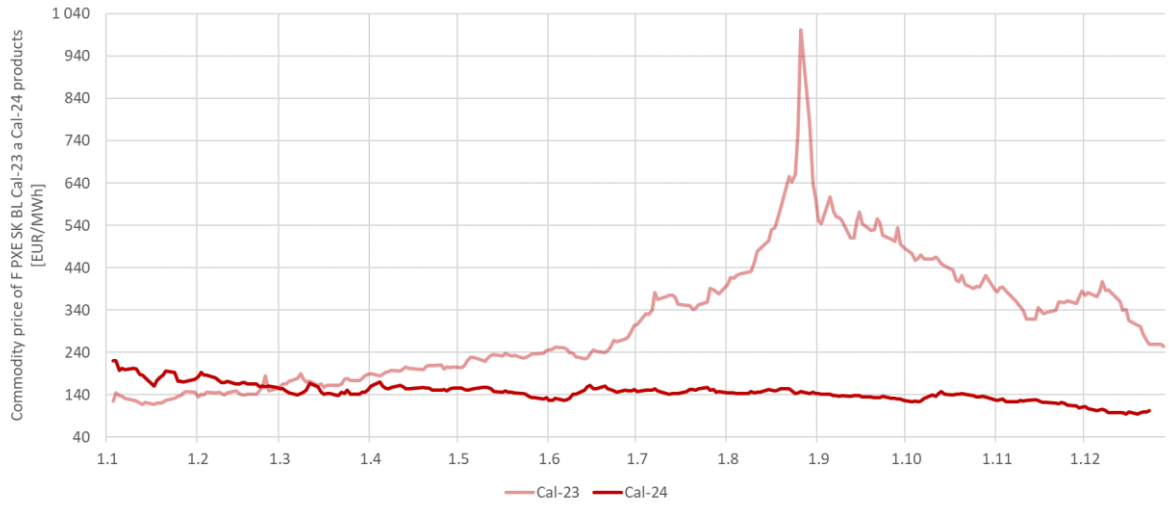
In accordance with Article 62(2)(a) of EB GL, the Slovak TSO applied on 2 February 2021 to the Office for a derogation from joining to the above platforms and was subsequently granted the derogation on 29 March 2021 for the period from 25 July 2022 to 24 July 2024. Currently, the expected date of SEPS joining the MARI platform is December 2024 and of the PICASSO platform, November 2024.

Wholesale market

In 2023, commodity prices on the European electricity markets were declining at a moderate pace, down to around €100/MWh.

This is confirmed in more detail in the figure below, which shows the trajectories of electricity prices on the PXE exchange for the F PXE SK BL Cal-24 and Cal-23 products, with the average price on the PXE exchange for the F PXE SK BL Cal-t products falling by approximately 53% in 2023 compared to 2022.

Commodity price development (graph by PXE Prague)



Retail market

Tariff regulation of electricity supply to vulnerable customers was carried out in accordance with Act No. 250/2012 Coll., in line with the regulatory policy, according to the implementing act in tariff regulation – URSO Decree No. 18/2017 Coll. establishing tariff regulation in electricity and certain conditions for the performance of regulated activities in electricity, as amended, and pursuant to the Ministry of Economy decision in the general economic interest, issued on the basis of Government resolution No. 723 of 16 November 2022.

Electricity supply was subject to tariff regulation in 2023:

- for households,
- for non-household electricity consumers with total annual consumption for the previous year of 30 000 kWh or less,

- for non-household electricity consumers, except for non-household consumers with total annual consumption for the previous year of no more than 30 000 kWh, who consume electricity for the operation of a social services facility registered in the register of social services, for the operation of a facility for social protection of children and social guardianship, for the operation of a residential building with rental flats owned by a municipality or a higher territorial unit, which are intended for social housing according to a special regulation, or for the operation of a residential building with rental flats within the framework of state-supported rental housing according to a special regulation,
- for a group of end consumers, which own flats and non-residential premises in an apartment building, consuming electricity for the production of heat and domestic hot water, legally represented by a natural person or a legal entity performing the administration of a common heat source supplying the apartment building with heat and domestic hot water,
- for supplier of last resort.

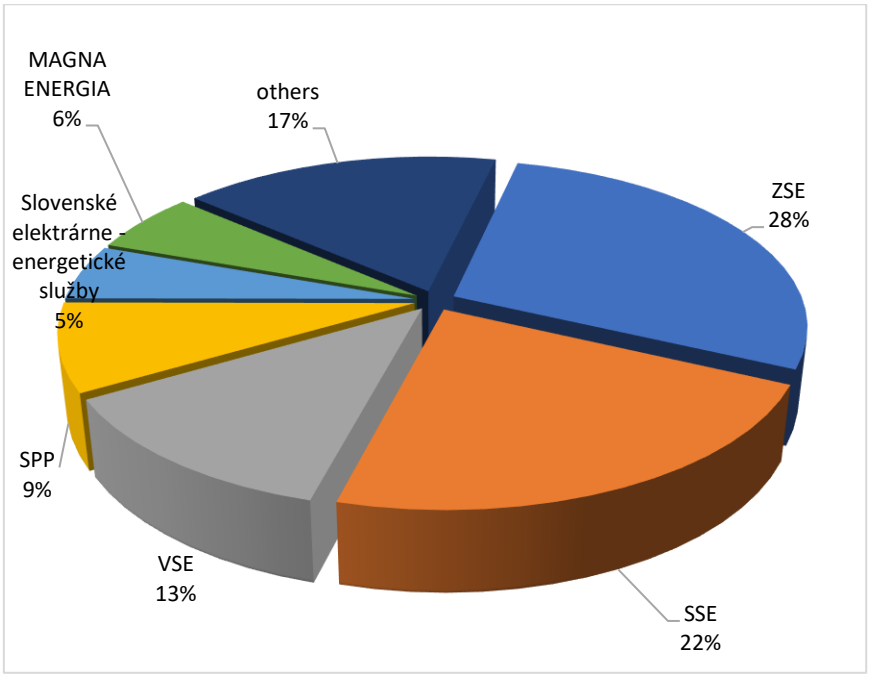
The default parameters used to determine the maximum price for the supply of electricity to vulnerable electricity consumers, excluding household consumers, for 2023 were the arithmetic average of the daily prices of the official price list published by the PXE on its website, product F PXE SK BL Cal-23 for the period from 1 August 2022 to 30 September 2022, which was at the level of 547.5807 €/MWh (year-on-year increase of 486.373 €/MWh, i.e. 794.63 %), to which a coefficient to cover the forecasted profile of supply for vulnerable customers, the costs of imbalance related to electricity supply to vulnerable customers and a reasonable profit, were added. In view of the high electricity price, the Government intervened and adopted a resolution declaring the general economic interest.

The maximum prices for electricity supply to households were determined for 2023 by a decision of the Ministry of Economy in the general economic interest. The default parameters on the basis of which the maximum price for electricity supply was fixed were the commodity price at the level of 2022, i.e. €61.2077/MWh, to which a coefficient to cover the forecasted profile of supply for vulnerable customers, the cost of imbalance related to electricity supply to vulnerable customers and a reasonable profit, were added.

On top of the individual tariffs for electricity supply, the tariff for distribution including transmission and transmission losses, and the tariff for distribution losses, the tariff for system services and TPS (grid operation tariff) are added.

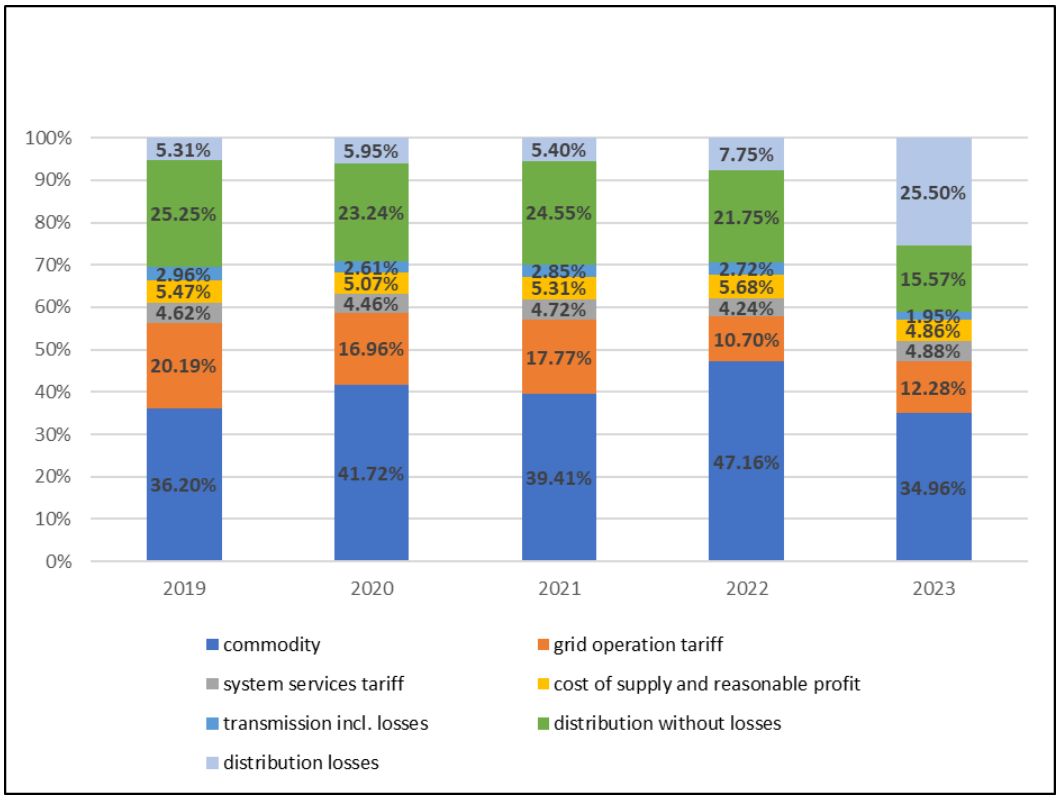
The largest share in electricity supply is still held by three "traditional" suppliers, which are part of vertically integrated undertakings - ZSE Energia, Stredoslovenská energetika, and Východoslovenská energetika.

Market shares of electricity suppliers - all customer segments



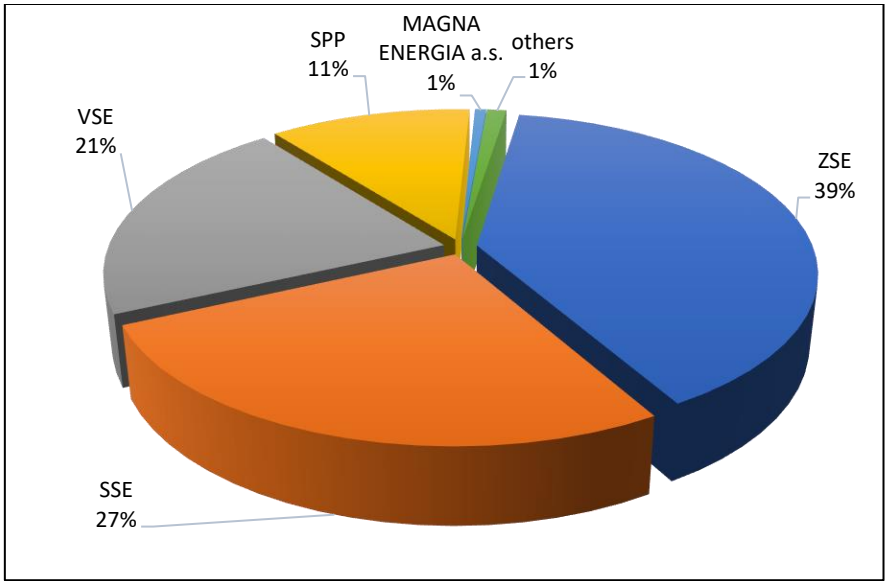
Electricity supply to households

Comparison of the breakdown of the average end electricity price for households



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

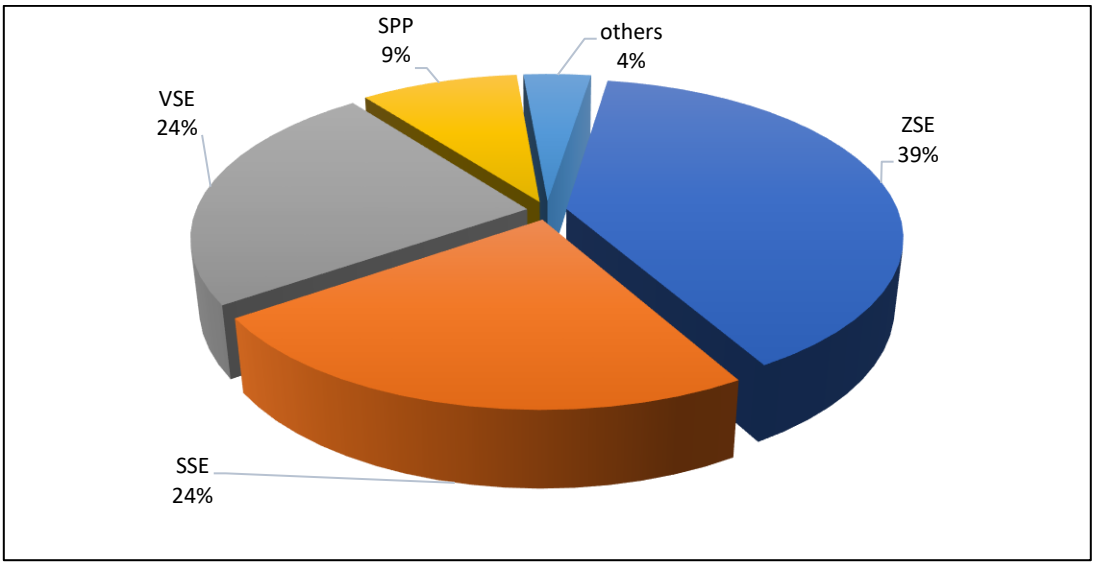
Market shares in household electricity supply



