

## LEGISLATION STATUS AT GOVERNMENTAL REGULATION OF NETWORK INDUSTRIES

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The main objective of the regulation in the network industries is to assign the balance between the consumers and investors, as well as to support the supply of products and services of good quality. The role of the a regulation oggice is to protect the consumers' interests against monopol of regulated companies. Moreover, the regulation office has to protect the investors by offerinf a possibility to achieve a measured return of investments. The regulation body must then provide the regulated companies some impetus to operate efficiently.

The name of the conference is really pertinent. After conclusion of the Accession chapter on energy, there are huge restructuralisation processes in network industries, privatisation, market opening with the electricity and natural gas, approximation of regulatory rules in network industries and concerning modification of primary and secondary legislation.

The role of the URSO (Office for Regulation in Network Industries) is central in the legislation process. Experience in current year proved the need for processing of real content of regulation in network industries, including regulation of fee for water and sewage distribution and regulation of activites emerging from electricity and gas market opening (in the form of URSO's regulation). These regulations will contain extent and all needed regulation measures in network industries, including public dusts and sewerages and will therefore be basis for energy law novelisation as well as for law on regulation in network industries. The refernces in the law will be precised and the legislative process will end by issuing respective ordinances. The same procedure was employed in other transformation countries or they employed a form of governmental regulations.

The main reason of this procedure is the lack of time. We are being established as one of the last regulation bodies in transforming coutries and we plan

to finish the process before our accession to the EU. Contrary to Slovakia, in other countries the process endured much longer, such as in Great Britain where the process of regulation's implementation in gas industry lasted for 48 months. In such a long period, the secondary and primary legislation can both be processed. We discarded a method of legislative modifications in form of a number of small amendments of primary energy legislation and we are being preparing a big novelisation of energy law. This novelisation will be based on definitive knowledge of energy market and regulation methods in network industries. This manner will allow to define new notions, to avoid confused interpretations and according to office's decisions on regulation to examine new regulation methods.

The legislation's modification in regulation of network industries was launched by issuing of decision on the way of maximal prices for natural gas supply's way of the December 6, 2001 that was issued in the Official Journal with number 523/2001. The obligation for the URSO, stemming from the Act n° 276/2001 Z.z. was then accomplished and the regulation danger in continuing gas industry privatisation was eliminated.

In connection with privatisation of distribution companies, the URSO decided on the scope of prices regulation on March 3, 2002 (prices were for distribution of electricity to protected consumers and justified consumers). A clear and transparent way of regulation of electricity distribution was established for the first three months of regulation and the process of privatisation was then optimised.

Elaboration of regulation's manners would not be possible in such a short period without foreign consulting companies. In the field of regulation of natural gas, such a company was the EA Technology from Great Britain and in the field of electricity, it was the NERA from Washington.

In the field of district heating, the regulatory framework is being prepared by the EGU Bratislava, in cooperation with the CITY PLAN from Prague and with support of the World Bank. The Regulation Council, at its discussion on June 26, 2002 approved in this field a method of competition, which will be processed in form of decision on price regulation's scope in supplying the heat. It is an alternative modelling of transition to substitution heating and the competitive price will be concluded from long-term marginal costs of individual gas heating. We want to use a linear balance model GEMIS, so that the calculation will be faste and simpler. The

model was developed by Öko-Institut in Darmstat in cooperation with University of Kassel, on the order of the Hessen's Ministry of Environment.

Other regulation's decisions the Office must issue, are in connection with the market of electricity opening. It concerns the activities of the companies that will be even after the market liberalisation in the monopoly status, such as system services of superior systems (SEPS), support services (SE) and services of market operator. By the short-term electricity market opening, the prices of electricity generation will be regulated. These activities are assigned by the Office in cooperation with the NERA.

By indirect amendment of the Act on regulation in network industries n° 276/2001 Z.z., the Office has for task also price regulation in the field of public ducts and public sewages. In this network industry, the URSO has to process the way of maximal prices calculation.

All the URSO's price decisions must be prepared in a manner, so that all prices and tariffs will, by the time of competence in network industries transfer from Ministry of Finance to URSO (so January 1, 2003), be accomplished and issued in form of Decisions.

Thus, a current problem in this year is a cummulation of beginnings of regulatory periods for all regulated activities. The problems with appointed dates will emmerge in the fields, where the regulated activites are arranged step by step, such as generation and distribution of electricity or gas industry and heat supply. These time discrepancies must be rescheduled, so that we can prepare a quality price proposals.

From the January 1, 2003, the URSO has task of supervision on accomplishment of license conditions, on methodology of maximal prices and tariffs calculation and on carrying out the complaints of consumers. In this field, we attempt to integrate the technical supervision and the price supervision with existing regional branches of Slovak Energy Inspection, which will economise the costs and will coordinate related activities directly in the regions. The future of supervision activity will be determined by the amendment of energy acts, but we are now installing basis for its integration.

We are on mid-way of distinct changes in the energy sector. There is no time for analyses and conclusions but for concrete work. We are determined to finish this task within the accession process before accession of Slovakia to the EU, without transitional periods. Therefore, I ask all those, who are participating in this process, to

free themselves from stereotypes, to accept new ways of regulation and thus to accomplish our accession ambitions in the field of energy.

Finally, I thank the present representative of the World Bank for its financial aid, mentioned consuming companies for their cooperation and regulated companies for their adaptiveness.