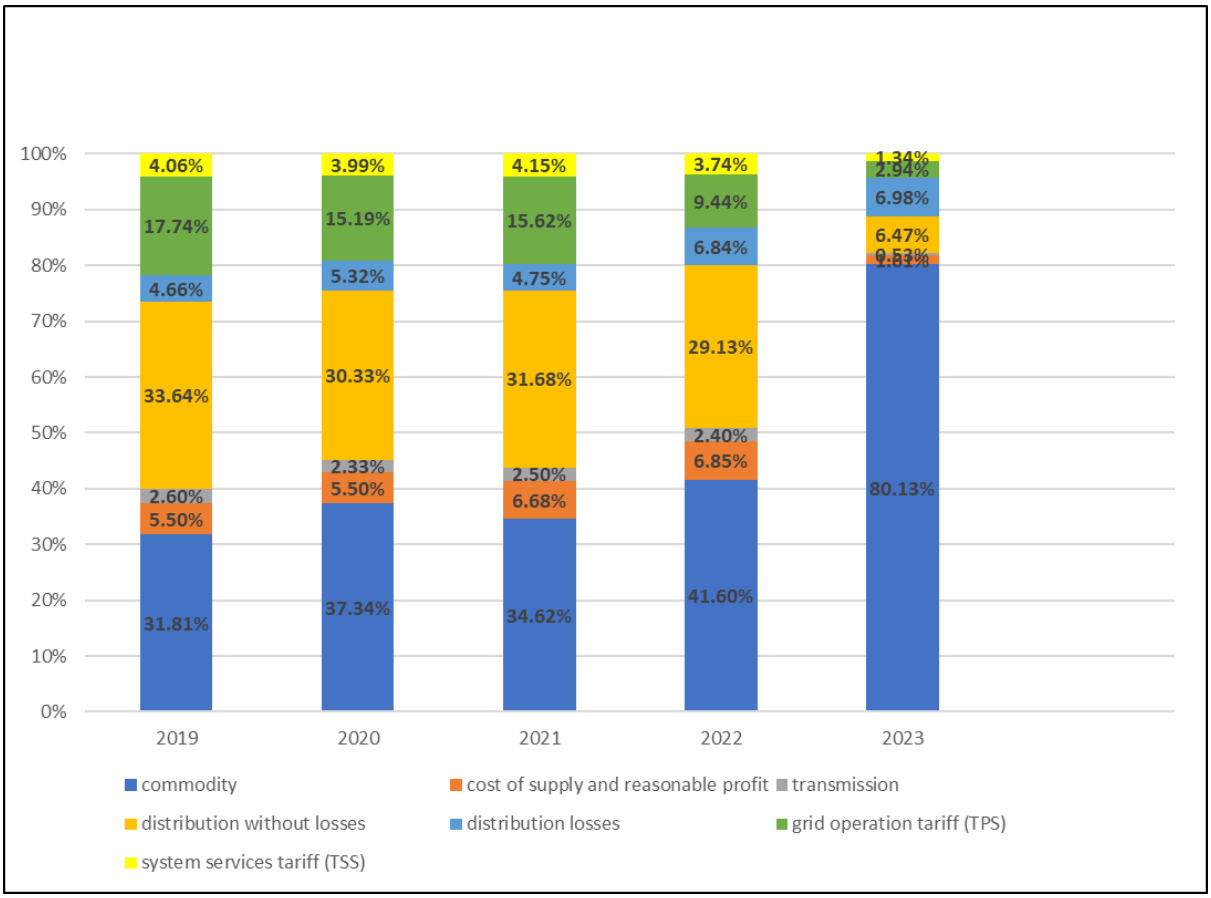
Electricity supply to small enterprises

Electricity supply to small enterprises, or non-household consumers with total annual consumption of 30 000 kWh or less for the previous year, was divided into 11 tariffs and provided by 14 nationwide suppliers.

Market shares in electricity supply to small enterprises - non-household customers with annual consumption of 30 000 kWh or less

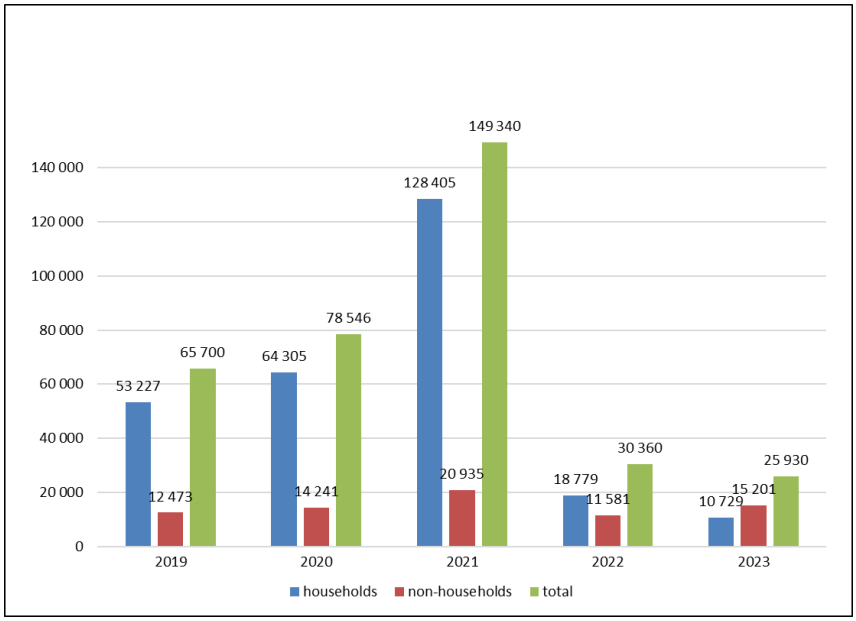


Comparison of the breakdown of the average end price for supply to small enterprises - non-household customers with annual consumption of 30 000 kWh or less



Switching

The level of liberalisation of the electricity market is indicated by the switching ratio. This expresses the ratio of the number of customer metering points with a change of electricity supplier to the total number of metering points in the year under review.

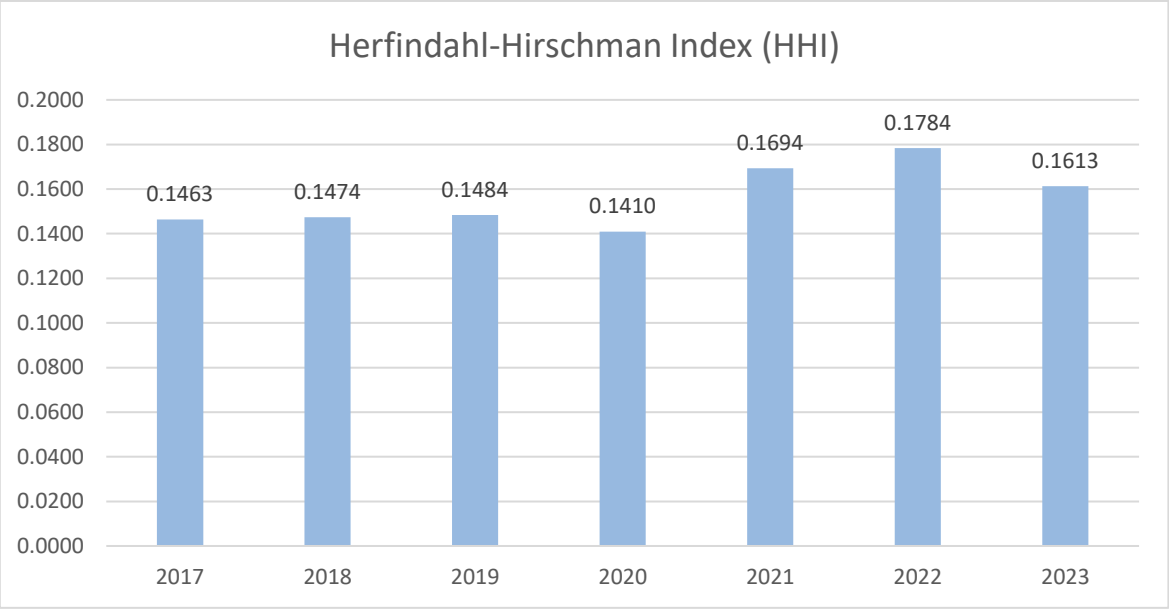


Supply of last resort

Pursuant to URSO's decision, ZSE Energia, Východoslovenská energetika and Stredoslovenská energetika are the suppliers of last resort in the territory of Slovakia. In 2023, there were no metering points in the supply of last resort regime notified to the Office.

Herfindahl - Hirschman Index (HHI)

The purpose of the HHI is to determine the competitiveness of the market. The Office assessed the positions of regulated entities operating on the market for electricity supply to all customers. Market is concentrated if the HHI is more than 0.1 and highly concentrated if it exceeds 0.2.



RES and CHP generation

Promoting electricity generation from RES and CHP is one of the factors how to achieve a 20% reduction in greenhouse gas emissions. This ambitious energy and climate commitment has been set as a key objective by the integrated National Energy and Climate Plan 2021-2030, which was developed pursuant to Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action.

As a legislative basis for the support of electricity generation from RES and CHP, national Act No. 309/2009 Coll. was approved in 2009, the aim of which was to ensure a long-term guarantee of feed-in tariffs for 15 years and at the same time to favour the construction of small and decentralised installations.

Tariff decisions and certificates of origin

The Office issued a total of 275 tariff decisions mainly for the following reasons:

- change in the correction for primary fuel used in RES and CHP installations,
- change of ownership of RES and CHP installations,
- completed renewals of CHP generation facilities.

URSO also issued 72 decisions due to the termination of activity or a change in the person of the electricity producer.

Overview of issued tariff decisions - RES and CHP

Decisions issued for RES installations	104
Decisions issued for CHP installations	171
Tariff decisions annulled	72
Total	347

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

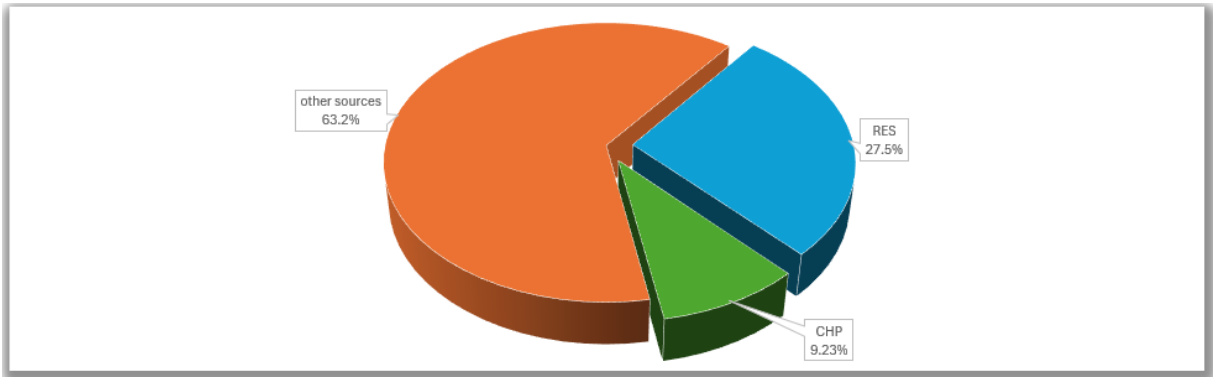
- 116 certificates of origin of electricity from RES for installations that used biogas or biomass combustion technology,
- 111 certificates of origin for electricity generated by CHP, the vast majority of which were for facilities with technology using natural gas as fuel,
- 83 certificates of origin due to a change in the operator of the installation, termination of support, or the need to have the certificate renewed.

In addition to that, the Office revoked 47 certificates of origin for RES.

Buyer of electricity produced from RES and CHP

The activity of the buyer of electricity from RES and CHP in 2023 was performed by SPP pursuant to the Ministry of Economy decision No. 42372/2022-4110-100249 issued according to Section 88 (2) (y) of Act No. 251/2012 Coll.
Pursuant to Section11(1)(j) of Act No. 250/2012 Coll. performance of the activity of electricity buyer is a regulated activity. The Office determined the buyer's remuneration for 2023 by its preliminary measure No. 0165/2023/E-PR of 16 March 2023 and after the entry into force of URSO Decree No. 370/2023 Coll., pursuant to Section 12, the Office fixed the buyer's remuneration by its Decision No. 0104/2023/E of 15 November 2023.

RES and CHP shares in the country´s total electricity generation in 2023



Electricity generation in Slovakia in 2023 by sources

Power generation in Slovakia in 2023	MWh
111 - hard coal	438 026
112 - lignite	845 806
119 - other solid fossil fuels	1 034
121 - heavy fuel oil	404 105
123 - diesel fuel	924
129 - other petroleum products	-
131 - natural gas	2 307 261
141 - biomass	415 069
142 - municipal waste	94 997
149 - other renewable and secondary solid fuels	40 542
159 - other renewable and secondary liquid fuels	-
151 - liquids derived from biomass	439 928
161 - biogas	409 150
162 - landfill gas	8 703
163 - sewage treatment plant gas	9 216
165 - metallurgical gas	450 463
166 - biomethane	-
167- biomethane produced by anaerobic fermentation	14 979
169 - other renewable secondary gaseous fuels	24 297
210 - hydropower	5 104 092
230 - wind	4 001
241 - solar thermal energy	22
242 - photovoltaics	604 993
250 - nuclear	18 343 625
270 - hydrothermal	94
Total	29 961 326

2. Gas

The Office performs tariff and non-tariff regulation in gas for regulated activities in the use of the network operators´ gas infrastructure, and tariff regulation of gas supply only for vulnerable customers specified in Act No. 250/2012 Coll. as well as in Act No. 251/2012 Coll. The year 2023 was the first year of the 6th regulatory period and new regulatory frameworks had to be set up for the new regulatory period in gas, especially in tariff regulation. For 2023, the Office prepared implementing regulations establishing tariff regulation of regulated activities in the gas sector, both in the use of gas networks and in the supply of gas to vulnerable customers (Decree No. 450/2022 Coll. and Decree No. 451/2012 Coll.).

Gas market participants in Slovakia

- the transmission system operator (Eustream),

- the distribution system operator in the defined territory of Slovakia (SPP - distribúcia),

- 38 distribution network operators with fewer than 100 000 end consumers connected, called local distribution networks or LDNs,

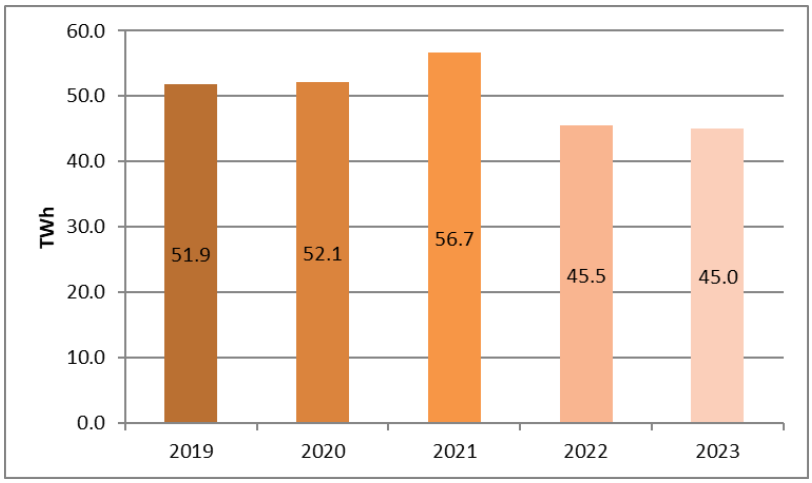
- two storage operators (NAFTA, POZAGAZ),

- 19 active gas suppliers,

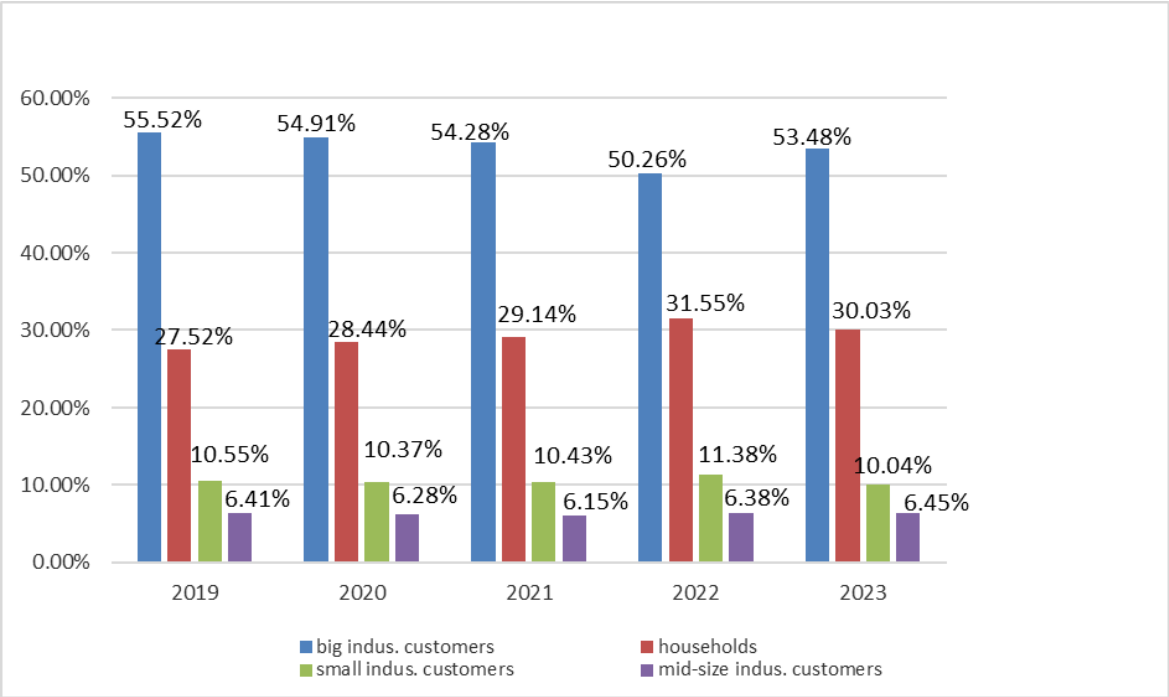
- gas consumers with a non-regulated gas supply tariff and gas consumers with a regulated gas supply tariff, i.e. vulnerable gas customers.

Total gas consumption in Slovakia in 2023 reached 45.0 TWh, down roughly 1% vis-a-vis 2022. Compared to 2021, this represents a saving of as much as 20.63%. Retail gas consumers account for the largest share of the year-on-year consumption reduction with a drop of more than 12%. Households cut their gas consumption by around 6%.

Gas consumption in Slovakia



Gas consumption by customer category



Overview of gas tariff regulation decisions

Tariff regulation related decisions		2019	2020	2021	2022	Issued in 2023 for 2023	Issued in 2023 for 2024
of which	Gas supply to vulnerable consumers – nationwide suppliers		2	1	12	2	13
	Gas supply to vulnerable consumers – nationwide suppliers - decisions amended	10	21	16	7		
	Last resort supply				1		
	Last resort supply - decisions amended			1			
	Gas supply to vulnerable consumers - local distribution networks (LDN)	1			15	2	16
	Gas supply to vulnerable consumers - local distribution networks (LDN) - decisions amended	6	19	16	1		
	Distribution network access and gas distribution (LDN - § 11 (6))	2		4		24	
	Distribution network access and gas distribution (LDN - § 11 (6)) - decisions amended	2	4	19			
	Distribution network access and gas distribution (LDN - § 11 (7))					1	
	Distribution network access and gas distribution (LDN - § 11 (7)) - decisions amended		1	1			
	Distribution network access and gas distribution (LDN - § 11 (8))	1		1		13	
	Distribution network access and gas distribution (LDN - § 11 (8)) - decisions amended		9	1	11		
	Distribution network access and gas distribution (LDN - § 12 (1))	4	1	1		25	
	Distribution network access and gas distribution (LDN - § 12 (1)) - decisions amended		2	17			
	Distribution network connection (LDN)	4			1	5	
	Distribution network connection (LDN) - decisions amended			10			
	Distribution system access and gas distribution (SPP-D)				1		
	Distribution system access and gas distribution (SPP-D) - decisions amended		1	1			1
	Distribution system connection (SPP-D)					1	
	Repurchasing of gas equipment					1	
	Repurchasing of gas equipment - decisions amended			1			
	Transmission system access and gas transmission	1				1	
	Transmission system access and gas transmission - decisions amended		1	3			
	Provision of services related to the operation of registry of renewable gases					1	
Total		31	61	93	49	106	
Tariff proceedings terminated				3	1	28	
Tariff proceedings suspended		5	1	3	93	4	2
Decisions revoked			3	2	3	2	

Rules of operation for the TSO, DSO and UGSO

In 2023, the Office decided to approve amendments to six sets of rules of operation for network operators, namely:

- for two LDN operators,
- two amendments for the DSO performing the tasks of gas dispatching in the country,
- two amendments for the TSO.

In the course of 2023, fifteen LDN operators adopted the full version of the model rules of operation of the operator of the distribution network to which less than 100 000 end-users are connected, issued by the Office and published on its website pursuant to Act No. 251/2012 Coll. (hereinafter as the "model rules of operation"). Of these, thirteen LDN operators have simultaneously applied to the Office for the revocation of the relevant decisions by which the rules of operation had been approved pursuant to Section 17(2)(g) of Act No. 250/2012 Coll. The other two new LDN operators notified the Office that they are adopting the full version of the model rules of operation.

Technical conditions for network access and connection and the network´s rules of operation

In 2023, the Office also assessed technical conditions of network operators, of which two draft technical conditions were from LDN operators. From 1 October 2022, in accordance with Act No. 251/2012 Coll., network operators and the Office are obliged to carry out public consultations on the network operators' draft technical conditions on their websites. In 2023, the Office received only one comment from a relevant gas market participant on the submitted draft technical conditions within the public consultation.

Commercial terms and conditions for gas supply in the provision of universal service

The Office did not issue any decision on the approval of commercial terms and conditions in 2023 for gas suppliers providing universal service to vulnerable customers, due to the fact that after the amendment of the primary energy legislation as of 1 October 2022, decisions on approval of commercial terms and conditions for gas suppliers providing universal service, which regulate the relationship between the gas supplier and vulnerable gas customers, are no longer subject to non-tariff regulation. From 1 October 2022, the Office published on its website the Model Commercial Terms and Conditions for the Provision of Universal Service for Gas Supply under the Act No. 251/2012 Coll. A gas supplier is obliged to apply in the universal

service contract concluded with a household gas customer the commercial terms and conditions for the provision of universal service, which must meet the requirements of the provisions of the relevant legislation and be consistent in content with the model commercial terms and conditions for the provision of universal service developed by the Office. The gas supplier must publish the commercial terms and conditions and amend them at the request of the Office within the statutory time limit.

Decisions under EC Regulations

In the year under review, the Office approved by Decision No. 0001/2023/P-EU of 1 March 2023 pursuant to Commission Regulation (EU) No. 312/2014 establishing a network code on gas balancing of transmission networks, the Sixth updated report on the application of interim measures for Eustream, the TSO.

Gas infrastructure

In the context of tariff regulation in the gas infrastructure sector, this is primarily regulation of tariffs for:

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

Non-tariff regulation in the area of network use is done primarily by the approvals of rules of operation for network operators, including storage facilities, in terms of setting rules for network operators in relation to network users with impact on gas consumers. On the basis of its statutory competences, the Office also assesses the technical conditions for access and connection to the network and for the operation of the network, with the possibility to comment on them and to request network operators to modify them in the event of non-compliance with generally binding legislation.

In accordance with the regulatory policy for the period 2023-2027, URSO decree No. 451/2022 Coll. establishing regulation of selected regulated activities in gas and certain conditions for the performance of selected regulated activities in gas constituted in 2023 the basic regulatory framework for tariff regulation for regulated activities, in the scope of:

- transmission network connection,
- distribution network connection,

- connecting new gas producers to the network,

- providing support services,

- transmission network access and gas transmission,

- distribution network access and gas distribution,

- purchase of gas equipment.

Transmission network

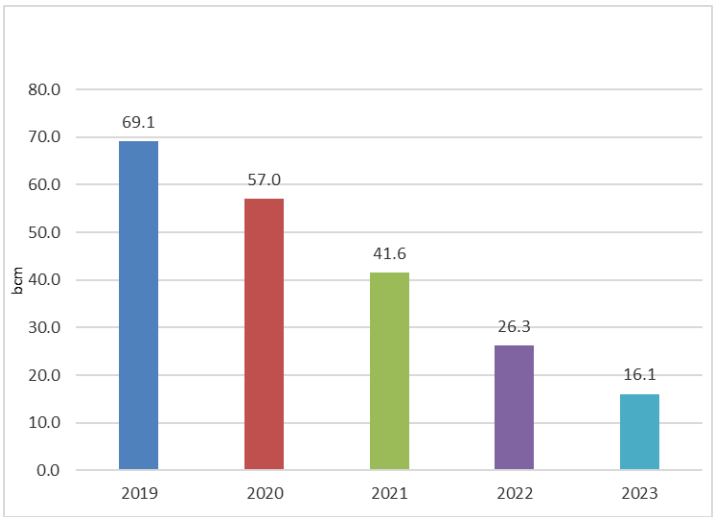
The transmission network in Slovakia is one of the important corridors for entry of gas in the EU, i.e. this network is mainly used for transit. Gas consumption in Slovakia in 2023 reached 22.2% of the total gas transmitted in 2023.

The transmission network in Slovakia is owned and operated by Eustream, a. s. Interconnection of the Slovak transmission network with neighbouring EU member states (Czech Republic, Austria, Hungary and Poland) is ensured via cross-border interconnection points. The transmission network is also directly connected to the gas system in Ukraine via two interconnection points. The transmission network also includes a "domestic point", which is an entry/exit point to/from distribution networks and storage facilities in the territory of Slovakia.

Technical functionality of the transmission network

Investments in the transmission network in 2023 reached EUR 4.49 million. The TSO provides information on the amount of technical, available and contracted capacities at individual entry-exit points on its website in accordance with secondary legislation developed by the Office (Decree No. 208/2023 Coll.).

Gas transmission volumes



Transmission capacity

The annual technical maximum capacity of the transmission network is approximately 90 billion m³ (bcm) of natural gas. The volume of gas transmission has been steadily decreasing over the last five years, with only 16.1 bcm of gas transmitted by the TSO in 2023, which represents a significant decrease compared to 2022, by as much as 38.9%.

Transmission network - number of requests and contracts concluded

Indicator/year	**2019**	**2020**	**2021**	**2022**	**2023**
No. of requests for transmission network access	2 639	1 294	844	5 001	3 771
No. of requests for transmission network connection	0	0	0	1	0
No. of concluded contracts on transmission network connection	0	0	0	0	0
No. of concluded contracts on gas transmission with firm transmission capacity	2 276	1 150	842	4 782	3 262
of which: long-term	0	0	1	0	0
yearly	27	29	9	16	19
short-term, of which:	2 249	1 121	832	4 766	3 243
quarterly	53	28	19	23	37
monthly	83	98	42	116	162
day-ahead	2 013	874	507	3 763	2 552
within-day	100	121	264	864	492
No. of concluded contracts on gas transmission with interruptible transmission capacity	363	128	2	216	508
of which: long-term	0	0			
yearly	1	0			
short-term, of which:	362	128	2	216	508
quarterly	9	16			
monthly	23	51			5
day-ahead	315	51	2	189	450
within-day	15	10		27	53
No. of concluded contracts on gas transmission with combined transmission capacity	19	16		3	1
of which: long-term					
yearly		4			
short-term, of which:	19	12		3	
quarterly		7			
monthly		3			
day-ahead	19	2		2	1
within-day	0	0		1	
No. of transmission system users	45	31	22	48	50

Share of network users by country of origin in gas transmission volume

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

Ten-year transmission network development plan and cross-border cooperation

Legal obligations of the transmission system operator include regular submission of the ten-year transmission network development plan, as the technical functionality of the transmission network with its subsequent development is also the responsibility of the TSO. The Office monitors and evaluates the implementation of the Ten-Year Network Development Plan (TYNDP). Also in 2023, the TSO submitted to the Office for consideration the draft TYNDP for 2023-2032 in Slovakia together with the Report on the implementation of the TYNDP for 2022-2031, including a breakdown of the investments made and planned for the projects in question, monitored by the Office on an annual basis.

TYNDP includes a description of the network, a scenario for the development of gas consumption in Slovakia, as well as a description of effective measures to guarantee the adequacy of the network and security of gas supply. TYNDP also lists the main parts of the transmission network to be built or upgraded in the next ten years, together with the expected dates for their implementation. TYNDP is necessary to identify the needs for new infrastructure projects to ensure primary level of security of gas supply for Slovakia and the European region as a whole and includes, inter alia, the development of cross-border interconnectors. TYNDP

of Eustream must be developed in accordance with the TYNDP of ENTSO-G, which includes, inter alia, the so-called EU Projects of Common Interest (PCI). Regulation (EU) 2019/942 establishing a European Union Agency for the Cooperation of Energy Regulators implies for the national regulatory authority, in close cooperation with ACER, the obligation to monitor and assess the consistency of the investment plans for cross-border infrastructure development projects with the Union-wide network development plans.

The TSO annually consults the TYNDP with all stakeholders on its website before submitting it to the Office. The Office also consults the TYNDP with existing and potential network users and give them the opportunity to submit reasoned comments on it within a reasonable period of time. The Office published information on the results of the consultation on its website.

In connection with the transmission network development plan, in 2023 the Office also published on its website an evaluation of the implementation of the TYNDP of Eustream for the period 2022-2031.

Major projects from the TSO's TYNDP for 2023-2032

Capacity enhancement projects at border crossing points

- reconstruction of the RU01 Plavecký Peter switching node to new operating states; automation of operating modes to achieve high flexibility of the transmission network operation, the possibility of securing and future increase of available capacities in the interconnection points (IP) Lanžhot, Baumgarten and Veľké Zlievce,
- Increasing the firm transmission capacity at the Veľké Zlievce IP; due to the expected changes in natural gas flows within Europe, an investment project for increasing the firm transmission capacity at the Veľké Zlievce IP is in the process of preparation,
- Increase in firm transmission capacity at the Výrava IP; this relates to the ongoing Poland-Slovakia interconnection project, which was completed in 2022. In the event of an increase in transmission capacity that could arise in conjunction with the construction of the new regasification capacities planned in Poland, adjustments will need to be made in the transmission network in Poland, to increase the capacity of the Výrava metering station and modifications to the entry facility in Veľké Kapušany,
- Increase of the fixed transport capacity at the Lanžhot entry point; the implementation of the project brought the fixed capacity at the Lanžhot entry point to the level of 55.1 bcm/year, the reason for the increase of the transport capacity was to satisfy the indicated interest of

customers for the transport of natural gas in the direction from the Czech Republic to Slovakia,

- installation of photovoltaics at the compressor station Veľké Kapušany; the project will ensure the construction of a photovoltaic power plant within the premises of the compressor station Veľké Kapušany to cover its own electricity consumption of the compressor station, the project is applying for co-financing from the Recovery Plan,
- Green H2 project at the compressor station Veľké Kapušany; the purpose of the planned project is to pilot the production, blending and injection of hydrogen into the TuS (turbo equipment) fuel gas at the compressor station Veľké Kapušany, which will result in greenhouse gas emissions reduction; hydrogen will be produced by electrolysis using electricity obtained from RES (solar panels),
- Transmission system energy transformation projects aimed at reducing methane emissions, increasing the energy efficiency of the transmission network, transmitting natural gas with hydrogen, as well as transporting pure hydrogen.

Project H2I - TR

In order to achieve the EU's objectives and to have a significant impact on economic growth, sustainability or value creation across the EU in the area of economic transformation leading to a reduction of greenhouse gas emissions, Eustream engaged in the process of obtaining IPCEI status for the modification of the transmission network, previously used for the transmission of natural gas, to the transport of pure hydrogen. The modification would modify the pipeline system in the sections between Ukraine and the crossings with Austria and the Czech Republic. The EC is currently assessing the documentation submitted for the proposed H2I- TR project.

Solidarity Ring

The aim of the project is to provide an import route with minimal modification of the transmission network for gas supplies from Azerbaijan in the expected volume of 5-10 bcm^3/ year, with capacity along the entire length of the transmission route. The implementation of the project would connect the existing key infrastructure on the territory of Slovakia, connected to the western gas hubs, with the gas infrastructure on the territory of Hungary, Romania, Bulgaria, Turkey and gas sources in the Caspian region. This solution would effectively assist in strengthening diversification of gas transport routes and sources in the Central and south-eastern Europe, which are heavily dependent on Russian gas supply and vulnerable to possible gas shortages. The implementation of the project would significantly strengthen the EU's efforts to

diversify gas routes and sources in this region and would also be one of the instruments for the implementation of the Memorandum of Understanding on Strategic Energy Partnership signed on 18 July 2022 between the European Commission and Azerbaijan to increase gas imports to Europe. The project is at an early stage of preparation.

Distribution network

Compared to EU countries, Slovakia is also specific in the scope of distribution networks. The distribution network operator SPP - distribúcia, a.s. provided gas distribution to more than 1.5 million metering points in 2023. The structure of gas pipelines of the distribution network of SPP – distribúcia as of 31 December 2023 totalled 33 343 km, of which the length of high-pressure gas pipelines was 6 271 km and the length of medium- and low-pressure gas pipelines was 27 072 km.

Investments in the renewal and reconstruction of the distribution network

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

Distribution network balancing

In order to ensure safe and reliable gas distribution, physical and commercial balancing must be carried out when there is a shortage or surplus of gas in the distribution network.

The DSO, which performs the tasks of gas dispatching on the basis of the decision of the Ministry of Economy of Slovakia, has gas stored for these purposes in the underground storage facility of Dolní Bojanovice, which is located in the territory of the Czech Republic.

Network balancing (mcm/day) – gas withdrawal or injection from/into underground storage

	2019	2020	2021	2022	2023
withdrawal (shortage)	1.5	1.6	1.5	1.3	1.6
injection (surplus)	1.3	1.9	1.2	1.5	1.0

DSO: SPP - distribúcia, a. s.

Number of metering points and the volumes of gas distribution

	2019	**2020**	**2021**	**2022**	**2023**
No. of metering points	1 522 710	1 526 582	1 529 429	1 528 834	1 523 009
Volume of distributed gas in m^3	4 841 280 704	5 003 958 741	5 504 375 139	4 463 629 085	4 179 157 874

The total number of metering points connected to the distribution networks also includes CNG filling stations. There are 18 of them with a volume of 8 422 789 m³ of distributed gas, which is down about 7.5% compared to 2022.

LDN operators

In 2023, the Office kept track of 38 LDN operators distributing gas in 62 local distribution networks (premises of large enterprises, industrial parks, business centres, residential complexes) with a total volume of 723 570 370 m³.

Underground gas storage operators

Gas storage access and storage was not subject to tariff regulation in 2023. Access to storage is subject to agreed access by gas market participants. The Office may change the agreed storage access to regulated access in accordance with the relevant primary legislation. The Office does not regulate the price of access to storage and gas storage, but establishes a regulatory framework within non-tariff regulation. The storage operator is obliged to comply with the market rules established by the Office and also to provide data on its activities to the Office, either on a regular basis or on request. The Office approves rules of operation of the storage operator as well as assesses technical conditions for storage access and connection. In addition, the Office monitors, within its competences, the status and changes in the status of gas stored in the gas storage facilities of both storage operators and communicates, through published links on the Office's website, information on aggregated data continuously published on a daily basis on the websites of the storage operators.

Underground storage facilities in Slovakia are mainly used for seasonal storage of natural gas. As part of the gas infrastructure, underground storage facilities are an important tool that enhances the country´s energy security. In Slovakia, underground storage facilities are operated by NAFTA a. s. and POZAGAS a.s. Investments by NAFTA reached EUR 9.6 million and POZAGAS made investments of EUR 0.49 million in 2023.

Storage capacity of underground storage operators

UGSO	Technical working volume					Technical injectability					Technical deliverability				
	(mil.m^3/year)					(mil.m^3/day)					(mil.m^3/day)				
	2019	**2020**	**2021**	**2022**	**2023**	**2019**	**2020**	**2021**	**2022**	**2023**	**2019**	**2020**	**2021**	**2022**	**2023**
NAFTA	3 357	3 357	2 999	3 008	2 708	31.87	31.87	31.87	31.87	31.87	39.51	39.51	39.51	39.51	39.51
POZAGAS	655	655	655	655	658	6.85	6.85	6.85	6.85	6.85	6.85	6.85	6.85	6.85	6.85
Total	**4 012**	**4 012**	**3 654**	**3 663**	**3 366**	**38.72**	**38.72**	**38.72**	**38.72**	**38.72**	**46.36**	**46.36**	**46.36**	**46.36**	**46.36**

Utilisation of storage capacity of NAFTA in 2023

Storage users (country of origin)	share
Slovakia	47.99%
United Kingdom	28.14%
Germany	7.56%
Czech Republic	6.63%
Switzerland	6.16%
Austria	1.87%
France	1.65%
Total	100.00%

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

Utilisation of storage capacity of POZAGAS in 2023

Storage users (country of origin)	share
France	27.85%
United Kingdom	20.97%
Switzerland	18.66%
Slovakia	14.04%
Czech Republic	12.84%
Germany	4.44%
Italy	1.20%
Total	100.00%

POZAGAS received 324 applications for storage access and concluded 72 contracts with fixed capacity and no contracts with interruptible capacity. The remaining applications were rejected because of a better price offered by other bidders or because the minimum price was not reached.

Wholesale gas market

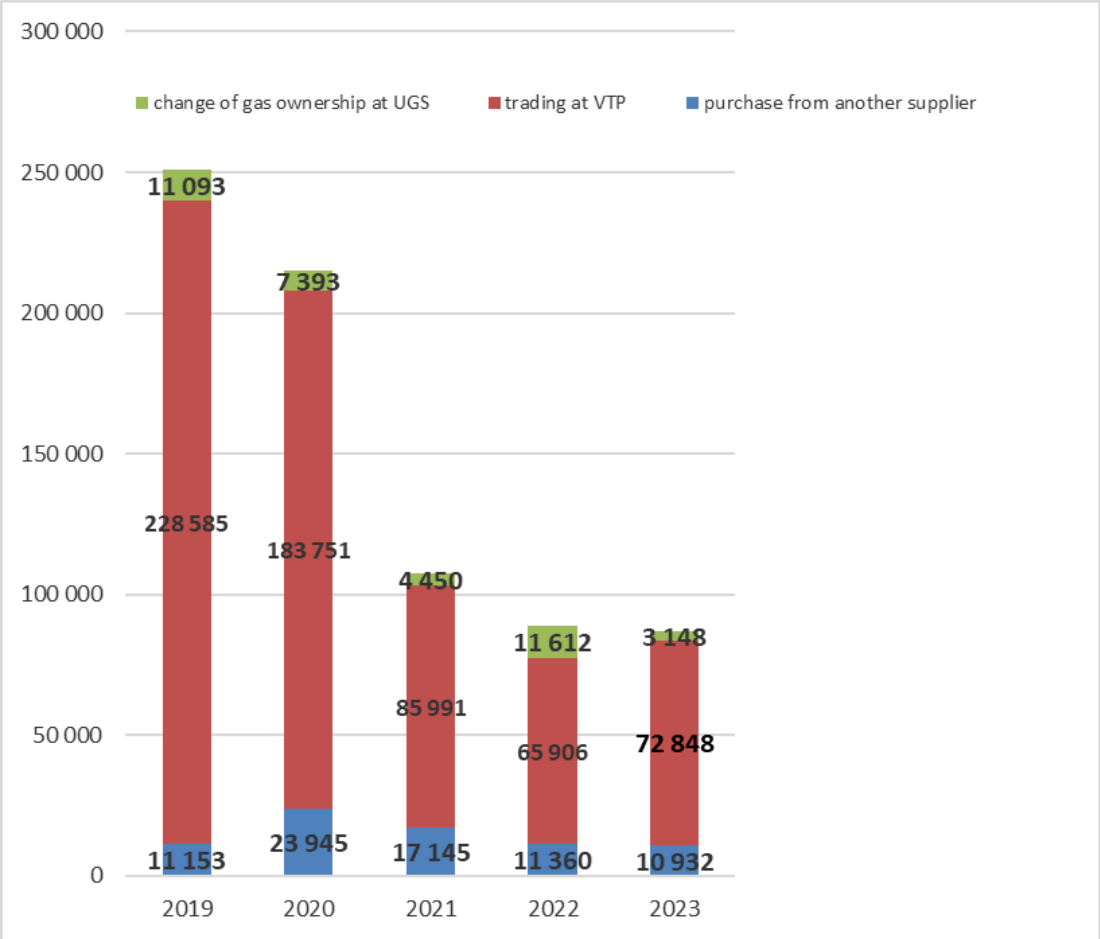
Through the wholesale market, gas suppliers purchase gas for their supply to customers on the basis of long-term contracts also on commodity exchanges.

The Office monitors the wholesale gas market on a daily basis, keeping track of gas prices at two trading hubs and several monthly and annual "futures" products, i.e. gas prices with physical delivery only in the future period. In this context, the Office evaluates these gas prices,

makes forecasts of further developments for internal purposes, but also regularly publishes the development of wholesale gas prices.

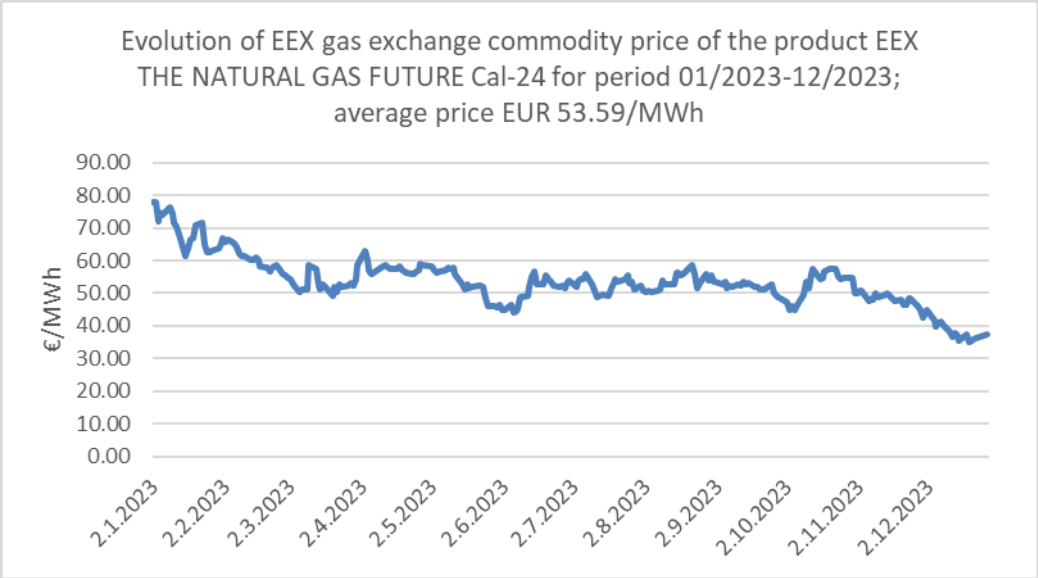
In order to ensure gas supply to their gas customers metering points, gas suppliers also purchased gas from traders - other gas suppliers (in 2023 in the volume of 10 932 GWh, down about 4% compared to 2022). Another option for gas purchases is trading on the transmission network's virtual trading point (VTP) - in 2023 in a volume of 72 848 GWh, which is about 10% more than in 2022. Gas purchases are also possible by trading or changing ownership of gas in storage facilities, where gas changed owners in a total volume of 3 148 GWh.

Development of selected wholesale gas market indicators (in GWh)



As with the market price of electricity, so also with the development of the market price of gas which is crucial for the calculation of the price of gas supply to vulnerable customers, a decline could be observed throughout 2023. The average price of the EEX product THE NATURAL GAS FUTURES Cal-t dropped by approximately 55% in 2023 compared to 2022.

Evolution of EEX gas commodity exchange price



In 2023, the Office published the evolution of gas prices on commodity exchanges, thereby providing customers better guidance on commodity prices by publishing current prices on the markets at monthly intervals. This makes it easier for the gas consumer to navigate the gas suppliers' offers including assessing the price offers.

Retail gas market

The Office monitors the retail gas market, the degree of openness of the gas market and its level of transparency, assessing the level of competition achieved on the market and the preconditions for introducing extraordinary regulation, and develops recommendations to improve the competitive conditions on the gas market.

In addition to implementing legislation relating to tariff regulation, the Office developed, in accordance with Act No. 250/2012 Coll., Decree No. 208/2023 Coll. establishing rules for the functioning of the internal gas market, the content of the rules of operation for the network operators and the underground storage operators, and the scope of the commercial terms and conditions that are part of the network operator’s rules of operation (market rules). In particular, the Decree lays down details on the rights and obligations of gas market participants and their mutual relations, and specifies the conditions for the operation of the liberalised gas market in Slovakia in both regulated and unregulated environments. The primary reason for drafting the Decree is to take into account the changes resulting from the amendments to Act No. 250/2012 Coll. and Act No. 251/2012 Coll., which entered into force on 1 October 2022. The Decree

partly replaces URSO Decree No. 24/2013 Coll. establishing rules for the functioning of the internal electricity market and the rules for the functioning of the internal gas market, as amended.

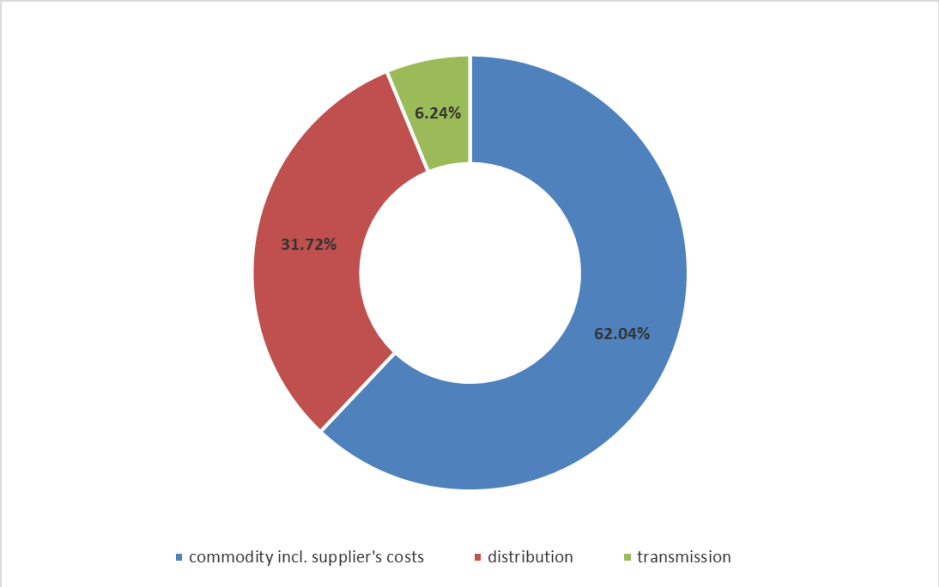
Gas supply to vulnerable customers

For the 6th regulatory period, which started on 1 January 2023, the Office issued new tariff decisions in gas supply to vulnerable gas customers, as the original tariff decisions expired with the end of the 5th regulatory period. In December 2022, the Office issued Decree No. 450/2022 Coll. establishing tariff regulation of gas supply, according to which tariff regulation of gas supply was performed for vulnerable gas consumers for the year 2023. The Decree took into account the amendments to primary regulation of 2022, which responded to the energy crisis, but also took into account the findings of and experience gained from the implementation of gas supply tariff regulation during the previous regulatory period. In the Decree, the Office also adjusted some of the economic parameters for the calculation of maximum gas supply prices in order to mitigate the disproportionate increase in wholesale gas prices in this period, but the most important parameter entering into the price calculation was the reference price of gas on the EEX commodity exchange, specifically the product EEX THE NATURAL GAS FUTURES Cal-t. The average value of this product for the specified reference period substantially influences the calculation of the maximum price of gas supply. Even though the reference gas price in 2023 was, compared to 2022, gradually decreasing, the calculation of the maximum gas supply tariffs for 2023 was still influenced by the high gas price during the peak of the energy crisis for the period from 1 October 2021 to 30 September 2022, where the average price for that period exceeded 93 €/MWh. In comparison with the average daily gas price for the period from 1 October 2020 to 30 September 2021, which reached 21.56 €/MWh, this was a rise of 334 %, which resulted in a huge increase in maximum regulated tariffs for gas supply to vulnerable household consumers for 2023.

Development of maximum tariffs for gas supply to households, excl. VAT, including network charges, by average consumption in individual tariff groups of vulnerable household consumers. (For 2023, the tariff is calculated based on the regulatory framework as well as after the application of government measures adopted in the general economic interest (GEI))

Tariffs (by annual volume of supplied gas in kWh)	Fixed monthly component (€/month)					Variable component for gas consumed (€/kWh)					
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023 w/o GEI	2023 w/ GEI
1 (up to 2 138 kWh)	2.78	2.78	2.78	2.88	3.55	0.0453	0.0453	0.0436	0.0534	0.1412	0.0641
2 (over 2 138 up to 18 173 kWh)	5.76	5.76	5.76	5.86	6.97	0.0333	0.0333	0.0300	0.0373	0.1208	0.0433
3 (over 18 173 up to 42 760 kWh)	8.64	8.64	8.64	8.74	10.29	0.0332	0.0332	0.0297	0.0364	0.1195	0.0422
4 (over 42 760 up to 69 485 kWh)	13.36	13.36	13.36	13.46	15.71	0.0320	0.0320	0.0280	0.0346	0.1176	0.0401
5 (over 69 485 up to 85 000 kWh)	42.45	42.45	42.45	42.55	49.17	0.0420	0.0420	0.0387	0.0424	0.1229	0.0492
6 (over 85 000 up to 100 000 kWh)	51.78	51.78	51.78	51.88	59.90	0.0419	0.0419	0.0386	0.0422	0.1227	0.0490

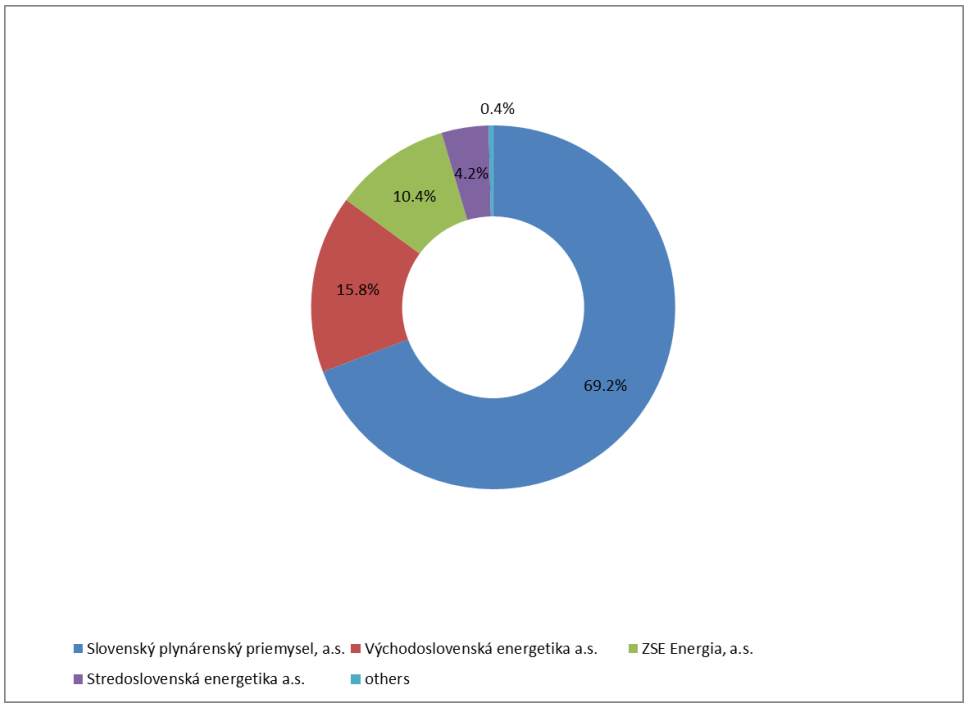
Breakdown of the average end tariff of gas supply to households



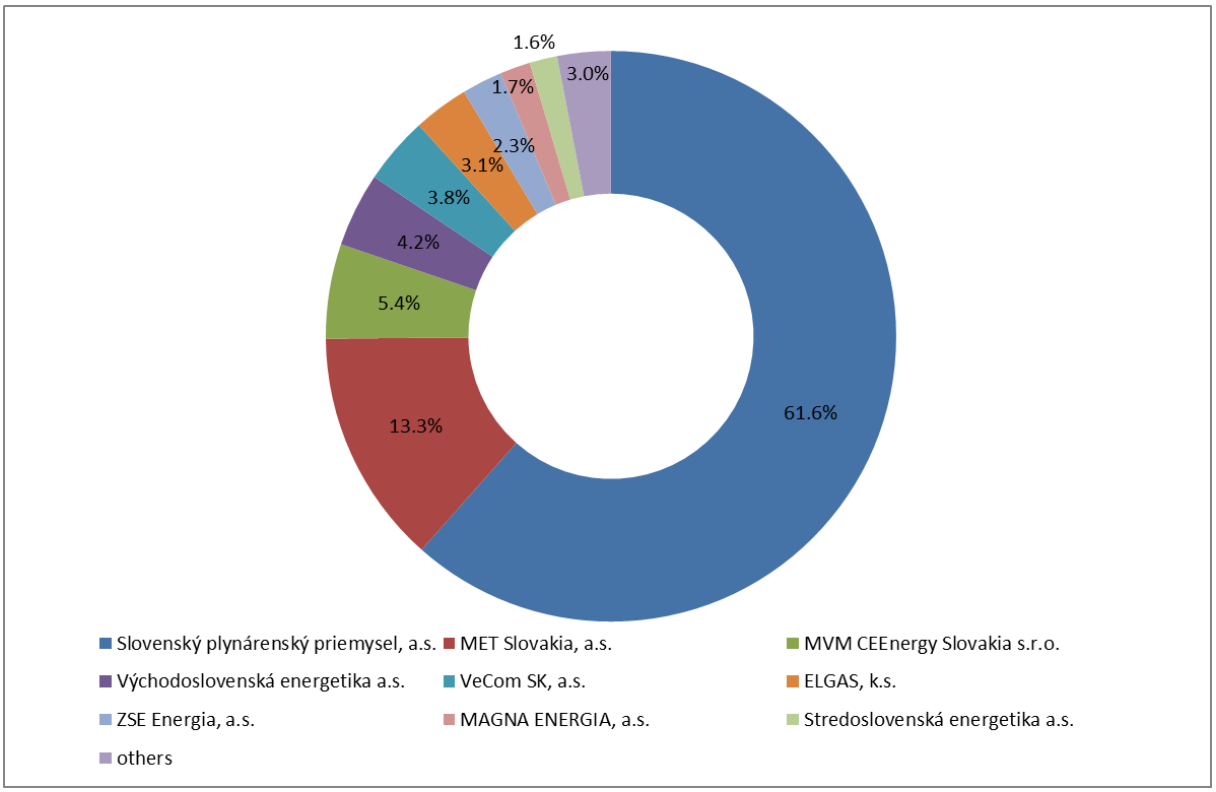
On its website, the Office offers the possibility to compare offers from different suppliers in an easy way by means of a price calculator. The price calculator is used to calculate the cost-effectiveness of gas supply for vulnerable household customers. It is updated from time to time by the Office in accordance with the tariff decisions issued with the prices for gas supply to vulnerable gas customers for individual suppliers. Another important tool for household gas customers to help them navigate the choice of their potential gas supplier is the regular publication of an updated list of universal service gas suppliers active on the gas market.

Market shares of gas suppliers by market segments in Slovakia

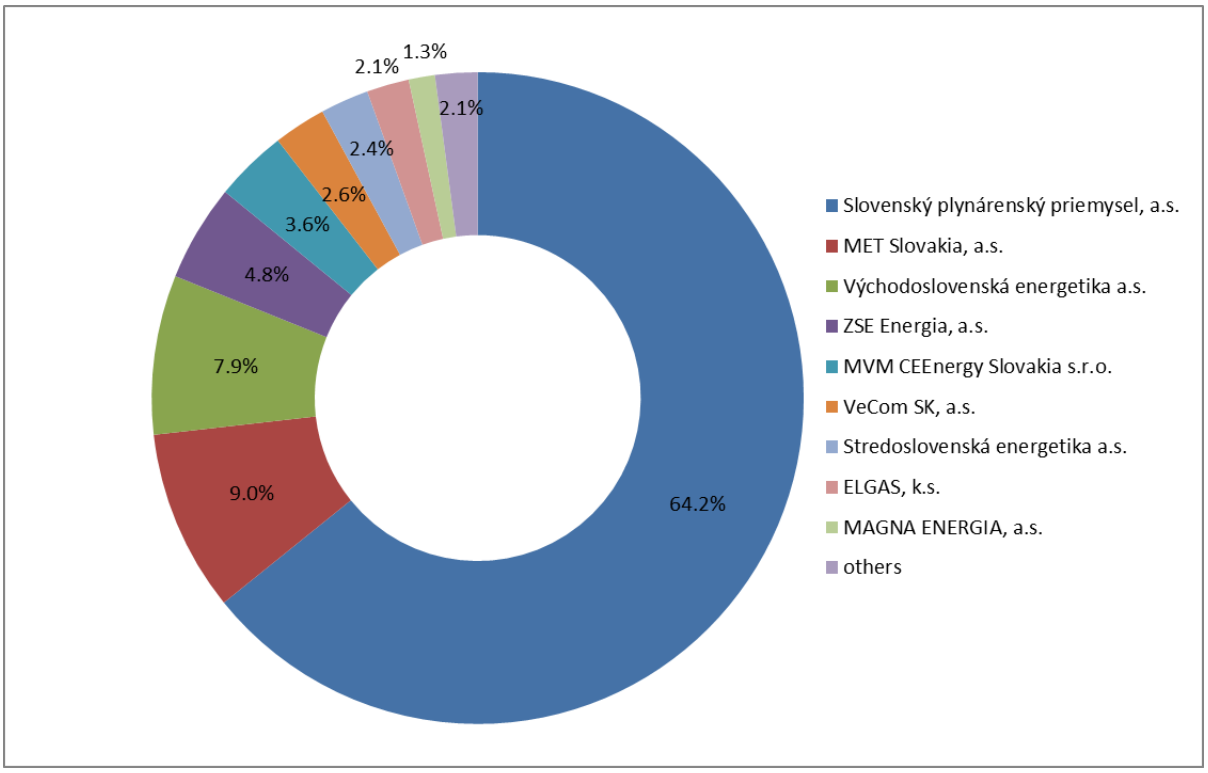
Gas suppliers to households and their market shares



Gas suppliers to industrial customers, excluding small enterprises

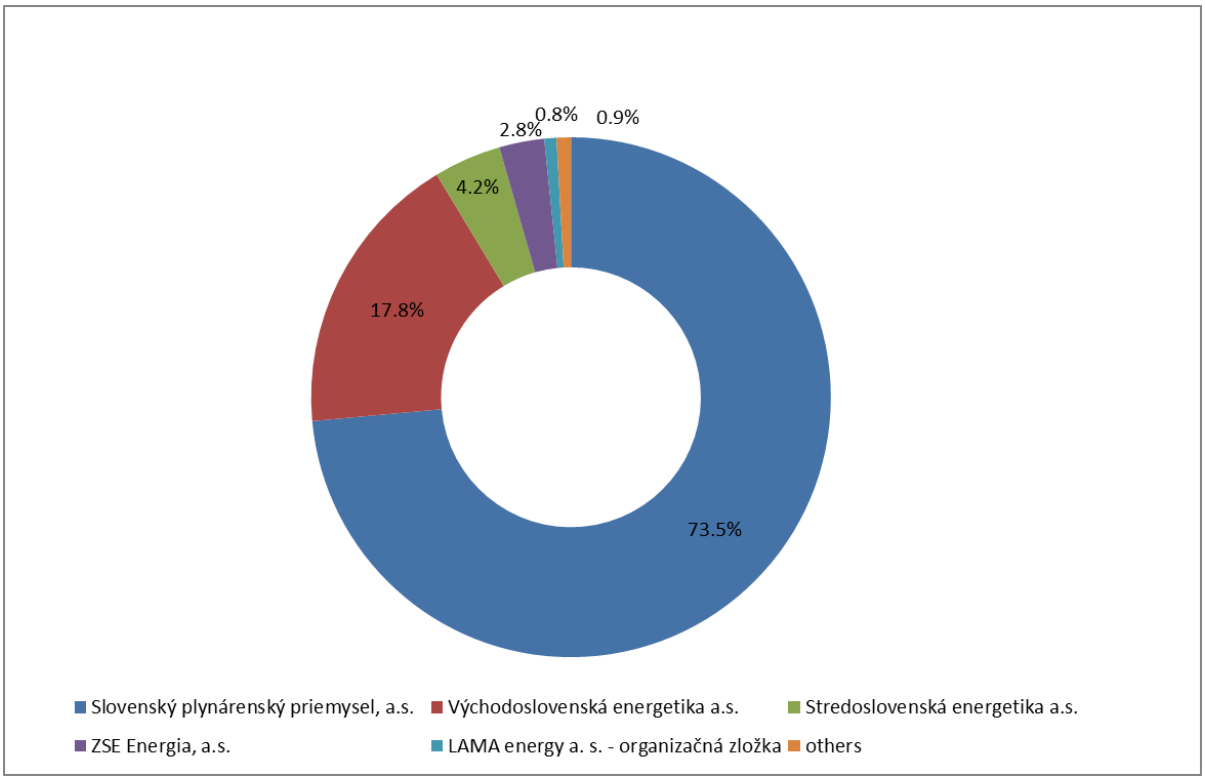


Market shares of gas suppliers to all customer categories

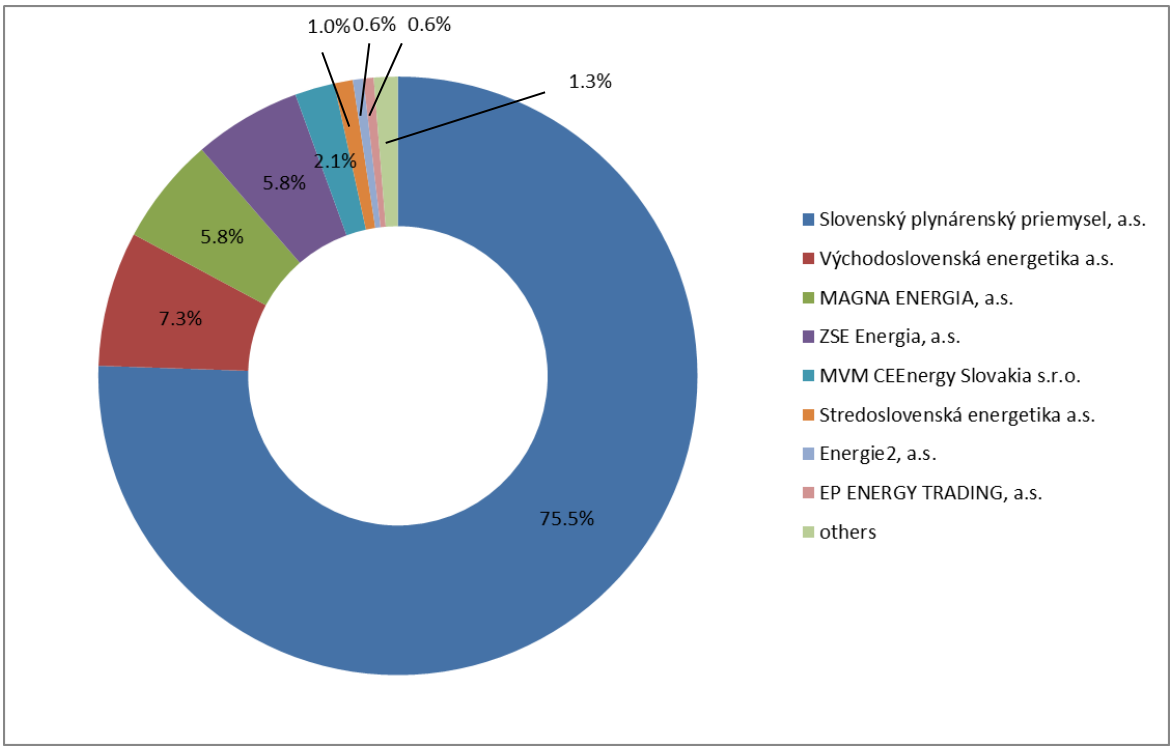


Entitled to regulated gas supply tariffs are vulnerable gas customers defined in Act No. 250/2012 Coll. and Act No. 251/2012 Coll. Vulnerable gas customers include, in addition to household gas customers, so-called small enterprises (non-household gas customers with annual gas consumption of 100 000 kWh or less in the preceding year) pursuant to Section 2(k)(4) of Act No. 250/2012 Coll. In addition, vulnerable gas consumers pursuant to Section 2(k) (6) and (7) of Act No. 250/2012 Coll. are also social service facilities, facilities for social protection of children and social guardianship, owners of flats and non-residential premises in a residential building consuming gas for heat generation and domestic hot water preparation for households, legally represented by a natural person or a legal person administering a common heat source supplying heat and domestic hot water to a residential building, and also for gas consumers using gas for the operation of a residential building house with rental flats owned by a municipality or a higher territorial unit, which are earmarked for social housing or for the operation of a residential building with rental flats within the framework of state-supported rental housing.

Market shares of gas suppliers to small enterprises (vulnerable gas customers as defined in Section 2(k)(4) of Act No. 250/2012 - non-household gas customers with consumption of less than 100 000 kWh in the previous year)



Market shares of gas suppliers to vulnerable customers (pursuant to Section 2(k) (6) and (7) of Act No. 250/2012 Coll.)

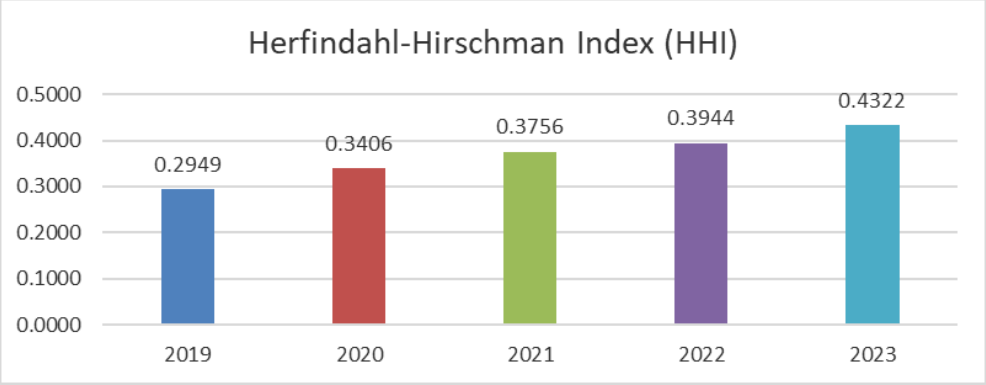


Supply of last resort

Pursuant to URSO's decision, the supplier of last resort in 2023 was again Slovenský plynárenský priemysel, a. s. (SPP) with the largest market share in all segments of the gas market. In 2023, the Office was not notified of any metering point in the last resort supply regime.

Herfindahl - Hirschman Index (HHI)

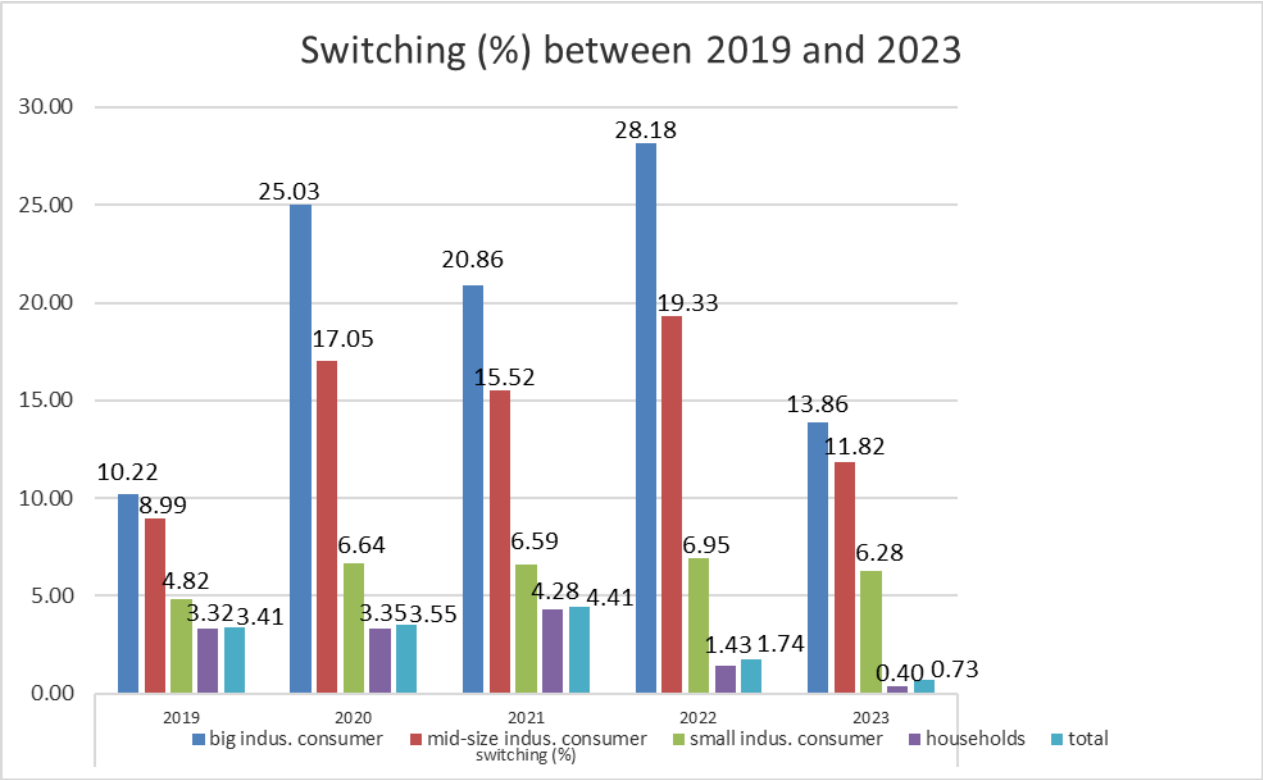
The purpose of the HHI is to assess the concentration of regulated companies (gas suppliers) in a competitive environment. The Office assessed the position of gas suppliers operating on the market for gas supply to all segments of gas customers. In principle, a market is concentrated if the HHI is more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



Switching

The level of liberalisation of the gas market is reported annually by means of a percentage coefficient, or switching. This reflects the ratio of the number of customer metering points with a change of gas supplier to the total number of customer metering points on the gas market in Slovakia.

Consumer category	No. of consumers who switched supplier					switching (%)				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
big indus. consumer	90	179	145	204	94	10.22	25.03	20.86	28.18	13.86
mid-size indus. consumer	284	478	415	535	321	8.99	17.05	15.52	19.33	11.82
small indus. consumer	3 687	5 093	5 151	5 251	4 843	4.82	6.64	6.59	6.95	6.28
households	48 000	48 481	67 067	20 738	5 826	3.32	3.35	4.28	1.43	0.40
total	52 061	54 231	72 778	26 728	11 084	3.41	3.55	4.41	1.74	0.73



In the year-on-year comparison between 2023 and 2022, the Office observed a decrease in the number of metering points with switching in all gas customers categories. There are several reasons for that. The lowest willingness to switching can be observed among household gas customers, as there are approximately 600 000 household gas customers on the gas market using gas only for cooking with an average annual gas consumption of less than 2.1 MWh. Customers with minimal gas consumption will not significantly improve their financial standing by switching supplier. The declining level of switching is also due to the legislative barrier to effective switching in Act No. 251/2012 Coll., with only one fixed date when a vulnerable customer can terminate their gas supply contract and switch supplier or switch to the unregulated segment of the gas market, thus putting a significant restraint on the gas consumers.

3. Consumer protection and alternative dispute resolution

Suggestions and complaints

In 2023 in general, as in the previous year, the negative impact of energy price increases on consumers continued, especially for business entities. As in 2022, the most common reason why consumers decided to contact the Office was energy prices, in particular electricity and gas, which remained volatile in view of market developments. It was not entirely clear to consumers, whether they had negotiated the right price, whether they had fulfilled the conditions for inclusion in the regulated segment or under what conditions they could have a state-regulated commodity price.

In 2023, the number of complaints handled by the Consumer Protection Department fell to 572 complaints overall, a drop of 111 complaints or 16.3% compared year-on-year. Again, as in the previous year, the Office received some complaints (52) which did not fall within the Office's powers and were subsequently referred to the competent authorities.

Number of complaints handled by the Consumer Protection Department

	2019	2020	2021	2022	2023
No. of received complaints	350	353	538	683	572
of which referred outside URSO	41	50	48	27	52
of which finalised by reply/opinion	223	222	388	530	477
of which finalised otherwise	86	81	102	126	43

In addition to the Consumer Protection Department and the Inspection Department, 21 complaints from natural and legal persons were received, two of which were included in the on-site inspection plan, two were referred to another public administration body and three submissions were used as a basis for administrative proceedings.

The Inspection Department had one complaint registered in the central register of complaints and petitions received by the Office, the handling of which had not been completed by 31 December 2023.

Alternative dispute resolution

According to Act No. 391/2015 Coll., URSO is the authority for alternative resolution of consumer disputes arising from contracts for connection to the electricity/gas distribution systems, contracts for to the distribution network, contracts for universal service in electricity

and gas, contracts for the supply and consumption of heat, contracts for the supply of drinking water and contracts for the collection of waste water, concluded with an entity carrying out a regulated activity pursuant to Section 1(c) of Act No. 250/2012 Coll. The Office also, pursuant to Section 9(1)(o) of Act No. 250/2012 Coll., carries out alternative resolution of consumer disputes of an electricity end-user, a gas end-user, a customer who uses the supplied heat for their own consumption, a water customer or a waste water producer who is a consumer pursuant to a special regulation. The Office also decides on the imposition of penalties for administrative offences committed in breach of the obligations laid down in the special regulation.

In the year under review, the Office received a total of five proposals for alternative dispute resolution. Of these, three were filed on the basis of Act No. 391/2015 Coll., where the party to the dispute was a natural person - consumer, and two proposals were filed in accordance with Section 37 of Act No. 250/2012 Coll., where the party to the dispute was a legal entity - end customer.

Out of the above-mentioned proposals, one proposal was rejected in accordance with the rules of alternative dispute resolution on the grounds that the submission was unfounded pursuant to Section 13(2)(c) of Act No. 391/2015 Coll.

One of the submitted proposals was rejected by deferral on the grounds that the consumer's rights within the meaning of Section 19 of Act No. 391/2015 Coll. were not violated.

In two cases filed on the basis of Section 37 of Act No. 250/2012 Coll., the relevant date lapsed. Both cases concerned billing and the entity against whom the application was directed concluded an agreement with the party to the dispute outside the alternative dispute resolution procedure, in which it partially complied with the claimant's demands.

In one case, the alternative dispute resolution was not concluded by 31 December 2023.

Statistics on alternative dispute resolution

	2019	2020	2021	2022	2023
Received ADR proposals	18	9	4	13	5
of which					
- rejected*	3	5	1	2	1
- agreement in favour of consumer*	3	0	1	1	0
- deferred or due date lapsed*	12	0	2	10	3
- reasoned opinion*	0	4	0	0	0
- ADR proposal handling not finalised before 31 Dec 2023	0	0	0	0	1
* legal grounds for termination of ADR within the meaning of Sections 17 to 20 of Act No. 391/2015 Coll. and Section 37 of Act No. 250/2012 Coll.					

In 2023, the most common reason for which consumers submitted proposals for alternative dispute resolution was billing, with 80% of claimants having doubts about the accuracy of a regulated entity's billing. Consumers demanded an investigation into the accuracy of metered consumption data, of the supplier's billing of their consumption and subsequent correction or revision of the consumer bill issued, and 20% of the requests related to contractual terms and conditions. The circumstances causing the majority of alternative consumer disputes resolved are the large differences between regulated and unregulated prices, lack of communication from the regulated entity or between the consumer and the regulated entity, and lack of knowledge and awareness on the part of consumer of their rights, and in particular of their obligations under the law.

It can be concluded that both regulated entities and consumers generally comply with the conclusions of consumer dispute resolution. The Office has no information to suggest that there is a disregard for, or deliberate violation of, the conclusions of alternative dispute resolution. Raising consumer awareness of the possibilities for resolving their issues, as well as increasing the experience of those in charge of the alternative dispute resolution can contribute to improving the effectiveness and quality of alternative dispute resolution. The fact is that if one of the parties is unwilling to conclude an agreement, the Office has no choice but to terminate the proceedings with a reasoned opinion.

Quality standards

By monitoring quality standards, the Office protects the consumer's right to receive adequate quality for the price they pay for energy and water in the context of a regulated entity's dominant position. The decrees establishing the quality standards primarily seek to protect the consumer under conditions of dominance of a regulated entity operating in one of the network industries. Compensation payments have a supporting function in quality standards regulation, which aim to incentivise regulated entities to increase the level of compliance with quality standards and to make investments that will enhance safety, stability and development of the regulated entities' infrastructure.

Number of received evaluations and recorded events in electricity

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

Number received evaluations and recorded events in gas

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

Overview of compensation payments made

Regulated activity		**Compensatory payments paid**
Electricity	transmission	0,00 €
	distribution	248 878.25 €
	supply	11 142.64 €
	Total	**260 020.89 €**
Gas	storage	0.00 €
	transmission	0.00 €
	distribution	3 780.00 €
	supply	6 811.58 €
	Total	**10 591.58 €**
TOTAL		**270 612.47 €**

A total of EUR **270 612.47** of compensation payments was made to electricity and/or gas consumers in 2023.

4. International cooperation

Like 2022, 2023 was also marked by turbulent developments in the energy sector. Despite persistent challenges, security of energy supply in EU countries has been maintained. In response to the energy price peak in August 2022, the EC initiated discussions on a proposal changing the EU electricity market design. The aim of the reform was to make electricity prices less dependent on volatile fossil fuel prices, to protect consumers from price spikes, to speed up the deployment of renewable energy and to improve consumer protection. It also introduced restrictive measures against Russia, including a complete ban on imports of hard coal and a ban on imports of oil transported by sea. The EU has phased out imports of Russian hard coal completely, cut its dependence on Russian oil by around 90%, and imports of Russian gas fell by 75% between March 2021 and March 2023. The commodity market situation has thus become volatile, difficult to predict, with a strong emphasis on managing production and

consumption. The massive generation of electricity from RES requires investments in flexibility and energy storage and mandatory energy savings trigger changes in demand management.

Given the continued tight balance between supply and demand, gas supply disruptions can have a significant impact on gas and electricity prices, significantly damaging the economy, reducing competitiveness, market liquidity and negatively impacting the whole chain. Consumer protection is one of the priority issues that received considerable attention during 2023.

The importance of cross-border cooperation and solidarity between regulators, particularly in a regional context, opens up opportunities to use and share a set of tools and expertise to address cross-border and global issues in a coordinated manner.

Faced with an energy crisis, the EU stepped up its efforts and accelerated the deployment of renewable energy technologies. Overall, the share of renewables in the energy mix increased significantly during 2022 and 2023 and the EU agreed to accelerate the deployment of renewables, with a target of 42.5% of the EU energy mix by 2030 and an ambition to reach 45%.

2023 was a challenging and extremely active year in the adoption of EU legislation, guidelines or recommendations with an impact on national activities:

- RED III - Directive (EU) 2023/2413 of the European Parliament and of the Council of 18 October 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources,
- EED - Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955;
- In March 2023, the process of revision of two important pieces of legislation, REMIT II and EMD - Electricity Market Design - was launched, with negotiations on the revision package underway by end of 2023;
- negotiations on the hydrogen and decarbonised gas market package – ongoing in 2023;
- Council Regulation (EU) 2023/706 of 30 March 2023 amending Regulation (EU) 2022/1369 as regards prolonging the demand-reduction period for demand-reduction measures for gas and reinforcing the reporting and monitoring of their implementation;

- Commission Implementing Regulation (EU) 2023/1162 on interoperability requirements and non-discriminatory and transparent procedures for access to metering and consumption data;
- AFIR: Regulation (EU) 2023/1804 of the European Parliament and of the Council of on the deployment of alternative fuels infrastructure;
- Council Regulation (EU) 2023/2919 amending Regulation (EU) 2022/2576 (enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders) as regards the prolongation of its period of application;
- Council Regulation (EU) 2023/2920 amending Regulation (EU) 2022/2578 (establishing a market correction mechanism to protect Union citizens and the economy against excessively high prices) as regards the prolongation of its period of application.

URSO representatives continued to be active members of a number of thematic ACER and CEER working groups during 2023. The Office collaborated in the development of methodologies, commenting on documents, common electricity and gas market rules, strengthening cross-border energy infrastructure and monitoring and surveillance of wholesale energy markets. A significant activity of the Office in the context of the development of the single electricity market was its involvement in working groups composed of representatives of the Core Capacity Calculation Region regulators (and transmission system operators), who intensively discussed, drafted, commented on and amended proposals of common rules for the coupling of day-ahead, intraday, long-term and balancing electricity markets.

In gas, discussions were held on the forthcoming legislative package for the hydrogen and decarbonised gas market. In line with the storage filling obligation specified by the European Commission, the introduction of the German neutrality charge had a negative impact on the development of transit tariffs and the issue was addressed at different working group levels throughout the year. Underground gas storage facilities increased in significance also in terms of security of supply.

Foreign business trips of URSO's staff during 2023 contributed to the execution of its tasks, sharing expertise and experience, participating in conferences and resulted mainly from the fulfilment of the Office's obligations arising from its membership in international organisations and relevant working groups (in particular ACER, CEER, ERRA or the Core capacity calculation region). A significant part of the obligations was to ensure the implementation of common rules for the single electricity and gas market in the EU, to address the issue of the energy crisis and high energy prices and the related consumer protection. In the framework of

the ongoing TSI (Technical Support Instrument) project, workshops were held with partner regulators (Spain and Hungary) to share experience on the transposition of Directive (EU) 2019/944 into national legislation.

REMIT

Regulation (EU) No. 1227/2011 of the European Parliament and of the Council of 25 October 2011 on Wholesale Energy Market Integrity and Transparency (REMIT) establishes rules for market participants active in the wholesale electricity and gas markets. The Regulation aims to deepen trust in the integrity of trading on wholesale markets in the EU, while prohibiting insider dealing and market manipulation, including its attempts. During 2023, a comprehensive revision of this regulation was underway to adapt the legislative framework to be able to respond adequately to new market challenges, to better address cases of market manipulation with cross border implications and the use of algorithmic trading. URSO International Relations Department was actively involved in the relevant commenting procedures.

On the basis of Act No. 250/2012 Coll. with effect from 1 September 2012, the Office performs registration of wholesale energy market participants, investigates suspicious cases of market abuse and has power to impose sanctions in the event of REMIT breaches. Market monitoring and cooperation between national regulators at cross-border European level is coordinated by ACER. In close cooperation with ACER, which screens suspicious behaviours from reported transaction data, the Office reviews alerts received on a regular basis. Other means (in addition to the regulator's own monitoring) by which potential REMIT breaches are brought to the attention of the regulator for investigation are reports from energy exchanges or other trading and broker platforms (PPATs), or anonymous notifications from market participants. This activity was also pursued by the Office during 2023.

In accordance with Commission Implementing Regulation (EU) No. 1348/2014 on data reporting implementing Article 8(2) and (6) of REMIT, market participants are obliged to register in the national register of market participants (CEREMP) and report wholesale transaction data through delegated parties, so-called registered reporting mechanisms (RRMs) authorised by ACER.

As of 31 December 2023, a total of 175 market participants operating on the Slovak wholesale energy market were registered in the national register administered by URSO. The majority of

the market participants reported transaction data to ACER through two Slovakia's RRMs, OKTE and Solien.

Twinning projects

During 2023, URSO continued its EU twinning project with partner institutions from Italy and Greece to provide technical assistance and capacity building to two Palestinian governmental bodies: PENRA (Palestinian Energy and Natural Resources Authority) and PERC (Palestinian Electricity Regulatory Council).

URSO also began participation in a twinning project for the Malawi Regulatory Authority (MERA) in 2023. The twin consortium of providers is led by the Italian agency Gestore dei Servizi Energetici GSE SpA and URSO acts in this project as junior partner.